

**THE SECTION 8 SAVINGS ACT OF 2011:
PROPOSALS TO PROMOTE ECONOMIC
INDEPENDENCE FOR ASSISTED FAMILIES**

HEARING
BEFORE THE
SUBCOMMITTEE ON
INSURANCE, HOUSING AND
COMMUNITY OPPORTUNITY
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS
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**THE SECTION 8 SAVINGS ACT OF 2011:
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Thursday, October 13, 2011

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INSURANCE, HOUSING
AND COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:20 p.m., in room 2128, Rayburn House Office Building, Hon. Judy Biggert [chairwoman of the subcommittee] presiding.

Members present: Representatives Biggert, Hurt, Miller of California, Capito, Westmoreland, Dold, Stivers; Gutierrez, Waters, Watt, Sherman, and Capuano.

Also present: Representatives Chabot and Al Green of Texas.

Chairwoman BIGGERT. This hearing of the Subcommittee on Insurance, Housing and Community Opportunity will come to order. We will begin with our opening statements, and I will recognize myself for 4 minutes.

Good afternoon, and welcome to today's hearing, the second in a series to examine proposals to reform HUD's Housing Choice Voucher Program, or Section 8. As I mentioned during our first hearing, over the last decade, the Section 8 Program's costs have grown by almost 80 percent and consume over 61 percent of HUD's budget. In 2002, Section 8 appropriations were \$15.6 billion, and in Fiscal Year 2011, they amounted to \$27.6 billion. This rate of growth is unsustainable. The draft legislation that we will examine today aims to address these escalating costs.

In addition, for many years we have heard about the long waiting lists, hundreds of thousands of individuals and families simply having their name on a list and never receiving a dime of housing assistance. Thus by cutting red tape, enhancing the delivery of housing assistance, and promoting economic independence, today's proposals aim to help public housing authorities and communities across the country to improve services to the people currently receiving assistance and ultimately serve more people.

For too long, both HUD and Congress have allowed assisted housing to continue in a form deemed good enough, the results of which are clear to see in ever-impooverished neighborhoods across our country. The Section 8 Program has its results: never-ending, indeed, hopelessness and despair.

In my opinion, the Section 8 culture of “good enough” is not good enough. We can and we must do better. Today, we welcome a number of witnesses who will highlight creative solutions that their communities have implemented to achieve the goals of better serving people in need and maximizing the impact of taxpayer dollars dedicated to the Section 8 Program. They represent organizations that have cut red tape, improved services, and are willing to work to help people stand up on their own two feet so that others who are standing in line can also be served.

One of today’s witnesses, Ms. Warren, will discuss many of the successes that have been achieved in Chicago, Ranking Member Gutierrez’s and my hometown. Families in Chicago are succeeding in breaking the cycle of generational poverty. We will hear about the positive citywide impact of Chicago’s redevelopment efforts. Gone are the days of Cabrini-Green.

Our goal for Section 8 reform is to provide more than just a roof over the heads of struggling families. A modern, efficient, effective Section 8 Program should give local housing authorities the flexibility they need to help recipients get back on the path to self-sufficiency. By linking rental assistance with new opportunities for job training, employment, financial literacy, and education, we can help more families achieve economic independence. Today’s hearing will shed light on how Congress, HUD, local public housing authorities, and communities can improve the Section 8 Program to do a better job of helping individuals and families in need.

I would also like to note for the members of the subcommittee from both sides of the aisle that similar to our effort earlier this year to shape reforms to the National Flood Insurance Program, as we continue to draft Section 8 reform measures, I welcome your concerns, your ideas, and your participation in this process.

With that, I recognize Ranking Member Gutierrez for his opening statement.

Mr. GUTIERREZ. Good afternoon. I want to thank the gentle lady from Illinois, my friend and my colleague, and of course, the chairwoman of the subcommittee, for holding this hearing and for keeping housing voucher reform on the agenda. I would also like to welcome our witnesses and thank them for being here today as we discuss the newest draft of the Section 8 Savings Act, or SESA.

SESA represents a lot of effort from both sides of the aisle. We all understand how important this issue is, and we continue to hear from public housing authorities, tenant groups, policy experts, and HUD, all of whom want us to enact commonsense improvements to Section 8 that will save money and help agencies be more efficient and effective in serving families in need.

Like previous versions, the newest draft contains some important provisions on which we can all agree. These provisions streamline inspection requirements, simplify rent rules and economic calculations, and expand family self-sufficiency Programs. They give public housing authorities more needed flexibility to meet the needs of their communities in the face of funding cuts.

I have concerns about some provisions in the new bill that I believe would undermine these vital reform efforts. The draft includes a higher minimum rent that could lead to increases in homelessness by pricing out the lowest-income families. The proposal also

ties many of the much-needed reforms to a new self-sufficiency demonstration that comes with a real cost to the agencies. I believe there are better ways to encourage voucher recipients to work and save.

I also have to voice my serious concerns about the second bill for discussion, which proposes a massive expansion of Moving to Work demonstration Programs and makes it permanent. Although some public housing authorities, including a few represented here today, have been able to claim success under MTW, there is little evidence to justify a wholesale expansion.

The design of MTW demands that we take a good look at this Program. As it currently exists, it does not require the necessary assessments and reviews to establish the Program's impact. For example, in some cases it seems that fewer families are served and the allowed flexibility has made it harder for extremely low-income families to get housing assistance of any kind. This is exactly what effective reform should prevent. Furthermore, there is reason to doubt HUD's capacity to manage a large-scale expansion of MTW, especially if no additional funds are authorized. The risks of this proposal far outweigh the potential rewards. Again, there is reason to doubt HUD's capacity to manage large-scale expansion, especially with no additional funds authorized.

The Section 8 Savings Act contains many provisions that we can agree on. I hope that we can focus on those points of agreement instead of dwelling on the issues that divide us. We have an opportunity here, and I hope we take it. Our constituents deserve no less.

I want to thank my friend, Chairwoman Biggert, and I look forward to hearing all of the testimony today, and I would also like to enter into the record a statement from the National Low Income Housing Coalition.

Chairwoman BIGGERT. Without objection, it is so ordered.

Mr. GUTIERREZ. I thank the gentlelady.

Chairwoman BIGGERT. Thank you, Mr. Gutierrez.

I ask unanimous consent that Representative Chabot of Ohio be allowed to be seated and to participate with the subcommittee at today's hearing. So ordered.

The Chair recognizes Mr. Miller of California for 3 minutes.

Mr. MILLER OF CALIFORNIA. Thank you. I would like to thank the chairwoman for convening this hearing today on the Section 8 Program.

In addition to the Section 8 Savings Act discussion draft, the hearing includes consideration of a discussion draft of the bill I plan to sponsor on the Moving to Work Program. In general, this bill would make the Moving to Work Program permanent, remove the cap on the number of agencies that can participate, improve reporting requirements so HUD can effectively evaluate the PHA Program, and increase protective measures for assisted families.

During the drafting process of this bill, I heard concerns regarding resident protection and incidents of management misconduct that have drawn some attention away from the great work so many of the MTW agencies have done. I acknowledge it is impossible to entirely prevent misconduct, or management or mistreatment of a resident at any PHA, whether an MTW agency or not. We must do

our best to prevent it on a systematic level. To address this valid concern, my bill includes provisions to protect residents and hold management accountable for their performance without losing the flexibility that allows MTW agencies to be at the forefront of innovation.

For far too long, we have accepted the notion that compassion in housing assistance was defined by the amount of dollars spent and not by the manner in which assistance is provided. At this time of considerable budget constraints, it makes sense to give PHAs flexibility to help them improve the quality and effectiveness of their Programs without increasing costs. The MTW Program allows PHAs to have the flexibility they need to be innovative in serving residents and helping them become employed and economically independent.

Last year, HUD released a report about the Program and found that the agencies with the MTW designation are encouraging economic independence through rent reforms and services, while reducing costs without negatively impacting the residents. Specifically, the report states that, "MTW agencies have actually served substantially more families than they would have been able to serve without MTW by streamlining operations and using accumulated funds to administer new assisted housing units."

There are currently 33 PHAs of the Moving to Work designation out of over 3,000 MTWs. That is over 1 percent of the housing authorities in the United States. It is time for Congress to remove the arbitrary cap on this successful Program. Any bill our subcommittee passes on Section 8 reform must include an expansion of the Moving to Work Program.

I am grateful that the chairwoman included my discussion draft in today's hearing, and I look forward to working with her to include it in the broader Section 8 reform bill, and I really look forward to hearing the panel today and the witnesses. You have expertise we are really looking forward to hearing, and I just support you in all you are doing. Whether you are a PHA or an MTW, it doesn't matter, you all are doing a great job. Thank you, I yield back.

Chairwoman BIGGERT. The gentleman from North Carolina, Mr. Watt, is recognized for such time as he may consume.

Mr. WATT. Thank you, Madam Chairwoman, for that generous recognition. As much time as I may consume, that is pretty generous.

Chairwoman BIGGERT. Within 7 minutes.

Mr. WATT. Oh, up to 7 minutes, okay. I thought there had to be some catch to this.

I appreciate the gentelady yielding me time, and I appreciate the hearing. I am not going to comment on the bill itself, the proposal, but I did want to go out of my way to be here to welcome one of my outstanding housing authority directors, Mr. Larry Woods, who is one of the witnesses today. He is one of a number of very outstanding housing authority directors in my congressional district in Winston-Salem, in Greensboro, in Salisbury, in Charlotte, in High Point, and a couple of smaller ones in Davidson County, North Carolina, who have really done outstanding jobs trying to professionalize the housing authorities. Sometimes that has

worked very well, and sometimes it has worked to their disadvantage, because over the last few years, as the chairwoman knows, there has been a strong move to make housing authorities be more self-sufficient. And, in fact, the Winston-Salem Housing Authority is one of those housing authorities that has used that flexibility to become more self-sufficient, and built up substantial reserves only to have our institution now saying to them, we are going to take back those reserves that you have built up over time, using the business model that you all have been pushing over all this time.

It does not provide the kind of incentive for these housing authorities to do what you all ask them to do, to be innovative and entrepreneurial, if as soon as they innovate and entrepreneur and build up reserves, following that process, the appropriators in our institutions say, we have a budget crisis, and therefore we are going to take your reserves that you have built up over time using this entrepreneurial approach and use them to balance the Federal Government's budget.

So I wanted to put that on the table. It is a concern that a number of my housing authorities have expressed, in particular the Winston-Salem authority. I am sure he is not here to testify about that today, but I am not as constricted as he is or might be in the things I can comment on, especially since you yielded as much time as I may consume.

So in the area of innovation, with respect to moving people to work, our housing authorities have also been very innovative, but I would encourage the Chair and the members of the committee who invited Mr. Woods as a witness to be here to listen carefully to what he is saying in his testimony, because the notion that this bill would move us more toward a one-size-fits-all approach with a set of regulations that constrict local housing authorities to really innovate and partner with social services organizations in their communities—listen carefully to what his testimony is saying. If you constrict that, he is going to tell you pretty clearly, I am not a social worker, I am not—I am in the housing authority business, and you can't expect the housing authorities to solve all of the problems and put everybody to work doing a bunch of things.

So I don't want you to miss the point that you invited the witnesses here to try to advance the cause of moving this bill, because while the concept of moving people to work is absolutely something that we support and not making them permanent public housing residents, the method by which that is done can vary from community to community, and to set up a bunch of rules in a piece of legislation that makes it impossible for communities to really take advantage of community partnerships or social services departments, the Urban League, some of the partners that Mr. Woods has partnered with in the community to accomplish that, I think you might be tempted to miss the point.

So I appreciate the gentlelady yielding me a generous amount of time, and I appreciate the gentlelady having the hearing. Unfortunately, I have a Judiciary Committee markup that I have to be in, so I may miss the testimony, but I didn't want to miss the opportunity to welcome Mr. Woods in particular, and all of the witnesses, and to make the points that you so generously gave me time to make.

I yield back, Madam Chairwoman.

Chairwoman BIGGERT. Thank you.

And I might just say that on your first point, we really need to look to the appropriators, and that is really not this committee, because I would agree with you as far as what is happening.

On the second point, I think if you look at the legislation, we really—the thing that we are trying to do is have more flexibility and to have more local partnerships and coalitions, so I think that you will be pleasantly surprised to see that really is in the legislation.

Thank you for being here.

With that, I recognize Mr. Westmoreland for 1½ minutes. I can't be as generous on this side.

Mr. WESTMORELAND. I want to thank the chairwoman for yielding and for holding this hearing.

Every year, the Section 8 Program consumes a larger share of HUD's annual budget. For 2011, Section 8 Programs consumed 61 percent of HUD's budget. This is unacceptable. The committee and HUD must get serious about structural reforms to both Section 8 and HUD.

I applaud the chairwoman and her staff for working diligently on the discussion draft. It is much improved from prior versions and focuses on moving public housing authorities in the Section 8 Program to do more with less by leveraging public/private partnerships to serve the community.

I also want to thank Mrs. Hope Boldon for testifying today. Mrs. Boldon, I appreciate your drive and all your commitment to all Georgians in what you do. Your work with the Atlanta Housing Authority is a model for large metropolitan areas to integrate their services to the community, and I thank you for that.

Importantly, the Section 8 bill being discussed today is only the first step in what must be a larger effort to reform HUD itself. HUD's problems are systemic and cannot just be addressed on a Program-by-Program basis. For too long, HUD Programs have been poorly managed, and taxpayers' hard-earned money has been wasted. It is time for HUD to wake up and realize that these lapses in public confidence cannot continue.

I look forward to hearing all the witnesses today, and, Madam Chairwoman, I yield back.

Chairwoman BIGGERT. Thank you.

Mr. Dold of Illinois is recognized for 1½ minutes.

Mr. DOLD. I want to thank the Chair. Thank you, Madam Chairwoman, for holding the hearing and giving us an opportunity to talk about these important issues on housing.

I think that most Democrats and most Republicans can agree on several fundamental housing principles: first, we must have a basic safety net to help provide housing for those who cannot provide for themselves; second, our ultimate overall objective is to move as many people as possible into self-sufficiency as quickly as possible; third, we must carefully consider the viewpoints of our public housing authorities who have the expertise, the experience, and we must provide them the adequate flexibility; and finally, as with all other government Programs, we must ensure that we have the adequate checks and balances, systems and controls to ensure that

transparency, accountability, cost-effectiveness, and ongoing improvements are made. We must ensure that the scarce taxpayer resources are used efficiently and wisely, while also minimizing and detecting fraud and waste. We must establish standards and benchmarks against which we can systematically measure the results and identify improvement areas for both beneficiaries and taxpayers.

Failing to do these things will harm Program beneficiaries the most because their resources get wastefully diverted while taxpayers become less willing and less able to fund the necessary Programs. I think this discussion draft moves us a long way towards those fundamental common principles, and I look forward to hearing from our witnesses and working with my Democratic colleagues and Republican colleagues to make this positive difference for the housing beneficiaries, service providers, and our taxpayers.

I yield back.

Chairwoman BIGGERT. Thank you.

The gentleman from Virginia, our vice chairman Mr. Hurt, is recognized for 1 minute.

Mr. HURT. Thank you, Madam Chairwoman.

I am grateful for your commitment to reforming and strengthening the Section 8 Voucher Program. This Program consumes a growing portion of HUD's annual budget, growing from \$15 billion in 2002 up to \$28.5 billion in the Administration's Fiscal Year 2012 budget requests, and now accounting for over 60 percent of HUD's budget.

With our Nation over \$14 trillion in debt, the citizens of my district, Virginia's Fifth District, expect us in Congress to closely scrutinize Federal Programs, eliminate costly administrative inefficiencies, and enact reforms that yield results. The legislation our subcommittee is considering today will reform the Section 8 Program to better serve those who are in most need of assistance by promoting independence, self-sufficiency, and prosperity for the Program's beneficiaries.

It is my hope that the witnesses testifying before our subcommittee today will prove that when given sufficient flexibility, local housing authorities can innovate, develop solutions, and achieve those results. By removing bureaucratic red tape and burdensome regulations, we can empower these entities to better assist the populations that we all serve.

Again, I want to thank the Chair for holding this hearing today, and I look forward to the testimony of each of you who have joined us today. Thank you. I yield back.

Chairwoman BIGGERT. Mr. Green, do you have an opening statement?

Okay, thank you.

I would ask unanimous consent that Mr. Chabot from Ohio have 1 minute for an opening statement.

Mr. CHABOT. Thank you, Madam Chairwoman, and I thank you and the ranking member for allowing me to speak and be a part of this hearing. Like Mr. Watt, I also have a markup in the Judiciary Committee, and, in addition, I have a markup in the Foreign Affairs Committee as well, so I will be bouncing back and forth.

The Section 8 Program, in my view, is broken, and I applaud this committee for taking up this important reform legislation. Any reform legislation we pass in this Congress must include a path for people to achieve self-sufficiency. A part of that path is enforcing—setting enforceable time limits. A Section 8 voucher, for example, is not intended to be, and should not become, a permanent entitlement. Temporary assistance should be just that, temporary.

We also need to ensure that this legislation protects our neighborhoods, holding both tenants and the owners of Section 8 and public housing responsible for the quality and the safety of the buildings, the residents, and the community. Convicted felons, sex offenders, and illegal aliens should not be allowed to participate. Those who violate our local laws and ordinances should also be barred from eligibility.

Lastly, we need to support efforts to expand the Moving to Work Program, which has been mentioned here already this afternoon. Our goal should be to ensure that local public housing authorities are accountable not to the bureaucrats in Washington, but to the communities they serve. I look forward to working with this committee to come up with more sensible solutions to protect our communities, and I thank you again for allowing me to participate.

Chairwoman BIGGERT. Thank you.

Without objection, all Members' opening statements will be made a part of the record.

Now, I would like to introduce the panel of witnesses. Thank you so much for being here.

We have: Mrs. Hope Boldon, president and chief operating officer, Human Development Division of The Integral Group LLC; Mr. Larry Woods, chief executive officer, Housing Authority of Winston-Salem; Ms. Kris Warren, chief operating officer, Chicago Housing Authority; Mr. Will Fischer, senior policy analyst, Center on Budget and Policy Priorities; and Mr. Greg Russ, executive director and chief operating officer, Cambridge Housing Authority.

Thank you all for being here. Without objection, your written statements will be made a part of the record, and you will each be recognized for 5 minutes to summarize your testimony. And we will start with Mrs. Boldon. You are recognized for 5 minutes.

STATEMENT OF HOPE C. BOLDON, PRESIDENT AND CHIEF OPERATING OFFICER, HUMAN DEVELOPMENT DIVISION, THE INTEGRAL GROUP LLC

Ms. BOLDON. Thank you. Good afternoon, Chairwoman Biggert, Ranking Member Gutierrez, and members of the subcommittee. I am honored to appear before you to discuss with you the Human Services Management Program that we have evolved, developed, and implemented in Atlanta over the last 10 years.

Knowing that I don't have much time, I would like to start with a story that demonstrates exactly what we do. Early in HOPE VI—and this is an evolution from the HOPE VI model that we developed using that framework, and those funds, and the requirements—and early when we were working with the first HOPE VI communities, we had a family on our roster. This family had two disabled parents. One had a mental disability, and the mother had a physical disability and was wheelchair-bound. They had two able-

bodied children, very bright, very smart. The daughter, who was 12 years old at the time when we started working with her—understand that these children became teenagers on our watch. The daughter was 12 years old. She was managing the family business, and she was handling the family's financials at 12.

We started to work with the family, and discovered that though she was doing a pretty decent job, she had begun to become disrespectful to her parents. There was no adult leadership in the house, and our staff took that place in the household. They became—they had the vision for the family, they engaged the family in positive thinking about their futures, they began to go to PTO meetings with the mother and then for the mother. They made sure they had summer Programs. We got them a tutor from one of the close colleges, and they started to pick up with their schoolwork. In the meantime, we made sure that the parents met their appointments, got their therapy, whatever they needed, and even had their wheelchairs repaired.

When she was 17, she became pregnant. We supported her through the pregnancy, got her back in school, and she graduated a year later.

When our contract ended—and this took about 5 years because this was HOPE VI funds—when the contract ended, we thought, at least we had given them some stability as young adults. Fast forward to August 2011. One of my staff, the one who had worked with that family for 5 years, came back from lunch all excited and said, “I just went to the Chase Bank to see about my money, and my teller was that young lady that I helped from the time she was 12 to the time she was 18. She says she has left public housing, she is looking after her mother in her own condo, she is looking after her 5-year-old daughter, and she is back in college.”

I tell you that story because the work that we do is so complicated, I could never tell you about it in 5 minutes, and I want to leave you with a PACT, P-A-C-T. This is what our Program is about. First of all, we designed it with principles of human development that have been proven; that is the “P.” We hold everybody accountable; there is your “A.” We hold the housing authority accountable, we hold all the agencies and other service providers that work with us accountable, and we hold our own staff accountable. “C,” we counsel, coach, and connect our staff. We don't give direct services, but we are the conductor of the symphony that is people's lives, and we make sure that we pick the right agencies and hold everybody accountable to the outcome of the family's goals for life. And then “T,” we recognize that this kind of work took a long time in the happening, and so it is going to take a long time in the solution, and so we realize that families don't start to work with you unless they trust you. So there is our double “T,” time and trust.

Now, on our way here from Atlanta, we were able to upload the boarding passes onto our BlackBerrys if they work and then scanned them in the airport, and I just thought what an enormous source of brain power allowed that to happen. Now, I know that source of brain power can be focused to solve the problems in public housing.

Thank you.

[The prepared statement of Ms. Boldon can be found on page 34 of the appendix.

Chairwoman BIGGERT. Thank you very much.

Mr. Woods, you are recognized for 5 minutes.

STATEMENT OF LARRY C. WOODS, CHIEF EXECUTIVE OFFICER, HOUSING AUTHORITY OF WINSTON-SALEM

Mr. WOODS. Chairwoman Biggert, Ranking Member Gutierrez, and members of the subcommittee, good afternoon. Thank you for the opportunity to testify.

My name is Larry C. Woods, and I am the chief executive officer of the Housing Authority of the City of Winston-Salem in North Carolina. I have over 25 years of leadership experience in the field of housing and economic development. I also grew up in public housing. The authority I represent has approximately 1,300 public housing units. We administer 4,600 housing choice vouchers. We manage another 400 nonpublic housing units as well as two office buildings.

I joined the housing authority in December of 2006, knowing that funding was shrinking. I realized that in order for the housing authority to survive and fulfill its mission, there had to be operational changes. Additional income streams needed to be created, and the creation of new private- and public-sector partnerships developed.

It is clear to me our focus is and needs to remain housing management and community development. I also recognize that the availability and accessibility of performance-based residence services are vital to the advancement and well-being of the individuals and families we serve. Each family problem is extremely complex and uniquely challenging, requiring a multidisciplinary and holistic approach.

As real estate managers and development professionals, we need to do what we do best, and that is real estate. We are not educators, we are not health care providers, we are not mental health professionals, we are not workforce development experts. Our City of Winston-Salem has a wealth of agencies with the expertise and experience. They are more qualified to provide these services than we are. To mimic their operations would only result in the duplication of services, and that clearly is not the best use of taxpayer dollars.

In order to provide these services, we developed partnerships with these local agencies through performance-based contracts. For example, we contracted with the Urban League to evaluate resident skills, prepare them for interviews, and make job placements. Forty-three individuals have been placed in jobs for a total annualized salary of \$648,000 at a cost of only \$29,000.

Chairwoman Biggert, although we have made great strides and progress, we have needs that cannot be resolved with the inflexibility currently found in existing rules and regulations. To address this, I believe Moving to Work must be considered as you continue to work on housing reform legislation. With the flexibility of MTW, we are able to align resources with our needs, and it is currently the only means to provide a lasting impact.

Local housing authorities like mine must be allowed to develop and implement strategies to best serve the needs of their jurisdic-

tion. The ability to become an MTW agency should be a choice open to housing authorities meeting basic qualifications rather than through a competitive process, and contracts must be unique to each housing authority.

MTW does not result in any increase in Federal funding to an authority. However, MTW does provide the significant flexibility to use our available resources in more innovative and creative ways that are currently unavailable to us. As an MTW agency, our goal would be to achieve real results that would provide greater incentives for families to become less dependent on subsidies and move away from outdated policies that perpetuate low-income individuals and families living within distressed neighborhoods that provide no hope for a better life.

As an MTW agency, we would have at a minimum the opportunity to design Programs as a stepping stone for self-sufficiency, provide a means for individuals entering housing assistance to proceed to a series of services so that individuals can reach a point where housing assistance is either significantly reduced or no longer needed, create partnerships to develop individual plans and goals for those receiving assistance since the needs of each individual are unique. Given the current pressure on the Federal budget, it is now more important than ever to empower local housing authorities to do all that they can for their communities with the funds available to them.

Madam Chairwoman, members of the subcommittee, I am requesting that the Housing Authority of Winston-Salem be given the tools to do what we can do best, and I am requesting that you hold me responsible and hold me accountable. This concludes my testimony. I want to thank you again for the opportunity to address the public policies based upon our efforts in Winston-Salem, and I am happy to answer any questions you may have.

[The prepared statement of Mr. Woods can be found on page 100 of the appendix.]

Chairwoman BIGGERT. Thank you, Mr. Woods.

Ms. Warren, you are recognized for 5 minutes.

**STATEMENT OF KRIS WARREN, CHIEF OPERATING OFFICER,
CHICAGO HOUSING AUTHORITY**

Ms. WARREN. Thank you. Good afternoon, Chairwoman Biggert, Ranking Member Gutierrez, and members of the subcommittee. My name is Kris Warren, and I am the chief operating officer at the Chicago Housing Authority. Thank you for the opportunity to give testimony on the importance of the Moving to Work demonstration Program and its impact on low-income families in Chicago.

In 2000, Chicago became one of the fortunate agencies to be granted MTW status. I am here to share the lessons learned and provide concrete examples on the impact of the MTW Program.

The landscape of Chicago and the life trajectory of thousands of low-income families would not be the same without the local flexibility the MTW Program provides. Congress, with its great foresight, created MTW in 1996 to allow cities and housing authorities to develop and implement localized plans, incorporating the intent of Congress and the accountability required by HUD, but also the local conditions, political realities, community dynamics, and range

of partnerships. MTW allows the relationship between HUD and the housing authority to be a partnership to solve issues, and not a cookie-cutter approach to compliance and regulations. Simply put, MTW allows PHAs to create specific housing models and services that are unique to their community needs.

With this flexibility, Chicago has implemented the Plan for Transformation, one of the largest and most ambitious redevelopment efforts of public housing in the history of the United States. The goals of the Plan for Transformation are to ensure that all public housing is of the highest quality and contributes to the well-being of the renters and the neighborhood in which it is located. We develop the land on which former failed housing stood into mixed-income communities that are assets to their residents and surrounding neighborhoods, and build and strengthen residents and communities by encouraging economic independence and integrating the formerly isolated public housing and its leaseholders into the larger social, economic, and community fabric of Chicago.

MTW allowed Chicago to demolish dilapidated high-rise housing that blighted the lives of residents and the surrounding community, while rebuilding, financing, and acquiring over 20,000 units so far. The developments that replaced the housing now reflect the housing patterns in the rest of the City, with low- and moderate-income families as well as market-rate families and mixed-income development. Home values around the surrounding communities have increased. Private investment in new businesses brings needed retail, services, and jobs, while City investments in infrastructure, schools, and parks have amplified the impact of CHA's work. To make these new communities a reality, CHA worked with private, public, nonprofit, and investor partners to leverage \$1.7 billion, including \$1 billion of direct investment and infrastructure improvements by the City of Chicago.

Perhaps most importantly, the Moving to Work demonstration Program has allowed us to serve substantially the same number of people as when CHA entered the MTW Program, but we are able to serve those families in safer and more dignified environments. In Chicago, those who rent through CHA are no longer warehoused in isolated islands of poverty. They are now integrated into the fabric of the City and part of the social structure of Chicago's great neighborhoods.

While the change to Chicago's public housing buildings and communities is impressive, the plan's impact on residents' lives is perhaps most dramatic. People not only report feeling healthier and safer, but more people are working, and income from employment has risen from an average of \$10,000 a year to \$20,000 a year.

Through the Plan for Transformation, CHA has learned the critical importance of linking housing assistance with supportive service Programs, including job training, financial literacy, and educational opportunities. Due to the MTW Program, CHA has been able to offer services that under statute could not otherwise be funded with Section 8 or public housing operating dollars. These services provide a multitude of opportunities that encourage resident accountability and progress toward economic independence. They are vital to the success of the Plan for Transformation and our goals of ending isolation, breaking the generational cycle of

poverty, and ultimately encouraging movement out of the Federally subsidized Program.

To date, Chicago's participation in the MTW Program has allowed us to help over 6,000 residents find employment, many for the first time in their life; increase the employment rate from 15 percent in 1999 to 60 percent among work-eligible residents today; place nearly 2,000 residents in transitional jobs, connecting them to real work; assist over 300 families in buying their first home; and ensure thousands of youth have employment, academic enhancement, and summer opportunities every year.

We are proud of these accomplishments, but the numbers don't fully capture the human impact of the MTW Program. No one is more familiar with that impact than Crystal Palmer, who is here with us today. Crystal grew up in a CHA high-rise and returned as an adult, where she became a resident leader. Drawing on lessons learned in her own life, she has worked for CHA and our providers to help other residents connect to these services needed that will forever change residents' lives. And with that I want to welcome Crystal and thank her for joining me and offer her to answer questions if you deem it appropriate.

[The prepared statement of Ms. Warren can be found on page 90 of the appendix.]

Chairwoman BIGGERT. Thank you.

And for the purpose of receiving additional expertise and input from the Chicago Housing Authority, I ask unanimous consent that Ms. Crystal Palmer of the staff of Ms. Warren be allowed to assist her in answering questions.

Ms. WARREN. Thank you.

Chairwoman BIGGERT. Without objection, it is so ordered.

Mr. Fischer, you are recognized for 5 minutes.

**STATEMENT OF WILL FISCHER, SENIOR POLICY ANALYST,
CENTER ON BUDGET AND POLICY PRIORITIES**

Mr. FISCHER. Thank you, Chairwoman Biggert, Ranking Member Gutierrez, and members of the subcommittee. It is an honor and a privilege to testify before you today. I want to talk first about the proposal to expand Moving to Work and then turn to some of the self-sufficiency provisions in the Section 8 Savings Act.

The proposal to expand Moving to Work would allow HUD to, and possibly require HUD to, admit an unlimited number of agencies to the demonstration. This would fundamentally change Federal housing assistance. MTW, despite its name, isn't focused on promoting employment. It allows agencies to operate outside a wide range of Federal statutes and regulations and HUD to establish special funding formulas for participating agencies.

MTW has commendable goals, such as testing innovative policies and providing streamlining and flexibility, and as you are hearing today, many MTW agencies have implemented promising initiatives. But despite that, MTW is not the best way to pursue those goals, and a major expansion of the demonstration isn't the right way forward for housing assistance for several reasons.

First, MTW has not been effective in determining what policies really work in promoting self-sufficiency. It has generated a lot of anecdotal and other results, but it has generated few concrete pol-

icy findings, and that is because the demonstration really isn't structured in a way that lends itself to rigorous experimental evaluation. As a result, it is hard to know whether an outcome stems from a Moving to Work policy, or from changes in an agency's caseload, or underlying economic circumstances or other factors.

More broadly, we really don't know very much about what kind of policies are effective in helping families with housing assistance to increase their earnings. It is a critical question, but if we really want to find answers to it, what is needed isn't more MTW; what is needed is targeted rigorous evaluations that test policy alternatives in a range of circumstances and really find out what works. The rent policy demonstration in SESA is an example of something that moves in this more promising direction.

MTW also isn't the best way to provide streamlining and flexibility. On the one hand, MTW allows agencies to remove basic Federal standards that have been key to making housing assistance Programs effective. On the other hand, its flexibility only reaches participating agencies and not the remaining housing agencies. There are definitely areas where flexibility and streamlining are needed, but the best approach to that is for Congress to provide, to pass targeted legislation that applies to all housing agencies in those areas.

The last point I want to make on Moving to Work is that a major expansion of Moving to Work would create a real risk that there would be a really large transfer of resources away from housing assistance for the lowest-income families to other purposes, and that is partly—already under Moving to Work, MTW agencies in 2010 transferred about \$400 million in housing voucher funds to a range of other purposes.

In addition, MTW has income-targeting rules that are much weaker than those that apply especially in the existing voucher Program. There would be a risk, especially in a tight funding environment, that agencies would feel pressure to shift resources to assist somewhat higher-income families who require less subsidies, and the result of that would be that you would have a lot less assistance for the lowest-income families with disabilities, for families at risk of homelessness, and for others who need the help the most.

I want to turn now to the Section 8 Savings Act, which overall is a well-crafted, important piece of legislation that would improve housing assistance Programs and generate large Federal savings. There are several new provisions in the current draft that haven't been included in previous drafts, and I want to touch on two of those.

One of them is that the new draft would permit housing agencies to charge families up to \$75, the higher of \$75 or 12 percent of the local fair market rent, even if this is above 30 percent of their income. It is not clear that even the increase of \$75 is warranted. That would place as many as 350,000 families at risk of rent increases. But the increase to 12 percent of the fair market rent is especially problematic because that could result in substantially larger minimum rents, especially for large families and for people who live in high-cost areas. So I think it will be important as this legislation moves forward that Congress take a look at these provisions and reconsider them.

SESA also contains a new self-sufficiency initiative that encourages agencies to enter into partnerships with local providers of employment and supportive services. This is generally a promising and important initiative. We have some significant concerns and suggestions for improvements, which are detailed in my written testimony.

I will close with that. Again, thank you for the privilege of testifying before you today, and I will be happy to take any questions that you have.

[The prepared statement of Mr. Fischer can be found on page 72 of the appendix.]

Chairwoman BIGGERT. Thank you, Mr. Fischer.

Mr. Russ, you are recognized for 5 minutes.

**STATEMENT OF GREGORY P. RUSS, EXECUTIVE DIRECTOR
AND CHIEF OPERATING OFFICER, CAMBRIDGE HOUSING AUTHORITY**

Mr. RUSS. Good afternoon, Chairwoman Biggert and Ranking Member Gutierrez. And my thanks to the members of the subcommittee for inviting me here to speak.

I am Gregory Russ, the executive director of the Cambridge Housing Authority. And I have been operating or working in one way or another in this business for 37 years, actually prior to the creation of the housing voucher Program that we are talking about here today—an interesting point that wasn't lost on me when others were testifying.

I want to point out that the CHA was one of the original 24 MTW agencies. And since that time, since we started down this road in 1998, 1999, we have pursued a number of policies that I believe address a number of the points that were made earlier when the various members of the subcommittee and various Members of the Congress had an opportunity to speak.

We really have to think about a way to make structural reforms, and MTW does that. It does that in several ways. One, it balances the demands of the local market and conditions that we are in with the larger objectives of the Federal policy.

Cambridge, Massachusetts, is one of the most expensive housing markets in the country. If you look at our three-bedroom payment standard, which we are only allowed to set due to MTW, it is \$2,000. In some of the communities around the country, that would be three vouchers. So we have this very expensive, very difficult market to work in.

And it has not been lost on us that one of the things we must do is preserve the hard stock that we have in Cambridge in order to allow the community to continue to serve low-income families. And, in fact, that is one of the themes you will see in our Moving to Work plans and reports.

We also wanted to simplify the business relationship with the families. Most of you have talked about structural reform. Try and calculate a rent under the current rules. It is very difficult. And it is very difficult for the family to understand not only what the rent is, especially on the voucher side, but how much money they will have to operate when they go out and try to rent the unit. These

are structural changes that we have taken on, and one of the policy innovations I will talk about in a minute.

We have also concluded that we have to provide a variety of incentives and approaches, working with our nonprofit partners in our community, to encourage and promote work for the families who participate in these Programs. And one thing that MTW has allowed us to do, much like some of the other agencies here, we are partnered up with the nonprofits who work in Cambridge and across the Boston region in ways we could not have imagined 5 years ago. It is very powerful in terms of forming partnerships with groups that are helping populations that you may not be able to typically serve through the conventional Program.

Some of the things in Cambridge that we are attempting: We have created a Program called a sponsor-based voucher, where the subsidy is provided to organizations that are service-rich or dealing with transitional housing Programs or for unique populations, such as those who are homeless or victims of domestic violence. We currently have 59 subsidies doing that.

We have partnered with nonprofits, four of them, working with families who are in shelters and are homeless. And we have 55 subsidies dedicated to that Program, which envisions training, support, budget, building savings, and, finally, families moving on to self-sufficiency. These subsidies start as a sponsor-based and then transform to a tenant-based and allow the family to—the subsidy flexes, in a way, as the family is moving along the path to self-sufficiency.

We have another 20 subsidies dedicated to a Program we call the Career Family Opportunity, with the Crittenton Women's Union, which is a 103-year-old nonprofit that has been working with women in the Boston region for a long time. And this is another effort to bring households, typically single-headed households, into the working world. This is a subsidy that, on graduation, the family who has a voucher voluntarily agrees after 5 years to give up the voucher. So it kind of flies in the face of what we think of when we think about families who are economically disadvantaged. That is part of the requirement of the Program. There are shallow subsidies available to those families, and that Program looks very different than anything we could have done in the conventional forum.

Two other things I will mention. We have changed the way we project-base vouchers to allow for the preservation of units in Cambridge, and we adopted a rent-simplification policy. And what is potent about the rent-simplification policy is people understand how the rent was calculated.

These are the kinds of reform that SESA is getting at and we think that Moving to Work can expand upon. And we are very interested in taking your questions or talking about these ideas as we try to bring them to scale.

Thank you for the opportunity to speak to you today.

[The prepared statement of Mr. Russ can be found on page 86 of the appendix.]

Chairwoman BIGGERT. Thank you, Mr. Russ.

We will now turn to Member questions, and I will recognize myself for 5 minutes.

Ms. Warren, you made a really interesting statement in your testimony that I would like to revisit. You said the landscape of Chicago and the life trajectory of thousands of low-income families would not be the same without the flexibility that the Moving to Work Program provides.

Could you expand on that concept for the committee?

And then, I do have a question for Ms. Palmer.

Ms. WARREN. I would be happy to.

I think all you need to do is look at the landscape of Chicago today, and you will see the difference from what it was 10 years ago. The high-rise, isolated, miles of public housing that was desolate, didn't have retail, didn't have markets, families couldn't get their mail delivered, is no longer there. What you see now are beautiful mixed-income communities that are built into the fabric of the entire Chicago community.

Chicago, 10 years ago, had 14 of the 16 poorest census tracts in the United States. And I hate to say it, but the Chicago Housing Authority, 10 years ago and longer, was the poster child for what public housing shouldn't be and how government and public housing didn't work. Today, with the MTW flexibility and the creativity and innovation of the City of Chicago and the agency, they have been able to tear down and rebuild brand-new communities and be able to provide residents opportunities to be prosperous.

The reason that residents can be prosperous is not only because they are in brand-new communities but because we have been able to provide wraparound services. These services are put together through what we term our FamilyWorks Programs, which are social service agencies that do holistic approaches with our families. And so if there is any—we set up specific Programs with each individual family to work within the fabric of that community.

So I think it is really simple, just looking at what Chicago is today versus what you saw 10 years ago.

Chairwoman BIGGERT. Thank you. And I certainly have—it certainly has changed the skyline of Chicago, too. I have been in the Robert Taylor Homes, I was in Cabrini-Green, Henry Horner, and just about all of them, and it really has changed and made it a beautiful area.

With that, Ms. Palmer, maybe you could—this is going to be kind of awkward, but we will see what we can do here. I know that you are a Chicagoan and that you are in Congressman Danny Davis' congressional district. And you have had firsthand knowledge of the impact of supportive services like those being discussed today.

So, from your experience, do you believe that the MTW Program has made a difference in linking services to housing? Or is housing alone enough to help a family achieve economic independence?

Ms. PALMER. I will answer the last question first.

Bricks and mortar do not build a family. You can build a house, but it is the support that you give the family to help maintain those families. So the wraparound services that we have for employment, child care, mental illnesses, and clinical services is the kind of services that our families need. When the high-rises were up, our families were just isolated, didn't have services, didn't have adequate child care, didn't have employment. These services now come into play where our families are able to engage in employ-

ment, education, and make their lives better and better for their families.

And I think what is really important to me is that our youth, our young generation gets to actually see their family members actually going to work, going to school, trying to become self-sufficient, so when they, too, become adult age, they can follow the same pattern.

Chairwoman BIGGERT. Thank you.

Then just briefly, linking the services, how does that happen?

Ms. PALMER. So there is, again, the FamilyWorks Program, whose outreach workers actually go out and knock on doors and talk to families and tell them about the services. As a matter of fact, I used to be an outreach worker for one of the services, and I would go out and I would just talk to the families about the services that they need.

Because I am a friend of that community, people began to trust me. And in trusting me, they would allow the clinicians or the outreach workers to actually come in and engage with them. Once they got inside of the houses, they found that there were many, many issues. Families didn't identify themselves because it was a norm for them. And so, by them being able to get into those houses and address some of the issues, a lot of those families have moved toward self-sufficiency.

Chairwoman BIGGERT. Okay. I thank you so much. And my time has expired.

Mr. Gutierrez, you are recognized for 5 minutes.

Mr. GUTIERREZ. Thank you so much. I really appreciate it.

I hope that the next time maybe we can have a hearing—because it seems like every time we talk about public housing we have to mention crime, as though they are interwoven—crime. Maybe the next time we talk about the \$100 billion that we subsidize housing in America through the deduction we give people on their interest, we should talk about crime, too. But people say, Luis, what are you doing that for? Maybe we should.

So I always kind of worry about crime and public housing. We are all concerned about crime, but it always seems to be that one thing always seems to be linked with the other. And then, lately, it is the illegal immigrants; you have to throw them in. You have black people; let's throw in the brown people, too. Kind of like in Alabama, 40 years ago, you know what happened there. So let me just make that statement for the record.

And then, Ms. Warren, I would like to ask you, what are things that we can do from our perspective that can help you in Chicago?

And, first of all, I want to say, thank you for coming. And please give my best and warmest regards, as he left Charlotte to come to Chicago, lost to my colleague, Mr. Woodyard. Thank him for coming, and tell him I wish him Godspeed.

Tell us, what can we do to help you?

Ms. WARREN. I will make sure to pass along your kind words. We look forward to his starting, as well.

I really appreciate what Congress has done thus far with the MTW Program, because it has made all—we would not be where we are today without it.

I do think continuing the flexibility with the Program is key. I know there have been some discussions about trying to rein in some of the flexibility and maybe putting a few more regulations on the Program, and that is a little concerning, because I think our Program has been so successful because we have been able to cater it and mold it and evolve it to where we know it works. And we continue to evolve it. And we have been—

Mr. GUTIERREZ. So, of every 100 public-housing residents that you had, how many leave public housing? What percentage leave to private housing? How many leave the voucher system to non-voucher-system housing?

Ms. WARREN. As of today, I don't have exact numbers for you. What I can tell you right now is, as an example, we have over 300 families who have purchased homes through the Choose to Own Program. We have over 827 families who have graduated out of our Family Self-Sufficiency Program, with a total of \$7.4 million—

Mr. GUTIERREZ. And they have gone on to non-assisted housing?

Ms. WARREN. Many of them have.

What I will also just back up and explain is that, through the last 10 years of the Plan for Transformation, we have been working with the same population who started and helped us through the Plan for Transformation. So a number of those families are still with us and will probably end up remaining with us.

What we are working on now with those families is that younger generation so we can break that generational cycle of poverty, we can encourage the youth, through education and job training, that there is something you can do when you turn 18 besides moving into another public housing unit.

One of the things we offer through the MTW flexibility is free city college tuition to any public housing resident after financial aid.

Mr. GUTIERREZ. I thought you might say that. I was hopeful. So, in other words, if Congress increased Pell grants so that people could go to college instead of refuse to increase Pell grants, that might help you take people to self-sufficiency. If Congress actually supported increasing minimum wage in this country, that might help you take people to self-sufficiency. If Congress somehow increased Head Start Programs and nutritional Programs for people, that might actually help people get—if we sponsor job training Programs and skill training Programs so they would have new skills so they could go out in the market, that might actually help you.

Ms. WARREN. Absolutely.

Mr. GUTIERREZ. Because I think, many times, unfortunately—and I go back to what Mr. Woods suggested to us—we kind of say here, “You are only supposed to be there a short amount of time, and then you are supposed to get off. It is only supposed to be a short period of time.” But when it comes to all of the other substantial things that we might be able to do to help people get to self-sufficiency, we vote against it. But then we ask you, the managers of public housing, to do more with less and, at the same time, give less to the very population that you represent.

Ms. WARREN. Exactly.

Mr. GUTIERREZ. So I just wanted to draw on that and to thank you, because it is a hard job. And I know a lot of the work that

goes into making—and I just want to state for the record that those of us who believe in public housing, we are some of the strongest people against those who sell drugs, who are gang members, who cause violence. We are strong. And we don't need anybody pontificating to us what it is we need to do when it comes to that. We are strong. We want a good, clean community. We would only hope people would help us achieve that, given the wealth and the depth of richness that this Nation has.

Thank you so much.

Ms. WARREN. I really thank you for your comments.

Chairwoman BIGGERT. And thank you. The gentleman's time has expired.

The gentleman from Virginia, Mr. Hurt, is recognized for 5 minutes.

Mr. HURT. Thank you, Madam Chairwoman.

I thank each of you for testifying today.

My district is mostly rural, southern Virginia. And my question is for—I would like to hear from Mr. Woods about the Program that he is involved in, in Winston-Salem, maybe because it is the closest one to where I live.

But it sounds like to me, in the last 15 years, this has provided a real improvement to what you all do. And I think it sounds to me that most people recognize that the model previously demonstrated it was not working very well and improvements were needed.

And so I was wondering if you could maybe cite specific examples of where the inflexibility of the current rules and regulations for PHAs, where—could you offer some specific examples of how that keeps you from meeting your objective?

Mr. WOODS. Thank you very much.

One of the problems that we see in Winston-Salem is the fact that we are unable to help families move because of in-place rules and regulations. One has to do with something called "split families." It allows an individual who is living in a unit who is an adult to come into our management office and say, "I am not getting along with my brother, I am not getting along with my sibling, I want a split family."

Now, that is a problem because we have a large waiting list—200, 300, 400 individuals at any one time. This individual is already receiving some benefit of public tax dollars, living in a unit. Now they are jumping ahead of the waiting list, and they get preference to move into a unit over someone who has been waiting on the waiting list. And that is a problem for us because we are unable to move families who have been waiting for affordable housing or assisted housing to move in. That is one of the regulations that hurt us.

Streamlined reporting: Mr. Russ talked about rent calculation. It is complicated. It is also complicated when one part of HUD asks you to keep your financial records on an accrual basis and another is asking you to keep it on a cash basis, and then you get somebody who says, "Reconcile the two." It is impossible. Those are just two examples.

Mr. HURT. Do you—

Mr. WOODS. Income exclusions: An individual has been unemployed for over a year. When they do get a job, for the first year the new income cannot be included as part of a rent calculation. So what happens? They go out, they get a credit card, they buy additional appliances. Then when it is time for the rent to kick in, guess what happens? They come to us and say, "I quit work, so my rent stays the same." So, for a full year, they have had that benefit—

Mr. HURT. Right.

Mr. WOODS. —and we have been having to subsidize that, and now, when it is time for them to pay a portion of a higher rent, they quit work because there is no real work requirement. They can just say, "I quit work," and there is nothing we can do.

Those are several examples that hamper us in really helping a larger number of people on our waiting list.

Mr. HURT. Do you believe, for the individuals and the families who receive the Section 8 assistance, do you believe that the opportunities for job training and education and employment are more readily available for those PHAs that have the MTW Program as opposed to others?

Mr. WOODS. Oh, no doubt about it. They can come up with different types of incentives, as both agencies here talked about. I love the idea of an incentive of providing some type of college tuition. That is a carrot-and-stick approach. That is what is going to motivate individuals. There has to be a light at the end of the tunnel.

Mr. HURT. All right.

And let me just—one final question. How do you respond to some of the concerns that were raised by Mr. Fischer in terms of the suggestion that these principles are not proven and that somehow we are going to actually end up hurting the communities that we are trying to serve as opposed to helping them?

Mr. WOODS. I think Ms. Warren's testimony is the proof in the pudding: transformation of Chicago; better lifestyle; the integration into the broader community; mainstreaming families.

What we believe is that, given the opportunity to come up with a unique Program guideline for our City, we can help more people move through the system quickly so that we can then move people from our waiting list to backfill that number.

We have looked at it; we have been visiting other cities, such as Atlanta. We visited Chicago, we visited Kentucky. They all have great MTW Programs. We are looking for our opportunity.

Mr. HURT. Thank you.

I yield back.

Chairwoman BIGGERT. Thank you.

The gentlelady from California, Ms. Waters, is recognized for 5 minutes.

Ms. WATERS. Thank you very much, Madam Chairwoman.

I am between two committees, but I wanted very much to be here today because I think we really do have to understand more about Moving to Work; I have to understand a lot more about it.

So I am going to start with Mr. Fischer. In the previous Congress, we had a bill called the Section 8 Voucher Reform Act, which expanded the Moving to Work Program but did so in a manner that protected residents and the housing stock. One of the important

features of that bill was the inclusion of retained provisions, parts of the 1937 Housing Act that Moving to Work agencies could not waive. The retained provisions included things like tenant representation on the public housing authority's board, procedural rights for a tenant, lease requirements, resident choice portability, and other important parts of the public housing and Section 8 Program.

Can you speak to the harm tenants would face if every housing authority in the country can waive provisions I just described?

Mr. FISCHER. Sure. I think that there would be harm if there were an unlimited Moving to Work demonstration where agencies were able to waive the full breadth of housing assistance rules.

I will just give one example, which is voucher portability. Under the existing voucher Program, families have to have the right to move anywhere in the country where there is a voucher Program. It is a critically important right that helps people get the most out of their housing assistance, and it is the key policy decision that Congress made in establishing the Program. Under MTW, if there aren't any—under MTW agencies, in a number of cases, have curtailed that right in various ways, and this makes having the assistance less useful to the families who receive it.

And that is just one example of something that, in a sweeping MTW situation, can get moved aside. It is a provision that helps to make housing assistance more effective. There are a lot of other examples of these provisions, like the ones that you mentioned, that could also be removed.

Ms. WATERS. Additionally, you say MTW isn't a good deal for taxpayers. What do you mean?

Mr. FISCHER. I think what has happened in MTW is that there is a lot of funding—MTW permits funding shifts from the voucher Program to a range of other purposes. And one of the effects of this is that MTW has been less cost-effective in providing housing assistance to the lowest-income families.

Housing agencies have used that money for a range of purposes, including some of the initiatives you have heard about today that are effective policies. In other cases, there have been situations where money has been wasted. For example, in the Philadelphia Housing Authority, which is one of the largest MTW agencies and in 2010 accounted for about one-sixth of the funds that were transferred, there have been a series of allegations of misuse of funds for a whole range of purposes, from payments for expensive professional services contracts, for gifts to employees, for very unnecessarily expensive construction projects.

And so what has happened is that there have been—some of these funds have been used well, but other funds have been used less well.

Ms. WATERS. Thank you.

Now, I take it we have some of our housing authorities that are represented now that have Moving to Work Programs?

Ms. WARREN. Yes.

Ms. WATERS. You and you? How do you use your resources? How do you administer your Moving to Work Program? What do you do with the additional money?

Ms. WARREN. I am sorry, with the initial—

Ms. WATERS. Resources that you get for the Moving to Work Program. How do you use those resources?

Ms. WARREN. We are a part of the—we have the Plan for Transformation—that is the terminology that we use in Chicago—which is a 15-year, very strategic plan that has been in place since 2000. And that plan has allowed us to strategically work through all of our public-housing high-rises as well as work with our resident populations.

So, every year, we have—again, we have a long-term plan, but every year we refine and evolve that plan and tailor the needs of the funding to what that year brings about, whether it is demolishing and rebuilding, whether it is financing of housing, whether it is adding different Programs to our resident services portfolio to help families with, say, early childhood—

Ms. WATERS. Give me an example of your Programs that you have.

Ms. WARREN. On the resident services side?

Ms. WATERS. Yes.

Ms. WARREN. Okay. So we are set up through what we call the FamilyWorks Program, in which we contract with five service providers. And these service providers provide holistic, hands-on wrap-around services to our families. They literally go door-to-door and work with our families on measured outcomes and plans to help them achieve either self-sufficiency or some type of economic gain. And we will do that with each family. We will—

Ms. WATERS. This service helps to get them into job training Programs, and you have a job developer who gets jobs for them?

Ms. WARREN. That is correct. We have job training, we have transitional jobs that we work with, we have a workforce development component. We also have a huge educational component. I mentioned—and I am not sure if you were here earlier—that we actually pay for city colleges for any family who is in our public housing development.

Ms. WATERS. So you are helping the residents to become independent, and you have actual statistics on how many jobs and all of that?

Ms. WARREN. That is correct, we do.

Ms. WATERS. So, Mr. Fischer, how could you say that it is not money well spent?

Mr. FISCHER. It is not that I think that—I think, like I said, some of these uses are good expenditures of funding. We strongly support having adequate funding to revitalize public housing. Targeting services on families in housing assistance would also be a good use of funds.

What I object to is funding these uses by shifting money out of the housing voucher Program. Federal housing assistance today only reaches about one in four eligible families. There are long waiting lists in communities across the country—

Chairwoman BIGGERT. Time has expired. Maybe you can come back to that because—

Ms. WATERS. Thank you.

Chairwoman BIGGERT. —Ms. Boldon is a service provider, and Mr. Russ, I think, had an answer, too.

The gentleman from California, Mr. Miller, is recognized for 5 minutes.

Mr. MILLER OF CALIFORNIA. Thank you, Madam Chairwoman.

I want to applaud all of the witnesses today. I think your input has been excellent. And your knowledge and your breadth of knowledge is really quite astounding.

Mr. Fischer, you made a couple of comments that concern me a little bit. You said MTW hasn't determined specific policies that should be used; that is a concern for you. And you don't know what policies should work. I suggest it is not for you. I think MTW will not work for you. That is not a question. I just don't think it is good for you, based on what you have said.

The Public Housing Authority Directors Association, though, responded to some of your writings, and they said, "PHADA wishes to bring some matters concerning the Moving to Work demonstration to your attention, particularly as they relate to recent criticisms of the Program based on faulty, incomplete, and inconsistent assessments by the Center on Budget and Policy Priorities." I believe that is you.

"Based on assessments by the Urban Institute, the Department of Housing and Urban Development, and the independent study sponsored by MTW agencies, PHADA believes that the demonstration has been one of the most fruitful sources of innovation and growth for deeply assisted housing Programs during the 13-year history of the Program." I think that speaks volumes.

And I would like to applaud you, Mr. Woods, because you said some things I believe in. You said, "Empower me." That is what my bill tries to do. You said, "Hold me accountable." My bill does that through verifying and evaluating your accountability. You said, "I have innovative ideas." We are looking for those. You said, "I believe in resident protection." I think that is wonderful; so do we.

Ms. Boldon, you said moving toward economic independence is huge and it has really worked for you. That is what this does also. And serving more families is what you are all about. And that is what MTW does.

I think it is a really good Program. The witnesses today have supported my belief in it. It is not about cutting people off. It is about helping people, showing them that they can do many things on their own if they are just given a little direction, a little encouragement.

But Ms. Warren, Ms. Boldon, Mr. Russ, and Mr. Woods, perhaps you would want to give some examples of successful Programs on helping residents become economically independent and how, basically, you were able to do this through MTW. Give me some examples that you would not have been able to do if you wouldn't have been in MTW.

Mr. RUSS. Yes, I would like to give a very specific one, and I would like to make two other observations. One, in Cambridge, the retained provisions that Congresswoman Waters mentioned, we do operate with most of those. We have not abandoned those protections for many of those items.

And, second, I think that the comment that Mr. Fischer made on Philadelphia is off the mark, in the sense that we are actually

speaking here about individual issues, and it is yet to be determined if there is—

Mr. MILLER OF CALIFORNIA. And I would like to make one comment because I don't like just to read letters from public housing authority directors—

Mr. RUSS. Sure.

Mr. MILLER OF CALIFORNIA. —so we went and asked your people, I said, how many sites did you visit? They said, we didn't. How many residents did you interview? We didn't interview any. Were you able to visit Atlanta or Georgia sites, particularly? They said, no. How do you respond to the academic findings regarding residents' employment and income improvements? They couldn't.

So I wasn't willing just to accept the letter; we have gone and asked your people. And all those questions I just asked you, those were the answers we got back.

Go ahead and—

Mr. RUSS. And, Congressman, I would like to give one example. We have a Program, it is an after-school program called the Work Force Program. It starts with kids in 8th grade and works through 12th grade, and it follows them for the entire time. We have funded that Program through a variety of sources in the past. Some of them are no longer available. We now fund that Program using our Moving to Work flexibility.

That Program graduates out of high school on an annual basis 95 percent of its participants. Another 93 percent of those kids go on to a secondary education. And the last time we surveyed, 6 years after graduation about two-thirds of those kids no longer lived in public housing.

So that is just one example of a small Program in Cambridge that we are using our MTW flexibility for.

Mr. MILLER OF CALIFORNIA. That is good.

Ms. Warren, let's give you a chance, too. Give me some ideas of what you have done.

Thank you, sir. I didn't mean to cut you off. I am almost out of time.

Mr. RUSS. Thank you.

Ms. WARREN. So, I have a multitude of Programs.

Mr. MILLER OF CALIFORNIA. Give me one.

Ms. WARREN. I think one that is quite innovative that we use our MTW flexibility on is called Learn & Earn. And it is geared toward specifically youth from ages 13 to 15, because those youths tend to be left out of all the other Programs that are targeted to youth under 18.

And so what we do is we work with them and actually pay them to go to school in the summertime for half a day, and they receive an academic—usually math or science, and learn for half the day. And the second half of the day is about job training and job placement and job growth.

So for an entire summer they earn a stipend, they learn, and they get educated on the job, as well.

Mr. MILLER OF CALIFORNIA. That is great.

Ms. Boldon, do you have something quick?

Ms. BOLDON. Yes. In Atlanta, we started a preemployment workshop, and we did this in conjunction, of course, with the Atlanta

Housing Authority. And what we have been able to do is we have placed over 2,000 people in jobs. And we track them, and they have been employed over 6 months.

Mr. MILLER OF CALIFORNIA. My time is up. I want to thank you all for what you do. God bless you. And keep up the good work.

And, those who don't want to do it, have fun with what you are doing. But, those who want to move people to work, I just wish you all the best in the future. God bless you, and thank you for what you do.

Chairwoman BIGGERT. Thank you, Mr. Miller.

The gentleman from Ohio, Mr. Stivers, is recognized for 5 minutes.

Mr. STIVERS. Thank you, Madam Chairwoman. I appreciate you holding the hearing on these issues and your leadership on Section 8 reform.

I got a letter from my metropolitan housing agency. I live in Columbus, Ohio, and the Columbus Metropolitan Housing Agency is not part of the Moving to Work Program. They would like to be. So, much like Mr. Woods, the Columbus Metropolitan Housing Authority is anxious to get engaged and involved in this Program. And I just wanted to read something that they said to me, and then I have a question for Mr. Woods first.

They believe that, under MTW, they will have a better opportunity to get people to work and stabilize their resident pool and increase the incomes in their community. And I assume that is—you talked about some of those same things, Mr. Woods, and your interest in getting in the Program and what you guys have done.

I guess my question is for Mr. Woods, Ms. Boldon, and Mr. Russ. Have any of you experienced the ability to stabilize your rent pool as part of the Moving to Work, and has it increased incomes in your neighborhoods?

Ms. BOLDON. I run an agency that partners with the housing authority—

Mr. STIVERS. Right, you partner with—sorry, sorry.

Ms. BOLDON. —so I am going to leave some of those answers for the housing authority folks.

Mr. STIVERS. Yes.

Ms. BOLDON. But I would like to say that our employment levels over the 10 years went from 18.5 percent to 78 percent at its peak, and it is now back at 56 percent because of the slowdown in the economy.

Mr. STIVERS. But that is still a pretty impressive improvement.

Ms. BOLDON. We are very proud of it. We call ourselves “pragmatic idealists.”

Mr. STIVERS. Yes.

We can just go down. And I know Mr. Woods wants the same thing that our Columbus folks want.

Mr. WOODS. Yes. I just want to say very quickly, Winston-Salem is in a very unique position. In our City, we actually have a medical research park that is being built, and 27,000 to 30,000 new jobs are being predicted.

Mr. STIVERS. Wow.

Mr. WOODS. It is a culmination of Wake Baptist Hospital and several universities. If you don't know, Winston-Salem Medical

Park has some leading industries that are coming in. They are able to actually grow body parts, and it is moving.

This park is right next to my low-income community. Moving to Work will give us the opportunity to train residents to at least apply for the entry-level positions. That is why we are very, very concerned about being an MTW agency.

Mr. STIVERS. And that is what I think the Columbus Metropolitan Housing Authority wants to do, too. So, in the interest of time, I will move on, and I know that you all have some great points to make.

Mr. Russ talked earlier about project-based vouchers. And one of the other things that the Columbus Metropolitan Housing Agency has done a great job of is being a leader in project-based vouchers. There is a 20 percent cap on project-based vouchers, and they are starting to bump up against that. It is going to hurt their ability to serve specialized populations, including veterans, homeless folks, and also seniors. And they are really worried about that.

Since you are the only one that I heard mention project-based vouchers in your testimony, Mr. Russ, I didn't know if you wanted to talk about your experience quickly with project-based vouchers and how they can leverage private money and really be successful.

Mr. RUSS. There are two things I would like to say.

We redid the way—we abandoned the current regulatory framework, so we no longer have the cap in place. And we did that partly in response to the needs of some of the other nonprofits in the community, and our own needs, to be fair. So we do not have the cap that Columbus is bumping up against.

And it has worked extremely well, in terms of helping us preserve probably close to 500 units in the City of Cambridge. And much of that housing is not our housing; it is the housing of the nonprofits who are at work in the community.

Mr. STIVERS. And you got that exemption through HUD, right?

Mr. RUSS. That was part of the Moving to Work agreement. And the other thing—

Mr. STIVERS. Which is the other reason Columbus wants to be in Moving to Work.

Mr. RUSS. Right. And I think one of the things about Moving to Work is it has really excellent unanticipated consequences. And the example I want to give is that, recently, we also assisted a nonprofit in our community who was purchasing an expiring-use property—

Mr. STIVERS. And I am running out of time, but—

Mr. RUSS. Okay.

Mr. STIVERS. —I appreciate that.

And I do want to ask Mr. Fischer one last question, because you brought up the Philadelphia Metropolitan Housing Authority and the mismanagement and potential corruption that has been alleged at that metropolitan housing authority is not limited to Moving to Work, is it?

Mr. FISCHER. Well—

Mr. STIVERS. It is a yes-or-no question. Is it limited to Moving to Work?

Mr. FISCHER. I think it results from Moving to Work at Philadelphia.

Mr. STIVERS. You believe it is limited—

Mr. FISCHER. It is not the only agency that has problems. I think—

Mr. STIVERS. So you believe it is limited to Moving to Work?

Mr. FISCHER. I think it stems from Moving to Work.

Mr. STIVERS. But, from what I have seen, it is widespread. And, unfortunately, there are good and bad actors in every industry. And Philadelphia Metropolitan Housing Authority might not be one we—

Chairwoman BIGGERT. The gentleman's time has expired.

Mr. STIVERS. Thank you.

Chairwoman BIGGERT. The gentleman from Illinois, Mr. Dold, is recognized for 5 minutes.

Mr. DOLD. Thank you, Madam Chairwoman.

And, if I can, I would like to, first of all, thank you all for coming again and thank you for your time.

Ms. WARREN, I am going to start with you. Because probably half of the questioners up here are from Illinois, we are going to focus more of our questions on Chicago, not to their detriment, but that is just the way it works.

Mr. RUSS. She is up to the task.

Mr. DOLD. You highlighted that the CHA's Plan for Transformation involves breaking the generational cycle of poverty for the population served. And I certainly know that many here believe that this goal is paramount if we are going to succeed in our goal to approve assisted housing Programs in America.

So what is Chicago doing specifically to address this daunting challenge, and what have been the results as of late?

Ms. WARREN. That is a good question, and that is a tough question, but it is one we are addressing.

We are addressing it in a couple of ways. One is, as I have already mentioned, our FamilyWorks Programs and those case managers and the clinical services.

And we are approaching it from a two-generational approach. We have families who have been in our housing since before the Plan for Transformation who have children. And so the only way to really break that generational cycle is with the elder of the household or the mother or the father and the child at the same time. And there is a multitude of issues, generally, that come with that, so we try and address all those issues parallel. So we do what we can to help the family prosper but the child to grow from an educational and job training standpoint. So we—

Mr. DOLD. Can you give me some sort of an idea? I recognize it is a daunting task, and I think we even mentioned that. But how has the success been thus far? Is it something that you can measure?

Ms. WARREN. I think we cannot measure it yet. I think we are on our way to measuring it, because this is one of those Programs that has evolved with our FamilyWorks providers.

We actually started with a different type of service Program. We have been through two different types of service Programs and found they didn't work as well. We are now on this model, which we implemented a few years ago, and have found it works quite well because of the holistic wraparound services.

So, with that and through numerous studies, more studies than I have ever seen of any housing authority, on research projects that have helped us to identify key issues with some of our populations, we have been able to tailor Programs specific to those needs to start beginning to break that generational cycle.

And, as Crystal mentioned earlier, the clinical services is a key component to what we do. Because, a lot of times, we get in and do basic services, but we can't seem to get to the heart of the issue, and it turns out it is more of a clinical need and assessment that we have to put forth.

Mr. DOLD. I am going to move on, if I can.

Ms. WARREN. Sure.

Mr. DOLD. Crystal, thank you so much for being here, as well. I know it is taking your time to be here. We appreciate it.

Mr. Woods, I want to just go to you for a second, if I may, and your comments when you said to empower you. Certainly, we appreciate that and the fact that you stood up and said to hold you accountable. Certainly, that is something that we are looking to try to do, in terms of having more accountability in general with regard to housing.

You state that there shouldn't be a standard one-size-fits-all for the Moving to Work contract for every qualifying public housing authority. How should HUD and Congress establish parameters to balance this flexibility with the need to hold the housing authorities accountable in a results-driven process?

Mr. WOODS. Thank you for the question.

We have kind of wrestled with that issue. We think one basic standard should be whether or not you are a high performer. And during your annual plan, when you submit it into HUD, there just should be a box that says whether or not you are interested in becoming a Moving to Work or you are not.

There can be other criteria, but it should not be competitive. That is what I think drives me crazy. When I first started in Winston-Salem, we applied, and we were told we were too small. We didn't change any number of our units, we didn't add any units, we didn't lose any units. The following year, we were too big. And so—

Mr. DOLD. Welcome to the government.

Mr. WOODS. So it is like a moving target.

And when I tell folks that you are not giving us any more money, what you are giving us is the flexibility and the responsibility for tailoring needs based upon my locality's demand, I don't think that is too much to ask for.

Mr. DOLD. Certainly, I would agree.

In the short period of time I have left, obviously, given the climate here, the budget restraints that we have here in Washington, D.C., and for Fiscal Year 2012, will the Moving to Work Program or flexibility allow the housing authorities to do more with less, in terms of Federal funds?

Anyone?

Mr. RUSS. Yes, I think that the thing that the Moving to Work gives us is it allows us to look across all the Programs. The money is fungible. You can balance as best you can. No one likes to deal with less money, I have to say that, but you can balance the impact of that inside your organization.

Mr. DOLD. Okay. I know my time has expired. Thank you so much. And, again, I appreciate you taking your time and energy to come and testify today. So I thank the entire panel.

Chairwoman BIGGERT. Thank you, Mr. Dold.

The gentleman from Texas, Mr. Green, is recognized.

Mr. GREEN. Thank you, Madam Chairwoman. And thank you for allowing me to be a part of the subcommittee.

Ms. Boldon, you seem to have a holistic approach. How are you funded?

Ms. BOLDON. We run our contracts through a competitive response to an RFP put out by the Atlanta Housing Authority back in 2002. Before that, we were part of the development contract for Hope VI—Hope VI development. And so, we created the Program and defined it and implemented it using the Hope VI framework and those funds.

Mr. GREEN. So you have worked with the Atlanta Housing Authority, is this what I am to understand?

Ms. BOLDON. Yes.

Mr. GREEN. Okay.

Now, let's assume, dear friends, that we have something that we will call a standard housing Program. This is one that is not a Moving to Work Program. And let's assume that we move to this Moving to Work Program.

Would the cost for the standard program, which we will call "X"—would the cost to do the kind of Moving to Work Program that Ms. Boldon has called to our attention be "X-plus?" Is that a fair statement, that to move from a standard program to one with wraparound opportunities, resources, facilities, would it be "X-plus?" Or would you do this program, perform this program, in a stellar fashion with "X," which is what you have for your standard program?

And it looks like, Ms. Warren, you are leaning forward to answer. I read body language well. So I am going to call on you.

Ms. WARREN. I was just going to say that I think without MTW flexibility, these programs couldn't exist.

Mr. GREEN. I understand. But what I need to know now is, if the standard Program costs "X" and you move from what I am calling a standard Program to the Moving to Work Program, will the cost be "X-plus?" Or can you do it with "X," and do it to the extent that we have had the successes called to our attention?

Mr. RUSS. Can I comment on this?

Mr. GREEN. Let—Ms. Warren, you are with the Chicago Housing Authority. You have a Moving to Work Program, right?

Ms. WARREN. Yes. I am sorry, I didn't realize you were asking me.

I would say that the Program shouldn't increase because of the MTW name, if you will. But, again, most agencies—

Mr. GREEN. Not the name—if I may?

Ms. WARREN. Okay.

Mr. GREEN. Let me be clear now. We have a standard Program, whatever this is—

Ms. WARREN. Okay.

Mr. GREEN. —and it costs "X" dollars to implement it. Just as Mr. Woods wants to move to Moving to Work, will it cost now "X-

plus” to do the kinds of things that Ms. Boldon has called to our attention?

Ms. WARREN. The way I would look at it is that—

Mr. GREEN. You know what? I appreciate you, Ms. Warren. I don’t mean to—maybe I am not clear enough for you.

Let’s go to someone else who operates a housing authority. Let’s see—maybe I will have to go to Ms. Boldon.

Ms. Boldon, what are your thoughts?

Ms. BOLDON. Actually, I think that because we become so focused on finding partners who are, themselves, already funded, it probably after time ends up costing less.

Mr. GREEN. Okay. But I want to know, with the funds that are available, will it cost more for—let’s just talk about the Program rather than the source of funding. Will it cost “X” or “X-plus?” What I need to know is, does it cost more to move from the standard Program to the Moving to Work Program with the resources that you have called to our attention? Does this cost more money?

Ms. BOLDON. It costs “X” and then, in time, perhaps “X-minus.”

Mr. GREEN. So it does not cost any more to go to a Moving to Work Program?

Ms. BOLDON. No.

Mr. GREEN. Okay. That is your position.

Let’s go now to Mr. Fischer.

Mr. FISCHER. I think when you look at the budget data, it is important to recognize that MTW Programs aren’t free, that when you hear about the things that MTW agencies are doing, that these do cost money. And it has been funded in different ways. Some of it is because MTW agencies receive, on average, much more generous funding formulas and also because they shift funds away from voucher assistance to other purposes. But those are the sources that have funded these things—

Mr. GREEN. So your position is that it would cost “X-plus?”

Mr. FISCHER. “X-plus.”

Mr. GREEN. Okay.

Now, Ms. Warren, we are back to you again now. I am not trying to pick on you. I genuinely want to know the answer. Is it going to be “X,” some amount of money, plus some additional money to do this wraparound that you talked about? Will it cost more money to implement? Regardless of the source, does it cost more?

Ms. WARREN. It costs money. And what I—so I am really struggling with your question because we receive a set amount of money, and we set our priorities based on that money, and we have prioritized our money to have wraparound services. And I have worked at a housing authority that is not an MTW agency, and without being an MTW agency, we couldn’t afford to do what we do.

Chairwoman BIGGERT. Okay.

Mr. GREEN. Thank you, Madam Chairwoman.

Chairwoman BIGGERT. I am sorry. Your time has expired.

And I would like to ask unanimous consent to insert the following material into the record: an October 3, 2011, letter from the Columbus Metropolitan Housing Authority; an October 11, 2011, letter from HUD Secretary Shaun Donovan; an October 12, 2011, letter from the Public Housing Authorities Directors Association; a

second October 12, 2011, letter from the Public Housing Authorities Directors Association; an October 13, 2011, letter from the National Affordable Housing Management Association; an October 13, 2011, letter from the Council of Large Public Housing Authorities; a second October 13, 2011, letter from the Council of Large Public Housing Authorities; an October 13, 2011, letter from the Coalition of Housing Industries; an October 13, 2011, letter from the National Multi Housing Council and the National Apartment Association; and the August 2010 report to Congress on the Moving to Work Program by the U.S. Department of Housing and Urban Development.

Without objection, it is so ordered.

We are required to conclude this hearing at 4 p.m., which is why I was rushing through that, due to the joint session of Congress that begins at 4 o'clock.

So I really would like to thank all of the witnesses for being here. I know we could go on with more questions.

The Chair notes that some Members may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for Members to submit written questions to these witnesses and to place their responses in the record.

And I would like to thank all of you so much. This has been a really good panel. We really thank you so much for being here. And it gives us a lot of information that we really need to go forward with this bill. Thank you so much.

And, with that, this hearing is adjourned.

[Whereupon, at 4:00 p.m., the hearing was adjourned.]

A P P E N D I X

October 13, 2011

**Testimony of Hope Boldon
CEO of The Integral Youth & Family Project LLC, (IY&FP)
A Division of Integral, Atlanta, Georgia.
Before the Congressional Subcommittee on Financial Services
(Housing Policy)**

October 13, 2011.

Good Afternoon Chairman Biggert, Ranking Member Gutierrez, and members of the Subcommittee. I am honored to appear before you to discuss the Human Services Management Program (HSMP) that the Integral Youth and Family Project, LLC (IY&FP) has implemented in partnership with The Atlanta Housing Authority (AHA) since 2002.

HISTORY

The HSMP is the outgrowth of original efforts of The Integral Group LLC, (Integral) and AHA to fulfill the mandate of HOPE VI, which provided funds and required parallel development tracks for both the people and real estate in recipient communities. The design of the first version of the program was part of the winning 1994 proposal to AHA from Integral, which resulted in the development of the first holistic HOPE VI community in the nation, developed in Atlanta. While the real estate and financing models were hailed as successful, upon examination the results, Integral was not satisfied with the first efforts to support the development of residents. So with agreement from AHA and lessons from those efforts, the HSMP was created.

The current program was designed in 2001 and implementation began in January 2002, in three HOPE VI communities where active relocation was underway. The program of support followed the residents as they moved, and its effectiveness was tested during pre and post relocation. It was also proven to be very valuable during re-occupancy. Eventually, the program was implemented in a total of five HOPE VI communities.

Five years after its inception, when years of data and observation were available for analysis, everyone involved recognized the value of the program as a transformative and a tracking tool for relocated families. Using benchmarks that were part of its design, we were able to show that the program had supported positive changes in the important indicators in all demographic groups.

Employment levels moved from 18.5% to 78% at the peak of the program and subsequently fell to 56% in recent years as the economy slowed. In addition, there were improvements in early school performances; higher graduation levels and marked continuation in tertiary education; improvements in juvenile court outcomes; higher enrollments in skill development programs, employment and job retention; increases in involvement of seniors in healthy activities, and better situational management within families.

With the efficacy of the Program proven, it was incorporated into the design of the AHA *Quality of Life Initiative (QLI)*, the cornerstone of that agency's *Moving to Work* model.

(Attachment 3). Thus, all families relocated in the fourteen(14) AHA QLI communities have been supported through the HSMP.

For almost ten years, this program has supported over 5,600 families (15,000+ residents) in ways that have altered their present and will serve them for future generations. Our statistics and stories (included and attached to this document) show that our model of 'counseling, coaching and connecting' has enabled families to overcome obstacles, create meaningful health, educational and career goals, and achieve beyond their previous dreams.

PROGRAM DESIGN

One of our conclusions from the earlier attempt was that the problems in low income communities were not due to a lack of agencies and service providers. In fact, a survey undertaken by AHA in 1992 showed that there were over 100 programs and services on record as serving residents of Techwood Homes, the first HOPE VI site in Atlanta. During that same period, that neighborhood recorded the worst statistics in the South East related to violent crime, employment and educational achievement. Clearly, a list of strong agencies and services is necessary, but not sufficient to create lasting changes in communities.

The longitudinal study of Public Housing residents undertaken by Dr. Thomas D Boston of Georgia Institute of Technology which produced reports in 2006, 2008 and 2010, reported findings that indicate that families do better after relocation to more supportive environments. We would like to add an additional observation taken from our ten years of analysis, that environment is an essential ingredient, but that further action is necessary to convert negative elements transferred, in cases over generations, into positive ones. This program represents an intentional effort to change the previous trajectory of families.

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In addressing these most vexing issues affecting our communities today, an obvious entry point for positive intervention is through the front door of the home. In this country where the Government is a significant provider of financial support for the provision of homes, we regard this as presenting a wonderful opportunity

With the HSMP, we created a strong coordinating entity that did not replace but involved service providers, with staff focused on a holistic view of residents' potential and chances for success. Field staffs, known as Family Support Coordinators (FSC) meet family members where they were geographically and developmentally, most often in the home, but sometimes in the school or courtroom. Visits occur at least monthly but as often as the situation demands, and last for up to six years. We begin with assessing the individual's potential (not needs), and work with each person to overcome hurdles. We build trusting relationships with each client and support them as they move step by step toward the achievement of short and long term goals that they set for their lives. We partner with service providers and agencies with great track records, and constantly seek others who develop creative solutions to current problems of our population. Then we maintain meticulous records of each person's journey.

We believe that people are the Nation's most valuable resource. So we spent the needed time, brain power and effort in designing what we think is the investment model that would have the best chance of long term returns on investment. The approach is labor and time intensive, but well worth the investment. Besides, we have proof that the alternatives have all proven more expensive in the long run.

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6. Exercise patience; most issues were not created overnight and will require thoughtfulness and time for resolution.
7. Create partnerships with a range of great, proven service providers. Require commitment from all involved, and hold everyone (residents, staff, partners, and PHAs) accountable for everything to which they commit.
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LESSONS LEARNED (after ten years)

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- Breakthroughs often occur just when you are about to give up. Be prepared to invest time in developing trust with individuals, to be tested, and to find surprises, good and bad.
- On average, public housing families have 4-5 hurdles between where they are and where they need/want to be.
- Many families in public housing struggle with undeclared literacy and undiagnosed mental health issues.
- The catalyst for change in the family can come at any time and from any member. It is therefore important to work with all members of the family.
- Positive changes in families' economic circumstances benefit all support programs, as they reduce current dependency and allow support to be channeled to those further back in the pipeline.
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- Many grandparents are struggling with the challenges of bringing up teenage grandchildren, even as their health and strength may be failing.
- Maintain electronic and hard copies of records.

SUCCESS

We believe that success means different things in each family, and intervening achievements provide important encouragement on the road to larger, more distant goals.

One major indicator of long term success for us is when publicly funded housing produces individuals who embrace the connection between education and a great future, and there is support for children to move from crib to career successfully. We feel it is also an important indicator of success when rewarding work is regarded by next generations as more likely and achievable than incarceration.

Secondly, we regard success as the instance when our clients wean themselves from our services, and move confidently on to mainstream society because they have developed the skills for dealing with life's challenges. This is the point at which they become active contributors to their communities, allowing these services to be made available to others waiting in the pipeline.

Thirdly, success means the participation of all residents in the benefits of citizenship offered in the larger community. This applies especially to the disabled and seniors living in public housing who numbered over 730,000 nationally as of 2008, and frequently become isolated and marginalized as they age.

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At AHA the decision was made to keep the implementation external where it had begun, in part because of the flexibility and creativity that the program demands. This is not 'behind a desk, nine to five' work.

During its almost ten years, HSMP was able to operate with great efficiencies because at its peak there were 18 communities (over 10,000 persons) being served simultaneously. While over 80% of costs were for direct labor, there were significant savings achieved in all other administrative areas. The average cost per family per month over the entire period, including direct payments for educational support, transportation and initial childcare is \$170 per family per month. The costs for other PHAs starting implementation of a similar program would have to be based on the number of residents being served and local cost of living.

The longer term impact of the program in revitalized communities has not yet been measured, because there has been a shorter timeline for observation. Also, this work is not easily funded through private sources after the Authority's service contracts end. IY&FP is in the process of developing a non-profit to enable it to seek foundation funding and ensure that this work is sustainable in the long term.

I have not been a part of the implementation of this model in many locations aside from Atlanta, but in one other location with which I am familiar it was implemented in-house with my consulting assistance. The results have not been as successful as Atlanta and my conclusion is that staff changes and lack of commitment by new leadership influenced its fate. At AHA the Vice President of Human Development Services has been the Authority's link to the Program and there has been continuous communication throughout the years as is the case in all great partnerships. In addition, there has always been strong champion of and support for the Program from AHA's leadership. It has also been vitally important to the viability of the program that the Developer was one of the original architects of the vision and, by necessity took the long view.

In the larger environment it is also very important to develop support and buy-in of the local political players. Though everyone may not agree at the outset, there is need for a critical mass of supportive voices that will at least adopt a 'wait and see' approach and allow the Program to prove itself.

The Work Requirement /MTW Connection

I believe that, without the flexibility of the MTW structure, AHA would not have been able to create a balanced program that includes both improvement in the physical environment and the support necessary to make the work requirement moral and achievable. (Attachment 3)

The development and inclusion of a lease addendum to the leases signed by the residents receiving housing assistance, and which laid out the work requirement, accompanied by access to support, was a critical part of the original framework that allowed for the successful implementation of the HSMP.

GREAT STORIES OF HUMAN SUCCESS

Among the numerous families whose lives have touched mine are three that I share here. They are indelibly imprinted in my brain and heart because I believe there could have been very different outcomes, had we not been given the opportunity to become part of the lives of these families:

- *After we had visited the home headed by a single 38 year old mother of three for three years, she divulged that she had been diagnosed with AIDS a year before and she had not figured how to tell her two teenage children. She was also racked with guilt that she had developed this disease during her years of drug use and now would have to leave her children just when they were most vulnerable. The children's school grades were slipping, their behavior had changed for the worse, there was little leadership in the home, and they knew that something was wrong in their world but could not understand what. The FSC assigned to the family promised the mother that we would work with the school and the teens, and allow her to work on her own healing. She called a family meeting and we supported her in telling the children and creating a plan for going forward.*

We connected her to AIDS Atlanta where she was able to be placed in experimental drug trials and receive free medication and therapy. We connected the children to students from Morehouse and Spellman who became their tutors and mentors. Within a year, the children were on track to graduate from high school and go on to college. The mother recovered so well that when she was honored at our end of year 'Families of Distinction' event, she drove herself to the luncheon after being bedridden just months before. Today she maintains a blog online for women living with AIDS who have children.

- In 2006 we worked with a resident who was ambitious but stuck, because she had not completed high school, had a daughter, had moved from one low paying job to another, and could not juggle the demands of life with no support. The exercise of developing her Personal Life Wealth Plan allowed her to set interim goals and see the path ahead clearly. We referred her to subsidized childcare services close to a GED center and she was able to complete the preparation and get through that exam. She then registered in the local Technical College for the course in Childcare Training. The college had a center on site which enabled her to have her daughter close for free. Today, after doing a few more classes along the way, she owns her own home, and is Deputy Director for a Childcare Center in the City where some of the IY&FP staff who supported her success now leave their children in her care.*
- In one of the first HOPE VI sites we worked with a family in which both parents were extremely disabled. The father was mentally disabled and the mother was wheelchair bound. They had two able-bodied and bright children who became teenagers on our watch. The girl, the elder child, was managing the family's finances and affairs before she was 12 years old. While she did a decent job of managing the money, she also began to lose respect for her parents and eventually to abuse them, especially when she had friends over to the home. The male FSC who was assigned to that family became a constant presence in the home and the schools. As the children moved through the turbulent teen years, they found in him a constant source of clarity and consistency that was otherwise absent in the home. He arranged mentors and summer involvement in programs, and attended school conferences with and then for, the mother. At seventeen the daughter became pregnant. We supported her through the experience and eventually she went back and graduated a year after her class. She attended a job skills workshop that we offered and when our contract with that community ended, we felt that the children had become stable young adults. Last month that family's former FSC returned to the office from a visit to the bank very excited. He had gone to a Wells Fargo branch and his former client had been his teller. She told him that she had moved from public housing, had her own apartment where she lived with her mother and her now 4 year old daughter, and that her brother was working with a supermarket chain in the city. She thanked him for caring and believing in them as he had.*

Testimony of Hope Boldon
CEO of The Integral Youth & Family Project LLC, (IY&FP)
A Division of Integral, Atlanta, Georgia.
Before the Congressional Subcommittee on Financial Services
(Housing Policy)

October 13, 2011.

Good Afternoon Chairman Biggert, Ranking Member Gutierrez, and members of the Subcommittee. I am honored to appear before you to discuss the Human Services Management Program (HSMP) that the Integral Youth and Family Project, LLC (IY&FP) has implemented in partnership with The Atlanta Housing Authority (AHA) since 2002.

HISTORY

The HSMP is the outgrowth of original efforts of The Integral Group LLC, (Integral) and AHA to fulfill the mandate of HOPE VI, which provided funds and required parallel development tracks for both the people and real estate in recipient communities. The design of the first version of the program was part of the winning 1994 proposal to AHA from Integral, which resulted in the development of the first holistic HOPE VI community in the nation, developed in Atlanta. While the real estate and financing models were hailed as successful, upon examination the results, Integral was not satisfied with the first efforts to support the development of residents. So with agreement from AHA and lessons from those efforts, the HSMP was created.

The current program was designed in 2001 and implementation began in January 2002, in three HOPE VI communities where active relocation was underway. The program of support followed the residents as they moved, and its effectiveness was tested during pre and post relocation. It was also proven to be very valuable during re-occupancy. Eventually, the program was implemented in a total of five HOPE VI communities.

Five years after its inception, when years of data and observation were available for analysis, everyone involved recognized the value of the program as a transformative and a tracking tool for relocated families. Using benchmarks that were part of its design, we were able to show that the program had supported positive changes in the important indicators in all demographic groups.

Employment levels moved from 18.5% to 78% at the peak of the program and subsequently fell to 56% in recent years as the economy slowed. In addition, there were improvements in early school performances; higher graduation levels and marked continuation in tertiary education; improvements in juvenile court outcomes; higher enrollments in skill development programs, employment and job retention; increases in involvement of seniors in healthy activities, and better situational management within families.

With the efficacy of the Program proven, it was incorporated into the design of the AHA *Quality of Life Initiative (QLI)*, the cornerstone of that agency's *Moving to Work* model.

(Attachment 3). Thus, all families relocated in the fourteen(14) AHA QLI communities have been supported through the HSMP.

For almost ten years, this program has supported over 5,600 families (15,000+ residents) in ways that have altered their present and will serve them for future generations. Our statistics and stories (included and attached to this document) show that our model of 'counseling, coaching and connecting' has enabled families to overcome obstacles, create meaningful health, educational and career goals, and achieve beyond their previous dreams.

PROGRAM DESIGN

One of our conclusions from the earlier attempt was that the problems in low income communities were not due to a lack of agencies and service providers. In fact, a survey undertaken by AHA in 1992 showed that there were over 100 programs and services on record as serving residents of Techwood Homes, the first HOPE VI site in Atlanta. During that same period, that neighborhood recorded the worst statistics in the South East related to violent crime, employment and educational achievement. Clearly, a list of strong agencies and services is necessary, but not sufficient to create lasting changes in communities.

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Atlanta Housing Authority MTW Innovations & Policies



The following represents an "At a Glance" overview of a number of key innovations or policy reforms AHA has implemented as a result of its participation in the MTW Demonstration Program.

MTW Single Fund combines the low-income operating subsidy, capital funds and Housing Choice Voucher funds into a single, authority-wide fund used for MTW Eligible activities as defined in AHA's MTW Agreement and the FY 2010 MTW Annual Plan. Among other things, these funds are used to expand quality, affordable housing in healthy mixed-income communities, support self-sufficiency programs for public housing and Housing Choice-assisted households and improve enterprise-wide operations (financial and other).

| Atlanta Housing Authority - MTW Innovations | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Self-Sufficiency | |
| <ul style="list-style-type: none"> Work/Program Requirement states that as a condition of receiving the housing subsidy, (a) one non-elderly (18 to 61 years old), non-disabled adult household member must maintain continuous full-time employment (at least 30 hours per week) and (b) all other non-elderly, non-disabled household members must also maintain employment with a minimum of 30 hours per week or participate in a combination of school, job training and/or part-time employment as a condition of the household's eligibility to receive subsidy assistance. This policy standard establishes an expectation that reinforces the importance and necessity for work to achieve economic independence and self-sufficiency. | |
| <ul style="list-style-type: none"> Human Development and Support Services are provided by social service professionals through individualized coaching and counseling to (a) families impacted by AHA revitalizations and QLI relocation activities, and (b) to families who are non-compliant with the Work/Program Requirement and other obligations. By using MTW and HOPE VI funds to finance these vital services, AHA minimizes and/or removes a variety of generational barriers to self-sufficiency; giving the families more support to achieve success. | |
| <ul style="list-style-type: none"> Good Neighbor Program is an instructional program established by AHA and Georgia State University. The curriculum includes training on the roles and responsibilities of being a good neighbor after relocating to amenity-rich neighborhoods. AHA leverages MTW Funds with Georgia State University resources to support the implementation of this program. | |
| <ul style="list-style-type: none"> Service Provider Network is a group of social service agencies formed by AHA to support family and individual self-sufficiency. Leveraging MTW Funds with resources from these established organizations, AHA has provided various opportunities ranging from employment, job training, GED programming, post-secondary education, dental, physical and mental health referrals, and other connections supporting family success. | |
| <ul style="list-style-type: none"> Rapid Response Team proactively responds to issues experienced by Housing Choice participants adversely impacted by private property owner foreclosures or other emergencies, natural disasters or property abatement. AHA has provided a continuum of support leading to the resettlement of impacted families into new living environments while creating operational efficiencies including the establishment of processes, procedures and protocols that improve response times in handling these time-sensitive moves. | |
| <ul style="list-style-type: none"> Place-Based Supportive Services Strategy Pilot was created in collaboration with the Atlanta Regional Commission and other partners to leverage grant funds, MTW Funds and other resources. Using the Naturally Occurring Retirement Community (NORC) model, the goal of the pilot is to create a service-enriched living environment for seniors and persons with disabilities to age in place at three AHA-Owned Residential Communities (Marian Road Highrise, Piedmont Road Highrise, and Cheshire Bridge Road Highrise). Based on the best practices derived from the pilot, AHA will use the NORC model in other senior high-rise communities. | |

| Atlanta Housing Authority - MTW Innovations | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Housing Choice Voucher Program | |
| <ul style="list-style-type: none"> • 30% of Adjusted Income ensures that all Housing Choice Voucher Program (HCVP) participants' total tenant payments are limited to 30 percent of adjusted income. This innovation ensures continued affordability of the HCVP and uniformity of tenant payments regardless of the source of AHA subsidy. | |
| <ul style="list-style-type: none"> • Atlanta Submarket Payment Standards were created using a market study conducted by a private third-party real estate market firm. These payment standards are used instead of HUD Fair Market Rents. Using comparable rents in the submarkets does not skew the rents paid in the submarket. This innovation has eliminated many financial barriers families often encounter during a housing search and gives participants additional financial leverage in leasing quality affordable housing. | |
| <ul style="list-style-type: none"> • Rent Reasonableness Determinations developed by AHA's Asset Management group use independent market analysis to establish the market equivalent rent for each residential unit in AHA's HCVP. The value of this program results in consistent rent determination outcomes and stabilized Housing Choice contract rents in line with the Atlanta rental market and available subsidy resources. | |
| <ul style="list-style-type: none"> • Leasing Incentive Fee (LIF) was established to attract landlords and private owners to make housing available to low-income families in lower poverty neighborhoods. In private markets, owners of Class A real estate often require security deposits and application fees to defray the costs of processing an application for an apartment. In response, AHA designed the LIF to eliminate these requirements as obstacles. The LIF gives families greater leverage to compete in the private market to secure quality housing. | |
| <ul style="list-style-type: none"> • Enhanced Inspection Standards establishes interim and annual inspection "checkpoints" for improving accountability and enforcing the landlords' and participants' responsibility in property upkeep and re-evaluating neighborhood quality. This process develops a positive image and greater acceptance of the HCVP in communities. | |
| <ul style="list-style-type: none"> • Homeownership Policies: (a) Section 8 Voucher for Homeownership allows qualified participants in the HCVP to use their voucher for mortgage payment assistance and facilitates upward movement from renting to homeownership. (b) Housing Choice Voucher Homeownership Policy established AHA's own procedures and requirements for eligible families to participate in the Housing Choice Homeownership or Homeownership Self-Sufficiency Program. The requirements are aligned to support the long-term success of low-income families achieving their dream of homeownership. (c) Comprehensive Homeownership is being established at AHA using its own policies, procedures, eligibility and participation requirements, including changes to the HUD Family Self-Sufficiency Program requirements. This new program approach and design will support and sustain a more successful homeownership program at AHA. | |
| <ul style="list-style-type: none"> • Project Based Rental Assistance (PBRA) Site-Based Administration moves from the public housing authority-managed model under the traditional Housing Choice Project Based Voucher Program and operates as a distinct and separate program from the HCVP. It allows AHA to enter into long-term PBRA Agreements with Owner Entities of quality multi-family rental developments including developments for the elderly and persons with disabilities. The Owner Entities' professional management companies have the full responsibility of administering all aspects of PBRA eligibility, admissions and occupancy at the property level. This process has made the PBRA program attractive to private sector real estate professionals by allowing them to manage and mitigate their market risks associated with owning and implementing the program. | |

| Atlanta Housing Authority - MTW Innovations | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Local Reform of Housing Policies | |
| <ul style="list-style-type: none"> • Work/Program Requirement Policy states that as a condition of receiving the housing subsidy, (a) one non-elderly (18 to 61 years old), non-disabled adult household member must maintain continuous full-time employment (at least 30 hours per week) and (b) all other non-elderly, non-disabled household members must also maintain employment with a minimum of 30 hours per week or participate in a combination of school, job training and/or part-time employment as a condition of the household's eligibility to receive subsidy assistance. This policy standard establishes an expectation that reinforces the importance and necessity for work to achieve economic independence and self-sufficiency. | |
| <ul style="list-style-type: none"> • \$125 Minimum Rent Policy raises standards of responsibility for AHA-assisted families in public housing and Housing Choice by increasing tenant contributions towards rent. This policy does not apply to households where all members are either elderly and/or disabled, and whose sole source of income is Social Security, SSI, and/or other fixed annuity pension or retirement plans. These exempted households are still responsible for paying rent based upon 30 percent of their monthly adjusted income for rent and utilities, or a public housing assisted resident may elect to pay the Affordable Fixed Rent. | |
| <ul style="list-style-type: none"> • Elderly Income Disregard Policy allows an elderly person to work without being penalized or having to calculate the employment income when determining rental assistance. The disregard applies only when the elderly person's sole source of income is Social Security, SSI, and/or other fixed annuity pension or retirement plan income. This policy is applicable to all AHA housing assistance programs. This innovation encourages "aging well" and self-sufficiency. | |
| <ul style="list-style-type: none"> • Non-Elderly Disabled Income Disregard Policy allows a non-elderly person with a disability, as defined by AHA, whose sole source of income is Social Security, SSI, and/or other fixed annuity pension and retirement plan income to work without being penalized or having to calculate the employment income when determining rental assistance. The policy is applicable to all AHA housing assistance programs and encourages self-sufficiency. | |
| <ul style="list-style-type: none"> • 4-to-1 Elderly Admissions Preference Policy has resulted in a more optimal mix of less than 20 percent non-elderly, disabled adults in each community and fewer complaints. Elderly residents report feeling safer and more satisfied. AHA is improving the quality of life of elderly (62 years and older), almost elderly (55 to 61 years) and young disabled adults by creating a population mix that is more conducive to shared living space in the high-rise buildings. AHA has addressed sociological and generational lifestyle differences by admitting four elderly persons from the waiting list to each non-elderly, disabled adult admitted. The 80/20 mix is supported by academic research and independent studies. | |
| <ul style="list-style-type: none"> • Rent Simplification Policy determines adjusted annual income by developing AHA's Standard Deductions that replace HUD's Standard Deductions. All AHA-assisted families benefit from AHA's Standard Deductions as they are more generous and equitable and eliminate the need to consider other deductions. This policy also makes provisions for catastrophic hardships. The intent of this policy is to reduce errors and the administrative burden, inefficiency and costs associated with the verification of unreimbursed medical and childcare expenses while reducing the potential for fraud. | |

Atlanta Housing Authority - Human Services Partners

(Partial listing)

Empowering Families

Achor Center
 AGL Resources
 Atlanta Community Food Bank
 Atlanta Habitat for Humanity
 Boys & Girls Club of Metro Atlanta
 The Center for Working Families
 City of Atlanta Watershed Management
 Families First
 Fulton County Human Services Department
 Fulton County Department of Family and Children Services (DFCS)
 Gate City Day Nursery Association
 Georgia Family Council
 Georgia Power Company
 Georgia Public Service Commission
 Georgia State University
 Alonzo A. Crim Center for Urban Educational Excellence
 Heating Energy Assistance Team, Inc. (H.E.A.T.)
 Integral Youth and Family Project (IYFP)
 MARTA
 Project Healthy Grandparents
 Quality Care for Children
 Safe Families for Children
 SCANA Energy
 United Way of Metropolitan Atlanta
 Metro Atlanta YMCA

Service & Human Development Partners



- Aging Well
- Education
- Family
- Healthcare
- Employment

AHA partners with a variety of organizations to provide services and counseling needed by families, seniors and disabled residents.

Enhancing Life Seniors & Disabled

Alzheimer's Association, Georgia Chapter
 American Association of Retired Persons (AARP)
 American Society on Aging (ASA)
 Atlanta Regional Commission (ARC)
 Area Agency on Aging
 Bobby Dodd Institute
 Connected Living
 DisAbility Link
 Dynamic Productions / Stepp Stewart
 Emory Fuqua Center for Late Life Depression
 Fulton County Human Services - Division of Aging Services
 Georgia Department of Human Resources - Adult Protective Services, Aging Division, Children with Special Needs
 International Council on Active Aging
 Hands On Atlanta
 Jewish Family and Career Services
 Jewish Federation of Greater Atlanta
 Leading Age
 Meals on Wheels Atlanta
 Project Interconnections, Inc.
 Quality Living Services (QLS)
 Senior Connections
 UniHealth Source

Fostering Growth & Learning

Atlanta Metropolitan College
 Atlanta Public Schools
 Atlanta Technical College
 Atlanta-Fulton Public Library System
 CHRIS Kids, Inc.
 Georgia Department of Early Care and Learning - Bright from the Start
 Georgia State University - Center for Study of Adult Literacy, Educational Opportunity Center
 Literacy Action, Inc.
 Literacy Volunteers of Atlanta
 Sheltering Arms Early Education & Family Centers
 YMCA Early Childhood Development Company, LLC - Head Start

Connecting to Employment

Atlanta Workforce Development Agency (AWDA)
 Atlanta Job Corps
 Catholic Charities of the Archdiocese of Atlanta
 Fulton-Atlanta Community Action Authority (FACAA)
 Georgia Department of Labor
 Goodwill of North Georgia
 Urban League of Greater Atlanta, Inc.

Promoting Healthy Lifestyles

Children's Healthcare of Atlanta - Hughes Spalding Hospital
 Emory University - Nell Hodgson Woodruff School of Nursing
 Georgia Crisis & Access Line Behavioral Health Link
 Grady Health System - Geriatrics Department
 H.O.P.E. Through Divine Intervention, Inc.
 Kaiser Permanente
 Morehouse School of Medicine (MSM) - Prevention Research Center
 Piedmont Hospital
 Project Open Hand
 Visiting Nurse Health System

List of Private Sector/ Employment Partners of HSMP(2011)

ADT
Atlanta Public Schools
Blockbuster
CBS Corporation
Clarcor Inc
Children's Healthcare of Atlanta
Clayton County Public Schools
Cobb County Government
Coca Cola
Cox Media Group
DeKalb County Government
Delta Airways
Emory University
Georgia Department of Human Services
Georgia Department of Education
Georgia Department of Administrative Services
Georgia Institute of Technology
Georgia State University
Grady Health System
Hire Dynamics
Home Depot
Hyatt
Kroger Supermarkets
Lane Company
Lowe's
Macy's
Matrix Suppliers
Pitney Bowes
Starwood Hotels
Southern Company
Tenet Healthcare
Waffle House
UPS
Verizon
YWCA
Zoo Atlanta

Non-Profit/ Public Agencies (Education, Training and Services)

100 Black Men of Atlanta
Atlanta Fulton County Public Library/Learning and Career Centers
Atlanta Public Schools
Atlanta Workforce Development Authority
Atlanta Technical College
Big Brother Big Sisters
Boys and Girls Club
Chris Kids
Georgia Department of Human Resources
Georgia Department of Administrative Services
Goodwill Industries
Grady Health System
Marriott
DeKalb Perimeter College
West End Health Centers
YWCA
YMCA



Integral Youth & Family Project (IYFP)

Program Performance Period - January 1, 2002 - September 19, 2011

| Human Services Management Programmatic Outcomes | | | | |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|--------------|
| Employment Outcomes | | Total # | Total # of | Total # of |
| | | Heads of | Household | Individuals |
| | Total Number of Service Connection Enrollments | Households | Members | |
| | Job Training Programs | 117 | 27 | 114 |
| | Employment Preparation and Retention Services | 566 | 85 | 651 |
| | Vocational/Technical Training Programs | 256 | 55 | 311 |
| | TOTAL SUMMARY | 939 | 167 | 1,076 |
| KEY | Employment (Duplicated) | | | |
| | Number of Job Placements | 2,263 | 199 | 2,462 |
| | Performance Outcome Description: | | | |
| | <i>Vocational/Technical Training</i> - Secondary training which prepares individuals for a care in a specific field | | | |
| | <i>Job Training</i> - Short term training for specific skills which prepares individuals for employment (e.g. nursing, construction, etc.) | | | |
| | <i>Employment Preparation & Retention</i> - Preparing individuals to access and retain employment. These services may include soft skills training, not specific job skills. Examples include but not limited to job search coaching, job referrals and job retention coaching. | | | |
| | Integral Youth & Family Project (IYFP) Data Communities: Antoine Graves, Graves Annex, Bankhead Courts, Bowen Homes, Capital Homes, Carver Homes, Englewood Manor, Grady Homes, Harris Homes, Hollywood Courts, John O. Chiles, Jonesboro North, Jonesboro South, Palmer House, Roosevelt House, Thomasville Heights and University Homes | | | |

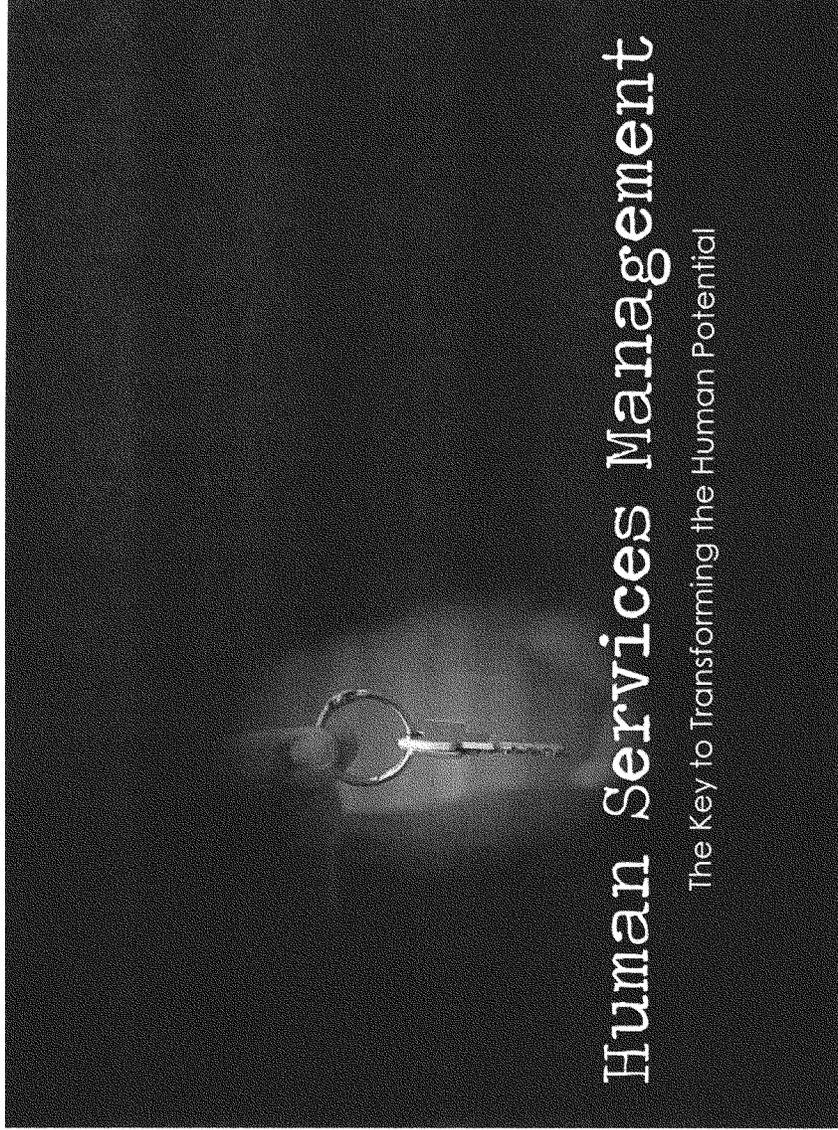
ATLANTA HOUSING AUTHORITY
COMMUNITY, GOVERNMENTAL AND EXTERNAL AFFAIRS
HUMAN SERVICES MANAGEMENT SURVEY RESULTS

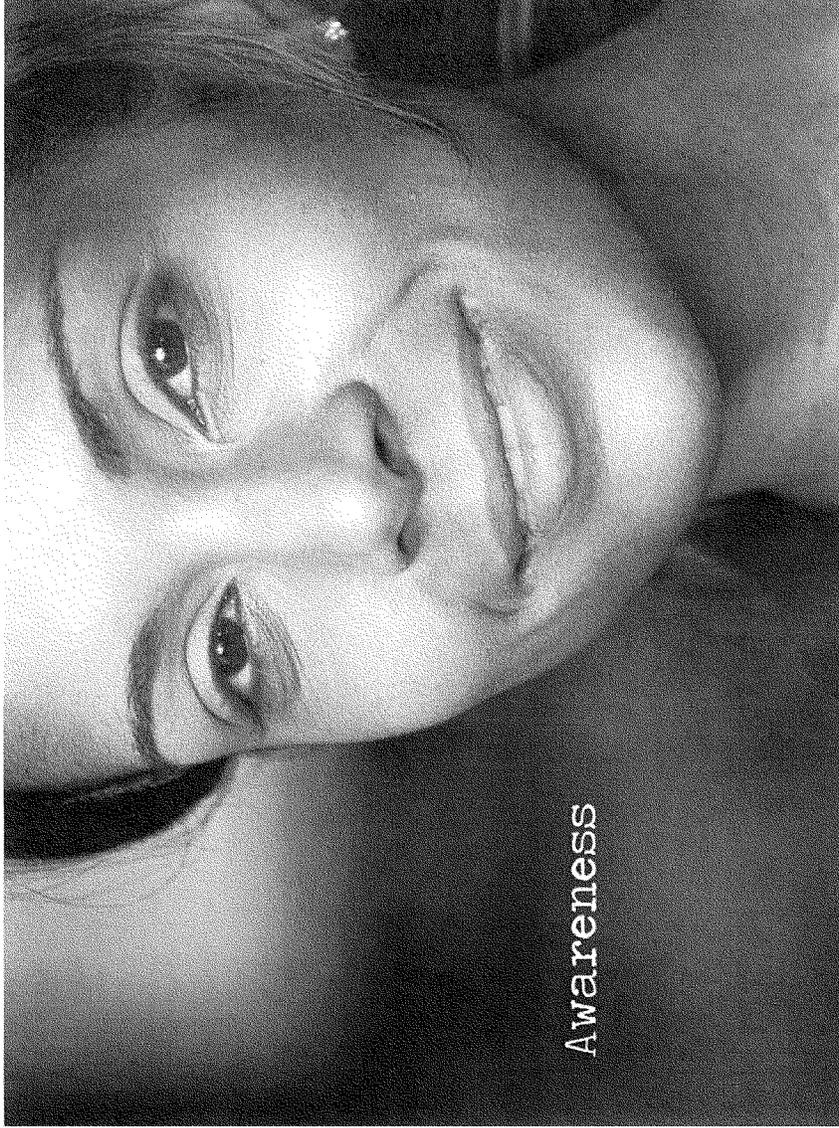
| Q10 | HOPE VI Communities | | | | | | | | | | All Communities | | | | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------|---------------|---------------------|---------------------|----------------|-----------------|---------------------|--------------------|-------------------|-------------------|------------------------|--------------------|----------------|---------------------|------------------|-----------------|--------------------|--|--|
| | Adams Graves | John O. Chiles | Mik Towers | McDaniel Gleason | University Homes | Grady Homes | Grady Valley | U-Reason Village | Englewood Major | Jonathan North | Jonathan South | Thomasville Heights | Bankhead Courts | Bowen Homes | Hollywood Courts | Herndon Homes | Palmer Homes | Roosevelt Homes | | |
| Q10) Case manager/family support coordinator does a good job of connecting me to resources, programs, or services to help me become self-sufficient. | Strongly Agree | 39.8% | 50.0% | 27.6% | 57.1% | 58.9% | 66.9% | 28.6% | 40.0% | 62.2% | 48.4% | 72.5% | 61.1% | 55.8% | 50.0% | 67.5% | 51.0% | | | |
| | Agree | 48.7% | 43.3% | 41.8% | 28.6% | 30.0% | 24.8% | 48.2% | 26.7% | 27.6% | 32.8% | 21.0% | 31.2% | 23.3% | 28.1% | 20.0% | 40.0% | | | |
| | Neither Agree or Disagree | 8.6% | 3.3% | 10.3% | 0.0% | 1.1% | 2.4% | 3.6% | 0.0% | 3.2% | 3.7% | 4.1% | 1.1% | 1.5% | 2.0% | 2.4% | 2.0% | 0.0% | | |
| Strongly Disagree | 0.9% | 3.4% | 3.4% | 0.0% | 2.2% | 0.6% | 7.1% | 0.0% | 0.0% | 6.5% | 2.0% | 1.7% | 1.1% | 0.0% | 0.0% | 2.5% | 0.0% | | | |
| Q11) Case manager/family support coordinator involves me in discussing and planning for resources, programs, or services that I need. | Strongly Agree | 35.4% | 46.7% | 44.8% | 57.1% | 58.9% | 64.8% | 28.6% | 40.0% | 62.2% | 48.4% | 72.5% | 61.1% | 55.8% | 50.0% | 67.5% | 51.0% | | | |
| | Agree | 51.3% | 42.0% | 31.0% | 23.6% | 30.0% | 25.8% | 46.2% | 33.3% | 10.1% | 29.3% | 31.3% | 28.8% | 34.3% | 32.0% | 38.1% | 35.0% | 35.0% | | |
| | Neither Agree or Disagree | 3.7% | 4.3% | 10.9% | 0.0% | 0.7% | 1.5% | 1.4% | 0.0% | 3.0% | 4.7% | 4.0% | 2.8% | 4.2% | 4.7% | 4.8% | 3.0% | 0.0% | | |
| Strongly Disagree | 7.7% | 3.3% | 8.9% | 0.0% | 2.2% | 0.6% | 7.1% | 0.0% | 3.2% | 3.7% | 4.1% | 1.1% | 0.4% | 0.0% | 2.4% | 2.5% | 0.0% | | | |
| Q12) Case manager/family support coordinator involves me in discussing and planning my goals to become self-sufficient. | Strongly Agree | 38.1% | 46.7% | 27.6% | 57.1% | 56.7% | 59.1% | 39.3% | 50.0% | 63.9% | 54.8% | 69.9% | 59.6% | 58.1% | 57.3% | 60.0% | 54.1% | | | |
| | Agree | 52.2% | 42.0% | 44.8% | 28.6% | 31.1% | 29.9% | 39.3% | 50.0% | 31.6% | 16.1% | 28.1% | 30.0% | 36.7% | 27.9% | 33.3% | 30.0% | 35.1% | | |
| | Neither Agree or Disagree | 7.5% | 4.3% | 10.3% | 0.0% | 0.7% | 1.5% | 1.4% | 0.0% | 3.0% | 4.7% | 4.0% | 2.8% | 4.2% | 4.7% | 4.8% | 3.0% | 0.0% | | |
| Strongly Disagree | 1.8% | 1.1% | 1.8% | 0.0% | 1.1% | 3.1% | 3.6% | 0.0% | 0.8% | 8.5% | 2.5% | 4.0% | 1.1% | 0.0% | 0.0% | 0.0% | 0.0% | | | |
| Q13) I feel better because of my case manager/family support coordinator's help. | Strongly Agree | 37.7% | 43.3% | 35.7% | 42.9% | 42.9% | 42.1% | 21.4% | 20.0% | 39.6% | 36.7% | 44.2% | 41.7% | 33.5% | 37.2% | 42.9% | 37.5% | 54.1% | | |
| | Agree | 43.1% | 40.7% | 25.0% | 28.6% | 32.2% | 34.9% | 35.7% | 50.0% | 36.6% | 23.3% | 33.7% | 29.9% | 42.5% | 27.9% | 26.2% | 27.5% | 24.3% | | |
| | Neither Agree or Disagree | 3.7% | 4.3% | 20.0% | 0.0% | 2.0% | 16.7% | 25.0% | 30.0% | 17.2% | 13.3% | 21.8% | 20.3% | 14.0% | 18.0% | 15.0% | 10.0% | 18.9% | | |
| Strongly Disagree | 4.4% | 1.1% | 7.1% | 0.0% | 2.2% | 5.6% | 7.1% | 0.0% | 5.2% | 3.9% | 8.7% | 9.9% | 4.5% | 4.7% | 7.1% | 2.5% | 2.7% | | | |
| Q14) Length of time received human services management | Strongly Disagree | 5.3% | 5.4% | 7.1% | 0.0% | 2.2% | 0.8% | 10.7% | 0.0% | 1.5% | 1.8% | 4.0% | 0.6% | 1.5% | 4.7% | 2.4% | 2.5% | 0.0% | | |
| | Disagree | 38.3% | 6.2% | 14.3% | 14.3% | 11.1% | 9.3% | 3.6% | 10.0% | 7.4% | 6.5% | 15.7% | 21.5% | 18.0% | 41.3% | 31.6% | 23.3% | 24.3% | | |
| | Agree | 56.5% | 88.4% | 78.6% | 85.7% | 86.7% | 89.9% | 85.7% | 89.9% | 91.5% | 91.5% | 80.3% | 78.0% | 81.5% | 54.8% | 64.8% | 76.7% | 75.7% | | |
| Q15) Overall quality of the case manager/family support coordinator's help | Strongly Disagree | 2.9% | 3.4% | 3.4% | 0.0% | 0.7% | 1.5% | 1.4% | 0.0% | 0.8% | 0.7% | 0.7% | 0.6% | 0.4% | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Disagree | 18.8% | 11.1% | 14.3% | 14.3% | 11.1% | 9.3% | 3.6% | 10.0% | 7.4% | 6.5% | 15.7% | 21.5% | 18.0% | 41.3% | 31.6% | 23.3% | 24.3% | | |
| | Agree | 88.3% | 88.4% | 85.7% | 85.7% | 86.7% | 89.9% | 85.7% | 89.9% | 91.5% | 91.5% | 80.3% | 78.0% | 81.5% | 54.8% | 64.8% | 76.7% | 75.7% | | |

Note:
* Active Caseload as of June 30, 2009

| Atlanta Housing Authority Community, Governmental and External Affairs | | | | | | | | | | | |
|---------------------------------------------------------------------------|-------------------------|------------------------|------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Origins Particulars Credits | Final Contract Value | Initial Year Budget | Cont Pro. Budgets (V1) | Contract Value | | | | Contract Value | | | |
| | | | | Cost Per Family Base (V2) | Cost Per Family Base (V3) | Cost Per Family Base (V4) | Cost Per Family Base (V5) | Cost Per Family Base (V6) | Cost Per Family Base (V7) | Cost Per Family Base (V8) | Cost Per Family Base (V9) |
| HUMAN SERVICES MANAGEMENT | | | | | | | | | | | |
| Hope VI | | | | | | | | | | | |
| Capitol Homes | 618 | \$2,676,623.00 | \$585,919.00 | \$73.67 | \$97.75 | \$84.05 | \$65.20 | \$41.26 | \$62.83 | \$42.82 | \$62.82 |
| Carver Homes | 407 | \$1,995,775.00 | \$381,863.00 | \$119.01 | \$120.69 | \$99.96 | \$72.63 | \$72.07 | \$29.43 | \$29.43 | \$29.43 |
| Harris Homes | 269 | \$1,916,333.00 | \$360,238.00 | \$111.69 | \$144.99 | \$144.60 | \$101.15 | \$71.06 | \$136.03 | \$136.03 | \$136.03 |
| Grady Homes | 355 | \$2,823,750.00 | \$586,271.00 | \$137.62 | \$146.81 | \$130.97 | \$140.33 | \$100.30 | \$86.92 | \$86.92 | \$86.92 |
| John O. Chiles and Annex | 254 | \$1,069,461.00 | \$390,233.00 | \$124.91 | \$125.26 | \$130.36 | \$131.97 | \$171.33 | \$85.70 | \$85.70 | \$85.70 |
| University Homes | 411 | \$1,888,218.00 | \$578,882.00 | \$117.23 | \$127.29 | \$172.81 | \$171.33 | \$85.70 | \$85.70 | \$85.70 | \$85.70 |
| Antoine Graves and Graves Annex | 279 | \$1,210,432.00 | \$392,886.00 | \$118.69 | \$119.00 | \$123.84 | \$133.43 | \$133.43 | \$133.43 | \$133.43 | \$133.43 |
| TOTAL: | 2593 | \$13,790,313.20 | \$3,423,371.10 | | | | | | | | |
| QLI | | | | | | | | | | | |
| Englewood Manor | 320 | \$1,283,664.00 | \$571,184.00 | \$145.10 | \$127.69 | \$127.69 | \$234.63 | \$234.63 | \$234.63 | \$234.63 | \$234.63 |
| Jonesboro North | 100 | \$474,522.00 | \$243,112.00 | \$202.76 | \$178.43 | \$178.43 | \$178.43 | \$178.43 | \$178.43 | \$178.43 | \$178.43 |
| Jonesboro South | 150 | \$594,502.50 | \$262,890.00 | \$146.05 | \$128.52 | \$128.52 | \$128.52 | \$128.52 | \$128.52 | \$128.52 | \$128.52 |
| Thomasville Heights | 350 | \$1,371,195.00 | \$609,200.00 | \$145.10 | \$127.69 | \$127.69 | \$234.63 | \$234.63 | \$234.63 | \$234.63 | \$234.63 |
| Bankhead Courts | 386 | \$1,512,232.20 | \$672,032.20 | \$145.10 | \$127.69 | \$127.69 | \$234.63 | \$234.63 | \$234.63 | \$234.63 | \$234.63 |
| Bowen Homes | 650 | \$2,410,668.00 | \$1,071,408.00 | \$137.36 | \$120.88 | \$120.88 | \$234.63 | \$234.63 | \$234.63 | \$234.63 | \$234.63 |
| Herdman Homes | 273 | \$1,076,343.35 | \$478,459.80 | \$146.05 | \$128.52 | \$128.52 | \$128.52 | \$128.52 | \$128.52 | \$128.52 | \$128.52 |
| Hollywood Courts | 202 | \$796,536.70 | \$354,035.20 | \$146.05 | \$128.52 | \$128.52 | \$128.52 | \$128.52 | \$128.52 | \$128.52 | \$128.52 |
| Palmer House | 250 | \$1,670,017.50 | \$742,330.00 | \$281.15 | \$247.41 | \$247.41 | \$247.41 | \$247.41 | \$247.41 | \$247.41 | \$247.41 |
| Roosevelt House | 257 | \$1,716,777.90 | \$763,012.44 | \$281.15 | \$247.41 | \$247.41 | \$247.41 | \$247.41 | \$247.41 | \$247.41 | \$247.41 |
| TOTAL: | 2918 | \$12,966,600.35 | \$5,734,044.64 | | | | | | | | |
| GRAND TOTAL: | 5531 | \$26,716,913.55 | \$9,177,415.74 | | | | | | | | |

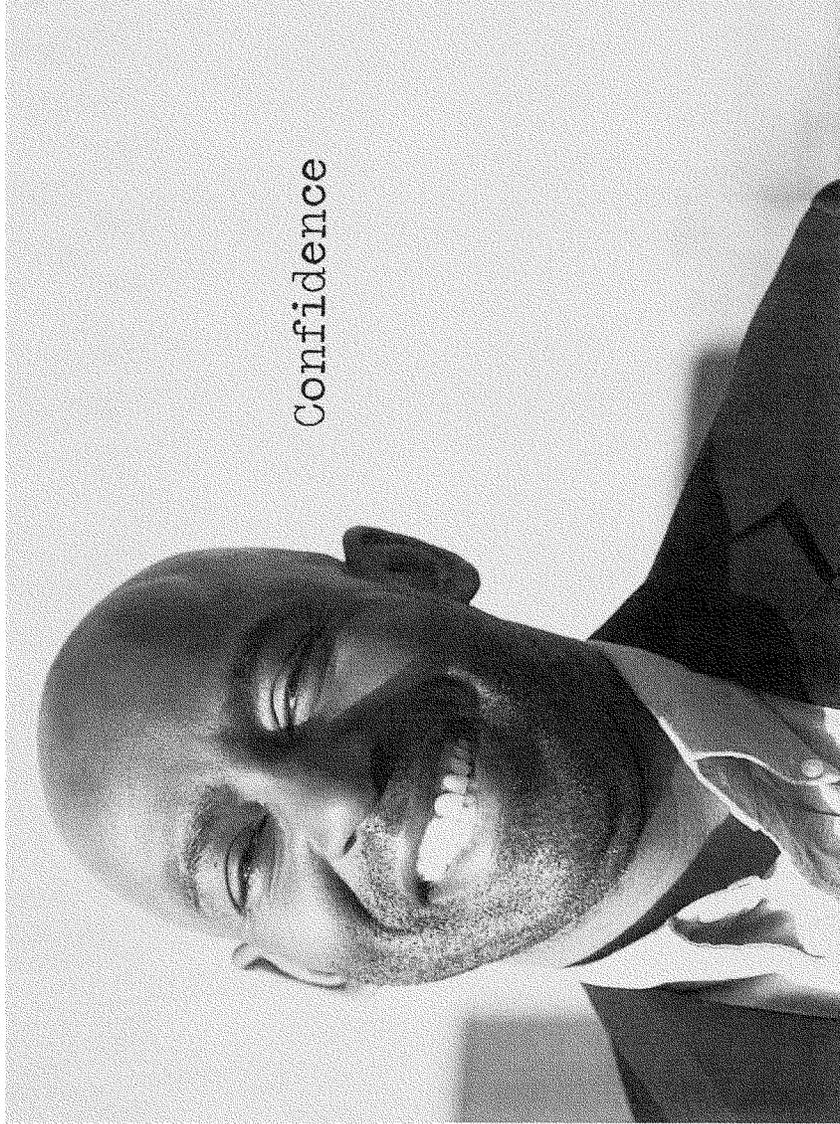
Note: Shaded blue - estimate year rates due to special needs population





Now I am more aware of programs and opportunities that are available to me and my family such as schools, jobs, etc. Thank you for believing in those of us that want to live the American Dream, provide for our families, and make a better life for our kids.

Former Bankhead Courts Resident



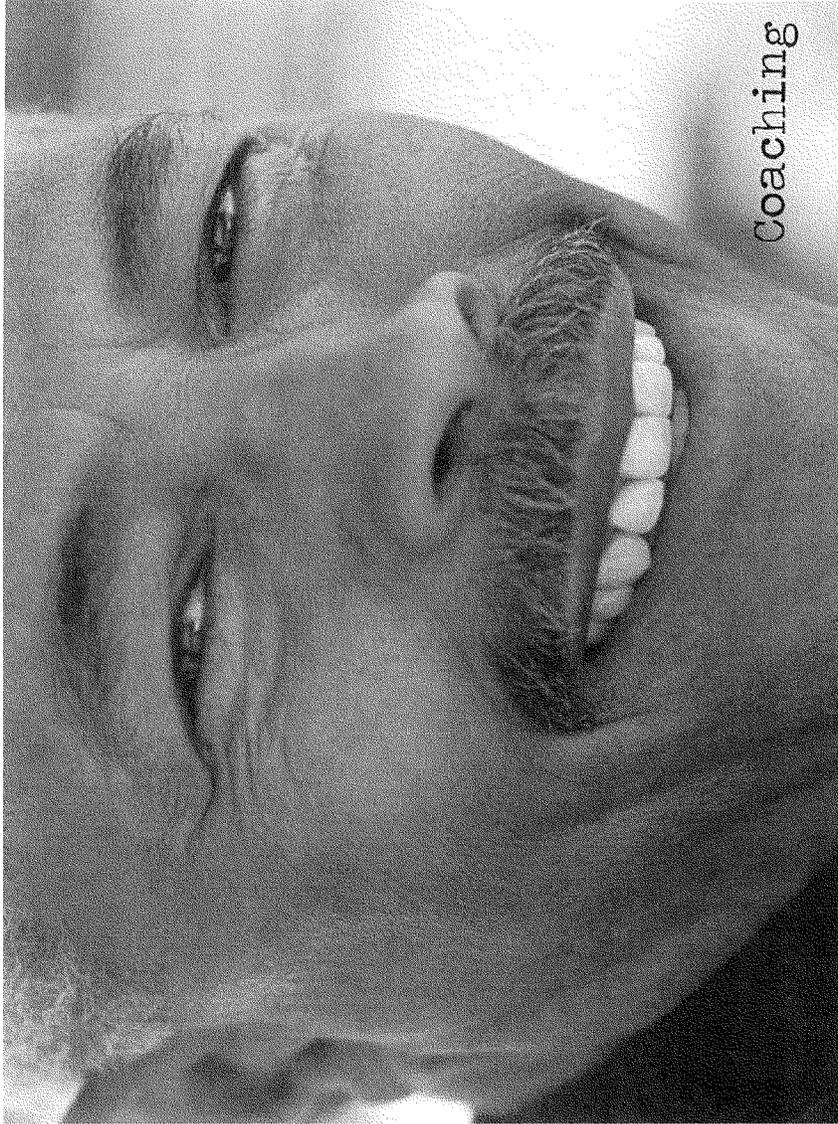
My Family Support Coordinator gave me confidence.
She made me feel that I can do anything I put my
mind to... because of that I am now continuing my
education.

Former Bankhead Courts Resident



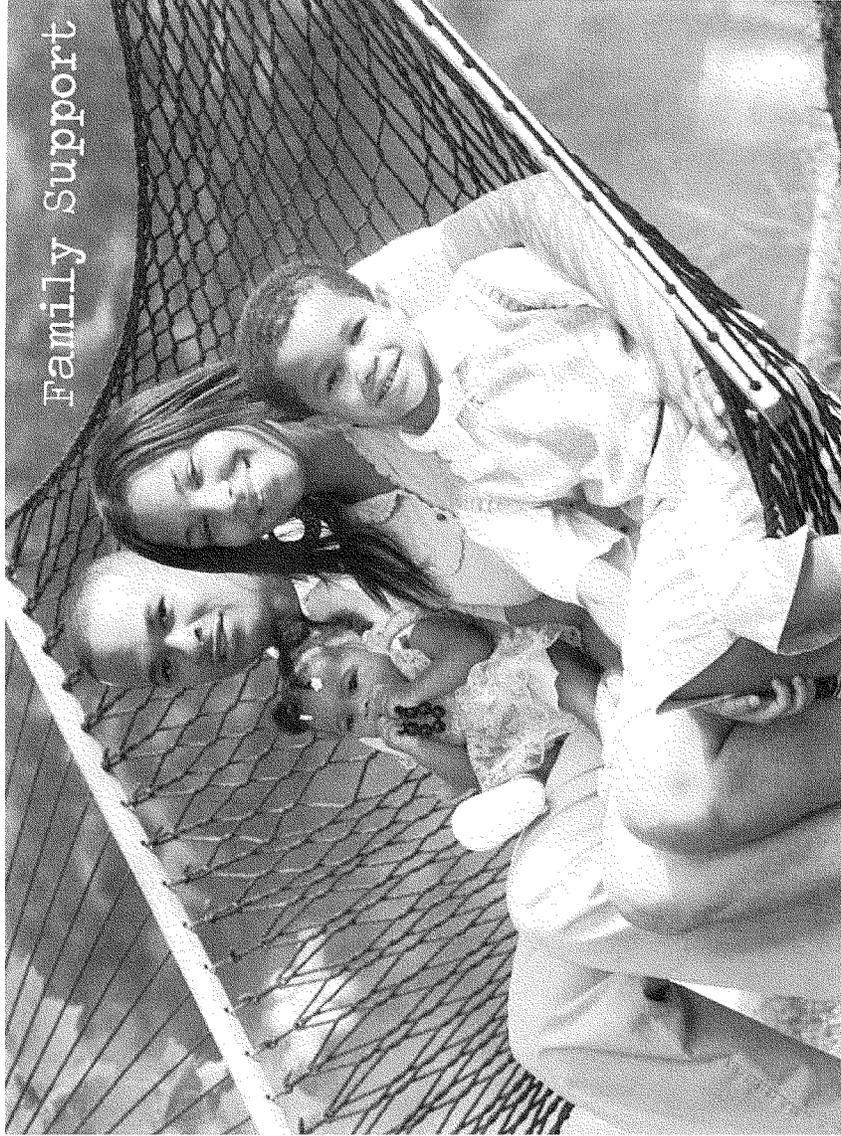
My family support worker is an on-time worker because she is not only thinking about what I need to do but how I am doing as a person. She helped me to go back to school, get my high school diploma and go to work. Human Services Management is the best thing that ever happened to me since I left Grady Homes because I was ready for a change in life.

Former Grady Homes Resident



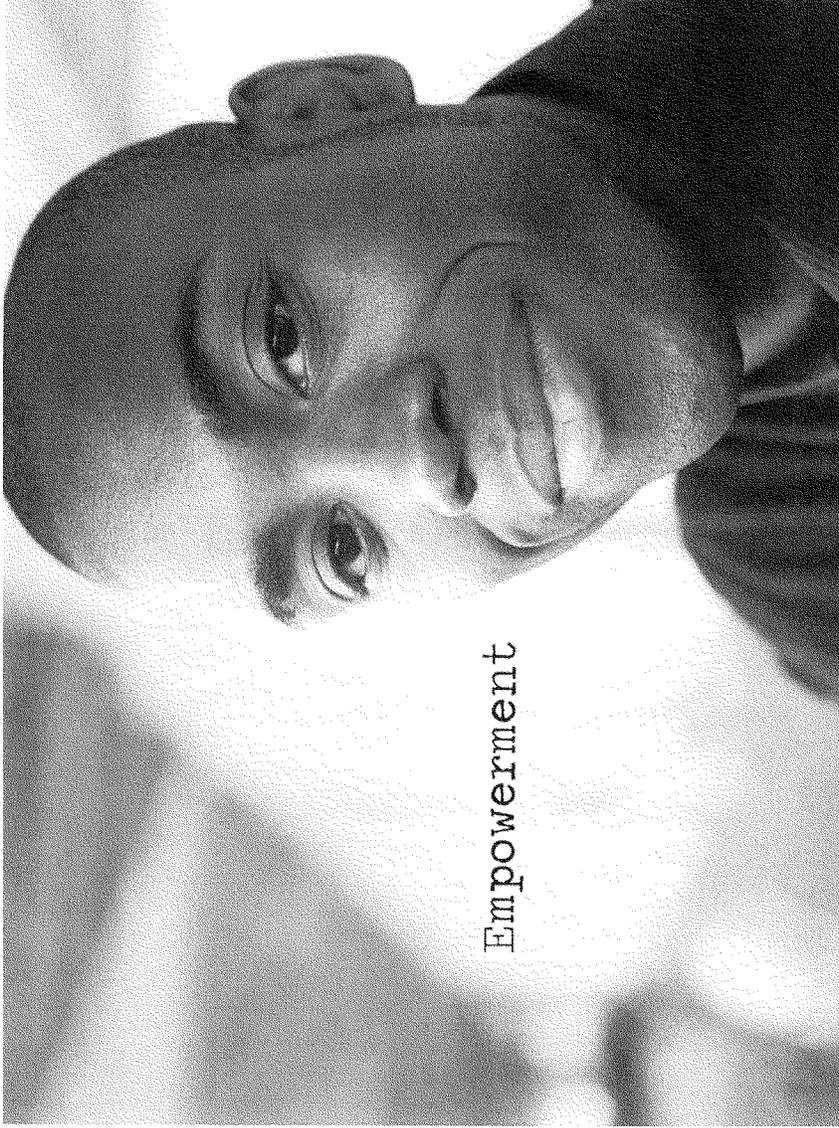
My case manager has been very important to the progress that I have made with my family and job. He helped motivate me in a time of need. I really appreciate the program, it has been a positive impact in our life.

Former McDaniel Glenn Resident



My Family Support Coordinator encouraged me to go back to school and get my GED. Guess what? I succeeded! I am now climbing the charts to having a good career. My FSC showed me that she cares not only about me, but also cares about my kids.

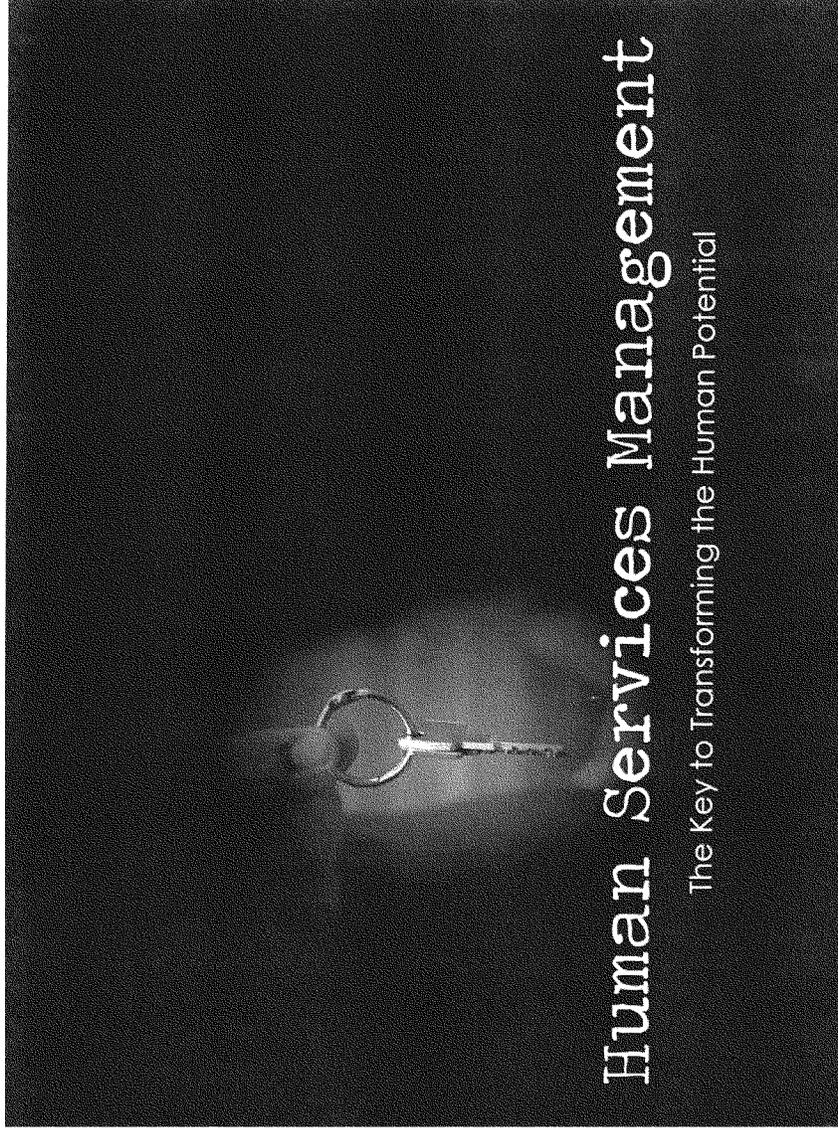
Former Jonesboro South Resident

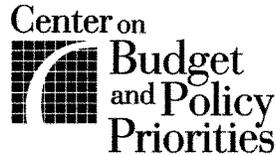


I appreciate Human Services for help with relocation, the support, job trainings and staying in contact with me and my family. I have developed my work experience skills and gained a job to support me and my family... I am now CATALYST compliant! This has been a wonderful experience and I will continue to strive for the best.

Without AHA I could have not done it. I am blessed to have you all.

Former Leila Valley Resident





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October 13, 2011

**TESTIMONY OF WILL FISCHER, SENIOR POLICY ANALYST,
BEFORE THE HOUSE FINANCIAL SERVICES SUBCOMMITTEE
ON INSURANCE, HOUSING, AND COMMUNITY OPPORTUNITY**

Thank you for the opportunity to testify. I am Will Fischer, a Senior Policy Analyst at the Center on Budget and Policy Priorities. The Center is an independent, non-profit policy institute that conducts research and analysis on a range of federal and state policy issues affecting low- and moderate-income families. The Center's housing work focuses on improving the effectiveness of federal low-income housing programs.

The Section 8 Savings Act (SESA) discussion draft dated October 5 contains important improvements to the Section 8 housing voucher program and other federal rental assistance programs that were also contained in a draft of the bill released in June 2011. These well-crafted measures would ease administrative burdens, make it easier for private owners to participate in the voucher program, establish voucher funding rules that would help local housing agencies use funds efficiently, and generate more than \$700 million in federal savings. SESA's core provisions are urgently needed at a time when budgets are tight and housing needs are high, and it will be important that Congress move promptly to enact them.¹

This testimony focuses on several provisions of SESA that are designed to support self-sufficiency and on the Moving to Work Improvement, Expansion, and Permanency Act (MTWIEPA). SESA's self-sufficiency provisions should be improved in important ways, but they provide a promising framework. MTWIEPA, on the other hand, is not well-designed to help families become self-sufficient and would likely lead to many fewer families receiving housing assistance and have other harmful effects unrelated to self-sufficiency.

¹ For analysis of SESA's other provisions see the testimony by Barbara Sard before the House Financial Services Subcommittee on Insurance, Housing, and Community Opportunity on June 23, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3517>. That testimony recommends several additions to SESA, including provisions to further improve the voucher funding formula and facilitate "project-basing" of vouchers in particular developments. None of the additions the testimony recommends are included in the October 5 SESA draft; Congress could strengthen SESA considerably by adding them as the legislative process moves forward.

Section 210 of the current SESA draft contains a potentially significant new provision that is not related to self-sufficiency. That section states that HUD policies and standards dealing with "the flexibility of the criteria that may be used to establish local preferences, the use of waiting list management tools, and the inclusion of certain activities in house rules and lease provisions" that are in effect with respect to public housing at the time SESA is enacted will also apply to Section 8 vouchers and project-based rental assistance. The scope of the policies and standards affected is broad, and it is unclear which specific areas the provision is intended to affect.

Some SESA Self-Sufficiency Provisions Are Promising, but Improvements Are Needed

SESA's self-sufficiency provisions, like the bill as a whole, would make targeted changes to federal rental assistance programs while leaving in place the basic structure that has made the programs effective. SESA would support self-sufficiency in a number of ways, but this testimony will focus on four major provisions that would establish a Self-Sufficiency and Rental Assistance Counseling Support Program (SSRACSP), authorize a Rent Policy Demonstration, expand the Family Self-Sufficiency (FSS) program, and permit higher minimum rents.

Self-Sufficiency and Rental Assistance Counseling Support Program

Under SSRACSP, agencies that apply to participate and are selected by HUD would establish plans to provide services to help families move toward self-sufficiency. Participating agencies would be encouraged to form partnerships with local service providers and required to establish and monitor their compliance with benchmarks for supporting self-sufficiency.

This approach is generally sound. The emphasis on partnerships with local employment agencies and service providers is important. These entities will usually be better positioned to help families become employed or increase their earnings than housing agencies, which are primarily focused on providing housing assistance and assist many people who are unable to work because they are elderly or have disabilities. (Fifty percent of households living in public housing or receiving voucher assistance are elderly or disabled by HUD's definition, which means that the head of the household or spouse of the head is elderly or has a disability.) It would be far better to use existing workforce development resources to help families become self-sufficient than to push housing agencies to establish a parallel workforce development bureaucracy or divert scarce housing assistance resources to fund services.

In addition, it is appropriate that helping working families increase their earnings is a goal of the new initiative, along with preparing non-working families for work.² Despite the recent economic downturn, a large majority of work-able housing assistance recipients are strongly attached to the labor market. A preliminary CBPP analysis of HUD data finds that, among non-elderly, non-disabled households receiving voucher assistance in 2010, 65 percent worked in 2010 or were unemployed but had recently worked. The share employed is *higher* among households that receive housing assistance longer, but these households on average still have incomes far below the level needed to make housing affordable without subsidies.

Three key improvements are needed, however, to make the self-sufficiency program effective.

Incentives for Agency Participation

One important change would be to alter the incentive used to encourage agencies to apply for the program. The discussion draft stipulates that only participating agencies would be permitted to

² In addition to the families with children targeted by SSRACSP, non-elderly, non-disabled households without children (who make up about a fifth of all non-elderly, non-disabled housing assistance recipients) could benefit from employment services.

implement SESA's improvements to rules governing tenant rent determinations and voucher housing quality inspections. Those improvements would reduce burdens on housing agencies, private owners, and low-income families considerably, for example by reducing the frequency of inspections and of income determinations for fixed-income families.

Allowing only participating agencies to make use of these important improvements may encourage some agencies to apply, but for three reasons it is highly problematic. First, most agencies will need the administrative savings from SESA's rent and inspection provisions simply to make ends meet. Congress cut voucher administrative funding sharply in 2011, and the 2012 appropriations bills now under consideration would deepen this cut and also inadequately fund public housing operating subsidies. Agencies should not be required to participate in a new self-sufficiency program that will require additional staff time in order to have access to the streamlining SESA provides.

Second, limiting applicability of the inspection and rent streamlining provisions would create a complex, largely arbitrary system in which one set of rules applies to families assisted by certain housing agencies and a second applies to families assisted by other agencies. For example, income reviews would be more burdensome and frequent for low-income tenants — and especially the elderly and people with disabilities — whose housing agencies opt not to (or are unable to) participate in SSRACSP. Similarly, the SESA inspection improvements that make it easier for private owners to rent to voucher holders would not be available to owners in the jurisdictions of non-participating agencies. This dual system would be confusing for low-income families and owners, and would complicate HUD's efforts to monitor and enforce compliance with federal rules.

Third, the October 5 SESA draft appears to exclude private owners of properties assisted through the project-based Section 8 program from the bill's rent provisions, since these provisions would apply only to "public housing agencies" that opt to participate in SSRACSP.³ These agencies administer public housing and Section 8 vouchers, but project-based Section 8 building owners receive subsidies directly from HUD and make rent determinations themselves for the 1.2 million families they assist. It is not clear whether this limitation was intended. But if the rent provisions do not apply to project-based Section 8 owners, the bill would deny those owners substantial administrative savings and the rent provisions' overall impact would be reduced.

SEVRA's rent and inspection improvements should apply to all public housing agencies and private owners. Congress could instead provide an incentive for agencies to participate in SESA's new self-sufficiency program by directing HUD to award points for participation under the existing performance measurement systems, the Section 8 Management Assessment Program and Public Housing Assessment System.

Two-Sided Partnership

In addition, the one-sided obligation SESA would place on housing agencies to engage in partnerships with providers of employment services would likely have only a limited impact, since these providers will often be unwilling to engage in meaningful partnerships with housing agencies. Forming partnerships may be especially difficult for smaller agencies, which have less ability to free

³ The SESA inspection provisions are limited in the same way, but these provisions only cover the voucher program so making them inapplicable to project-based Section 8 owners has no effect.

up staff time for such efforts and may have difficulty persuading workforce development agencies to enter into special arrangements to serve a small number of housing assistance recipients. Three out of four housing agencies assist 550 or fewer households under the voucher and public housing programs, and since more than half of assisted households are elderly or disabled the number of candidates for employment services at these agencies typically will be much lower than the total number of families assisted.

SSRACSP would also be more effective if the Financial Services Committee worked with other committees to direct agencies receiving funding under Workforce Investment Act or Temporary Assistance for Needy Families (TANF) programs to coordinate with housing agencies in identifying and delivering needed services to housing assistance recipients. In the case of the Workforce Investment Act, this approach could be supplemented by changing performance standards to encourage One-Stop Centers and training vendors who work through One-Stops to recruit and serve individuals who have relatively high barriers to work (as many housing assistance recipients do). Finally, some resources for Department of Labor and Department of Health and Human Services direct grant programs could be targeted on recipients of housing assistance.

There is a strong case to be made for targeting employment and supportive services in this manner, since the stability and other benefits provided by housing assistance could support the delivery of services. Evaluations of some welfare-to-work programs, for example, found that the programs had larger effects on housing assistance recipients than other families.⁴ Moreover, increases in earnings among housing assistance recipients have the added benefit of reducing federal costs for housing assistance.

Use of Operating Subsidies and Administrative Fees for Self-Sufficiency Services

For a new self-sufficiency initiative to function effectively, it will be important that Congress provide full funding for the public housing operating fund and voucher administrative fees.⁵ Congress could also clarify that these funds can be used for self-sufficiency services, although this appears to be permissible under current law.

Rent Policy Demonstration

SESA would also authorize HUD to conduct a limited demonstration of alternative rent policies. A targeted rent policy demonstration of this type would be the best way to test new rent policies and could potentially lead to significant improvements.

Today's rent rules generally work well, providing sufficient help to enable the neediest families to afford housing while not giving higher-income families more subsidy than they need. In addition,

⁴ Nandita Verma and James Riccio, 2003, *Housing Assistance and the Effects of Welfare Reform: Evidence from Connecticut and Minnesota*, prepared by MDRC for the U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

⁵ If full funding for the operating fund and voucher administrative fees were provided together with the streamlining changes in SESA, many agencies could undertake modest self-sufficiency initiatives that rely on services provided through other entities. Congress should not actually *require* agencies to undertake self-sufficiency programs without first directing HUD to assess the cost of these programs and determine whether added funds are needed beyond the current full funding level.

the current system maintains largely identical rules across programs and localities, making it easier for voucher holders to move from one community to another (for example to pursue a job opportunity), easier for private-sector owners and investors to participate in multiple programs and operate in multiple jurisdictions, and easier for HUD to provide effective oversight.

Most major changes — and particularly those that would result in sharply higher or lower subsidies for certain families — would carry substantial risks and tradeoffs. It is possible, however, that some substantial changes would have significant benefits that would justify enacting them at the federal level. For example, a policy of disregarding some percentage of earned income would carry added costs, but might encourage sufficient increases in earnings to offset a sizable share of the costs and justify the change. A demonstration could offer an opportunity to rigorously test policy alternatives to determine their costs and benefits relative to the current rules.

The limited SESA rent demonstration is strongly preferable to the alternative of allowing a large number of agencies to implement untested alternative rent policies. That approach could make housing assistance less efficient by fostering a complex patchwork of local rules. This would make it more difficult for HUD to provide adequate oversight, for private owners and lenders to navigate federal programs, and for families to use vouchers to move from one community to another (for example, to be closer to a job opportunity).

However, the SESA rent demonstration can and should be strengthened. A proposal included in HUD's 2012 budget for a similar demonstration would provide HUD broader flexibility to identify promising policies and would limit the demonstration to five years to avoid allowing policies that do not prove effective to remain in place indefinitely. Both of these improvements should be adopted. In addition, bill language should explicitly require a rigorous, experimental evaluation and clarify that the "limited" number of families that can be subject to alternative policies should be no more than the number needed to yield statistically valid results.

Finally, the current SESA draft would only permit agencies that participate in the bill's new SSRACSP initiative to apply for the rent demonstration. This would reduce the validity of the demonstration, which should be designed to assess the effectiveness of rent policy changes whether or not the families also receive employment services. As noted above, we recommend removing the limitations on the applicability of SESA's inspection and rent provisions, including the demonstration provision.

Strengthening the Family Self-Sufficiency Program

The Family Self-Sufficiency (FSS) program encourages work and saving among voucher holders and public housing residents through employment counseling and financial incentives. Unfortunately, residents of units assisted through project-based Section 8 are ineligible for the program. SESA addresses this omission by providing project-based Section 8 owners the option to offer tenants the opportunity to participate in an FSS program operated by a public housing agency, if one is available that will admit the families.

The SESA FSS provision would be much stronger, however, if it included a series of other improvements that have previously been proposed. The current SESA draft does not include a provision of the June draft that gave project-based Section 8 owners the option to operate an

independent FSS program if no existing PHA-operated program is available. This omission could limit significantly the self-sufficiency opportunities SESA would provide for project-based Section 8 recipients.

In addition, the new SESA draft does not include promising HUD proposals that would facilitate the merger of FSS programs for public housing and voucher families, and make other improvements. The bill also omits important provisions contained in a bipartisan voucher reform bill considered in previous sessions of Congress — the Section 8 Voucher Reform Act (SEVRA) — and in FSS reform legislation previously introduced by Chairman Biggert that would establish a predictable formula for allocating funding to support FSS staff.

Higher Minimum Rents

The current SESA draft adds a new provision not included in the June version of SESA that would allow housing agencies to require low-income families receiving public housing or voucher assistance to pay the higher of \$75 or 12 percent of the local fair market rent (FMR), even if this is more than 30 percent of the family's income.⁶ Under current law, such minimum rents are limited to \$50. The higher minimum rents in SESA would be optional for housing agencies, but agencies could face considerable pressure to impose them to make up for funding shortfalls.

Raising minimum rents could significantly harm some of the poorest housing assistance recipients. Housing agencies are required to provide hardship exemptions from minimum rents, but these exemptions are usually available only to families that apply for them. If a housing agency does a poor job of making families aware of the exemption or if households (which will include a substantial number of people with mental and physical disabilities) simply do not manage to apply, vulnerable families could be placed at risk of homelessness or other severe hardship.

It is not clear that even the increase in minimum rents to \$75 is justified, but permitting minimum rents up to 12 percent of the FMR is particularly problematic. This would allow minimum rents in excess of \$200 for a sizeable share of housing assistance recipients, sharply increasing the number of families that the rents affect. Families in high-cost metropolitan areas and with three or more children would face the highest minimum rent and be at the greatest risk of hardship.

Moving-to-Work Is Not Focused On Employment and Is Not the Best Strategy to Support Self-Sufficiency

The MTWIEPA draft would permit — and could potentially be read to require — HUD to admit an unlimited number of agencies to the Moving-to-Work demonstration. MTW permits participating agencies to operate outside many of the statutes and regulations that normally apply to the public housing and voucher programs and to receive funding through special formulas established by HUD. Many of 35 agencies that have been admitted to MTW to date are well run. Some have used their flexibility under MTW to increase efficiency or implement experimental policies that deserve testing. Nonetheless, a major expansion of MTW — whether it is an unlimited

⁶ If the broader restriction making the SESA rent provisions inapplicable to project-based Section 8 were removed, the minimum rent provision would also allow HUD to require project-based Section 8 tenants to pay minimum rents at the higher of \$75 or 12 percent of the FMR.

expansion like that in MTWIEPA or a large capped expansion like that included in the 2009 SEVRA bill (which would have allowed HUD to admit 80 agencies) — would very likely result in significant adverse consequences, and there is no persuasive rationale to support it.

MTW Has Not Been Effective in Testing Policies to Promote Work

Despite its name, MTW is not focused primarily on promoting work and has been ineffective in testing policies to achieve this goal. Some MTW agencies have implemented policies such as funding for employment services, time limits, work requirements, and changes to rent rules. But there is no reliable evidence that these policies have effectively promoted work.

This is largely because MTW was not designed as an experimental demonstration, in which randomly selected families receive housing assistance under alternative policies and are compared to otherwise similar families who receive assistance under regular program rules. Such a design would require agencies to take on the added task of administering two sets of rules. But it is a standard feature of successful policy demonstrations, because without such a design it is very difficult to determine the actual effects of experimental policies.

For example, some MTW agencies have established “flat rents” that are the same regardless of a tenant’s income. Such rents are meant to encourage work, but could also increase hardship and even homelessness (because the poorest families may be charged more rent than they can afford) or waste money (because higher income families receive larger subsidies than they need). Without an experimental evaluation, however, it is difficult to determine whether trends in employment, hardship, or costs stemmed from the flat rent policy or from other factors (such as local economic conditions or changes in the makeup of the agency’s caseload).

Similarly, some MTW agencies have implemented work requirements. These policies too carry major potential tradeoffs. Work requirements could cause some families to work who would not otherwise, but risk causing hardship if vulnerable families where the adults cannot work or cannot find jobs lose assistance. In addition, work requirements could substantially raise administrative burdens. Many housing agencies have pointed out that the limited community service requirement now in place in public housing has significantly raised their administrative costs. To fully assess work requirements, it would be necessary to conduct an experimental evaluation of the effects on families and to carefully assess the impact on administrative costs.

Moreover, MTW is an inefficient (as well as ineffective) way to test policies, due to several flaws that would be difficult to fix without radically altering the program. It allows agencies to expose all assistance recipients to untested policies rather than only the small share needed to determine the policies’ effects. Moreover, HUD has permitted agencies to extend the application of experimental policies indefinitely whether or not the policies being tested prove effective. In addition, MTW institutes other harmful features (such as the costly funding arrangements described below) that are often unrelated to the policies being tested.

By contrast, housing policy demonstrations such as Moving-to-Opportunity (MTO) and Jobs Plus have generated a far greater quantity of useful findings than MTW, with much less disruption to tenants. These demonstrations involved only about 5,000 families each (across multiple sites and including control groups) and were carried out over five years or less. By comparison, the current

MTW demonstration already affects more than 400,000 families, a number that would rise sharply under the proposed expansion.

A series of demonstrations conducted in the Aid to Families with Dependent Children program prior to the enactment of welfare reform legislation in the 1990s offers another example of rigorously evaluated policy experiments that generated substantial policy lessons. Like MTW, these demonstrations tested a range of largely state- and locally-designed experimental policies, including alternative benefit formulas, time limits, work requirements, and investments in job training and other services. But because the federal government consistently required rigorous evaluation, the experiments produced a wealth of information about the impacts of various policies.

If Congress wishes to identify which self-sufficiency policies work and should be scaled up, it could do so most effectively by creating targeted, temporary, and rigorously evaluated demonstrations — not by expanding MTW, which has failed for over a decade to generate meaningful policy findings. The SESA rent policy demonstration moves toward this more promising approach.

Administrative Streamlining Should Be Applied Nationally, Not to Select Agencies

Proponents of expansion argue that the flexibility MTW provides can enable agencies to streamline their programs and operate more efficiently and effectively. MTW, however, is not an effective mechanism to achieve streamlining. Where added streamlining and flexibility are warranted, they should be provided to all agencies, not to a select group as MTW would do. SESA would streamline substantial aspects of program administration for all agencies (if the provision limiting the streamlining of rent and inspection rules to agencies participating in the new SSRACSP program is removed).

MTW, by contrast, would often give participating agencies far more flexibility than is desirable to operate outside of the rules Congress established to ensure that housing assistance funds are spent effectively. For example, federal rules that give voucher holders the right to move anywhere in the country where there is a voucher program — not just within the jurisdiction of the agency that issued the voucher — play a key role in making vouchers effective. This right allows a worker who is laid off but finds a new job in a different county to use a voucher to move to an apartment within commuting distance of the new employer. Similarly, a victim of domestic violence can flee an abuser, an elderly person or person with a disability can move closer to a needed caregiver, and a family with children can move to an area with better schools — all without losing their vouchers.

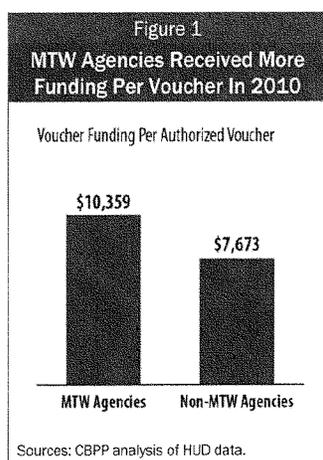
Eight MTW agencies, however, use their flexibility under MTW to limit or eliminate voucher portability.⁷ Such restrictions may simplify administration for the agency and benefit local landlords, but they also make vouchers less responsive to the employment and other needs of low-income families, deny building owners in other communities the opportunity to rent to the affected families, and overturn a fundamental policy decision Congress made in designing the voucher program.

⁷ One of MTW's three statutory objectives is to "increase housing choices for low-income families." Despite this goal, HUD has approved waivers whose main impact is to reduce housing choice.

In addition, as noted above, extending broad flexibility to a large number of agencies in some areas — such as rent policy — could reduce the efficiency of housing assistance programs by creating an unwieldy patchwork of local rules.

Special MTW Funding Arrangements Have Diverted Funds from Other Agencies

The special funding arrangements provided to MTW agencies are, on average, far more generous than those provided to non-MTW agencies. As shown in Figure 1, MTW agencies received 35 percent more voucher funding per authorized voucher in 2010 than other agencies. In 2009, when Congress enacted a funding policy (a “reserve offset”) that reduced funding for many non-MTW agencies, MTW agencies on average received 52 percent more funding per authorized voucher. Similarly, 10 MTW agencies received public housing operating funding in 2010 under special formulas, which on average provided 75 percent more funding per unit than other agencies received.



The added funding for MTW agencies has sometimes come at the expense of other agencies. When voucher or public housing appropriations fall short of the amount for which agencies are eligible, HUD reduces funding for all agencies on a prorated basis. Consequently, each additional dollar that MTW agencies receive directly reduces funding levels for other agencies.

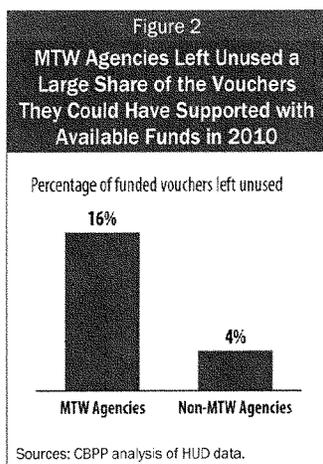
In 2009, for example, HUD reduced funding levels by 0.9 percent, forcing non-MTW agencies to assist more than 15,000 fewer families than they could have with full funding. If MTW agencies had been subject to the same funding formula as other agencies, the voucher appropriation would have been adequate to cover the full amount for which all agencies were eligible, and the proration would not have been necessary. This was also true of a 0.5 percent proration applied in 2010, and will likely be true of a 1 percent proration HUD announced it is implementing in 2011.

Funding Policies Eliminate Incentives to Assist as Many Families as Possible

In addition to receiving added funding, MTW agencies manage their funds under incentives that are very different from those faced by other agencies. Non-MTW agencies' voucher subsidy funding and administrative funding levels reflect the number of families they assisted in the previous year, so these agencies have a strong incentive to assist as many families as they can. Most MTW agencies, by contrast, are funded under special block grant formulas that give each agency a fixed dollar amount that rises annually by the rate of inflation.⁸ This eliminates the incentive for agencies to provide voucher assistance to as many families as possible, since agencies can leave funds unspent or use them for other purposes with no effect on their funding for the following year. The statute establishing MTW requires agencies to assist “substantially the same” number of families as they

⁸ MTW funding arrangements also typically provide for increases when an agency receives an increase in the number of vouchers it is authorized to administer, as occurs when a public housing development is demolished and vouchers are issued to replace it.

would without the funding flexibility MTW provides (and MTWIEPA reaffirms this), but HUD has not enforced that requirement in a meaningful way.⁹



In 2010, MTW agencies shifted approximately \$400 million to other purposes or left the funds unspent. As Figure 2 shows, MTW agencies in 2010 left idle 16 percent of the vouchers they could have supported with the funds they received, compared to just 4 percent for non-MTW agencies. As a result, more than 45,000 low-income families at MTW agencies were left without voucher assistance.¹⁰ A non-MTW agency that left vouchers unused in this manner would face a sharp cut in funding, because its voucher subsidy and administrative funding are based on actual subsidy costs and the number of families they assist. But MTW formulas generally eliminate these incentives, allowing agencies to leave vouchers unused without adverse consequences.

MTW agencies have shifted voucher funds to a variety of purposes, including building or rehabilitating public or other affordable housing and contracts with local organizations to provide services. These

⁹ Available data suggest that the majority of MTW agencies would be found to violate the “substantially the same” requirement if it were rigorously enforced. Agencies are required to certify each year that they meet the requirement, but they are not required to demonstrate their compliance. Moreover, HUD has not defined key aspects of the requirement, such as how agencies should calculate how many families they would have assisted *without* MTW funding flexibility or how much the number of families assisted can decline and still be considered “substantially the same.”

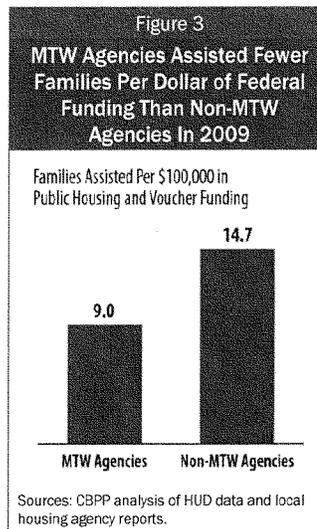
Some HUD and agency documents appear to misinterpret the “substantially the same” provision to require that agencies assist a number of families equal to a “baseline” number they served before they joined the demonstration. Since the MTW demonstration began, however, the number of voucher and public housing units that Congress has authorized has grown significantly — by 20 percent at all agencies and by 47 percent at MTW agencies from 1998 to 2009, according to HUD. Thus, an agency that assisted approximately the same number of families as it did before entering the demonstration will typically be serving far fewer families than it is authorized to administer, and far fewer than it could assist if it used funds for the purposes for which they were appropriated. HUD is in the process of revising requirements for MTW agencies to report data regarding the number of families they assist and in other areas, but it is unclear whether this revision will significantly improve enforcement of the “substantially the same” requirement.

¹⁰ The data on MTW expenditures and families served in this testimony cover the 30 agencies that participated in MTW throughout 2009 and 2010. Three additional agencies began participating in the demonstration between August 2010 and January 2011, and two more have been selected and are in the process of negotiating MTW agreements with HUD. Estimates of funds not spent on vouchers are based on HUD data on the amount of voucher subsidy funds provided to MTW agencies and the amount that the agencies spent on voucher subsidies. Some MTW agencies receive voucher administrative funding (which for non-MTW agencies is provided through a separate budget account) and subsidy renewal funds together in a single funding stream. In these cases, we estimated the amount that was intended as administrative funding and deducted it from the agency’s funding level before calculating the amount of funds unspent. Many MTW agencies receive more funds than they need to support all of their authorized vouchers, so some of these unused vouchers do not fall within agencies’ authorized levels. MTW agencies are permitted to use vouchers above their authorized level, however, so they could have issued the full number of vouchers that their funding supported had they opted to do so.

expenditures may have benefits, but they do not extend housing assistance to additional families — or at least not enough to offset the vouchers left unused. As a result, in 2009 MTW agencies assisted about 9 families per \$100,000 in public housing and voucher funding, compared to 15 families at non-MTW agencies, as shown in Figure 3.¹¹

Many MTW agencies have used voucher funds to rehabilitate or replace public housing or build new affordable housing. Such investments could increase an agency's ability to provide housing assistance in the future to some degree, and the estimates above of the number of families assisted per dollar of federal funding do not take into account added families assisted in the future. It is unlikely, however, that the impact will come close to offsetting the number of families MTW agencies leave unassisted today.

Studies by the Government Accountability Office (GAO) and others have found that even over the long run, developing affordable housing is generally a less cost-effective way to help families afford housing than vouchers.¹² Moreover, significant amounts of MTW agencies' 2009 housing development expenditures occurred after the units were completed and occupied, to cover debt incurred during construction and rehabilitation. These expenditures are an effective way to finance development, but they will not enable an agency to assist more families than it did in 2009.



Transfer of Voucher Funds to Other Purposes Raises Concerns

MTW agencies have used voucher funds for a variety of purposes other than development and rehabilitation of public and other affordable housing, including services for low-income families and agency administrative costs. It is difficult to assess these transfers fully, since data on the amount of funds shifted to various purposes are limited and the initiatives funded with the transfers have not been rigorously evaluated. Many of these initiatives appear to be well designed to meet real needs in

¹¹ 2009 is the last year for which sufficient data are available to make this comparison. The calculations include families listed in HUD data or agency reports as receiving assistance during calendar year 2009 (or the most closely overlapping period available) through vouchers, public housing, or other comparable housing assistance provided through MTW-funded agency initiatives. The funding levels are for calendar year 2009 and include voucher subsidy funds, administrative fees, public housing operating funds and regular public housing capital formula grants, but not HOPE VI grants, replacement housing factor grants, or capital funds provided through the 2009 economic recovery package.

¹² Government Accountability Office, *Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs*, GAO-02-76, January 2002, <http://www.gao.gov/new.items/d0276.pdf>. Modest renovation of existing public housing can be less expensive than the development efforts that GAO examined and could consequently prove comparable to vouchers in cost effectiveness over the long run. The available information, however, suggests that MTW agencies have emphasized more extensive renovation and replacement projects, similar to those studied by GAO. A number of MTW agencies, for example, have obtained waivers of HUD development cost limits to enable them to undertake more expensive projects.

the community. Nonetheless, the broad authority that MTW gives agencies to shift funds from rental assistance to other purposes raises a series of risks, which are likely to grow if MTW is dramatically expanded.

Leaving Needy Families Unassisted Has Harmful Consequences

Due to funding limitations, only about one in four eligible families receive housing assistance, and most communities have long waiting lists for assistance. A recent HUD analysis of Census Bureau data found that 7.1 million renter households had “worst-case housing needs” in 2009, meaning that they had incomes below half of the local median income, either lived in substandard housing or paid housing costs that exceed 50 percent of their income, and did not receive housing assistance.¹³ MTW policies that result in fewer families receiving assistance aggravate this already deep shortage.

The consequences of leaving needy families unassisted can be severe. A rigorous study has found, for example, that low-income families that were not offered vouchers were substantially more likely to experience homelessness, be compelled to double up with another family, or move frequently from one apartment to another, than similar families who were offered vouchers.¹⁴ Homelessness, crowding, and housing instability, in turn, have been shown to be closely linked to poor health and development outcomes for children.¹⁵

Sweeping Flexibility Increases Risk That Some Agencies Will Misuse Funds

Most MTW agencies appear to administer their programs responsibly. But because MTW permits large transfers of voucher funds with only limited reporting on how they are spent, the potential for waste or misspending is high. This potential is lower at non-MTW agencies, which must use their funding for vouchers or see it reduced the next year and must collect, verify, and report to HUD detailed information about voucher holders and their homes. Moreover, it is far more difficult for HUD to oversee the widely varying programs at MTW agencies than to oversee non-MTW public housing and voucher programs, which are largely consistent from one agency to the next.

The experience of the Philadelphia Housing Authority illustrates what can happen when an agency misuses the leeway MTW provides. The authority transferred more than \$300 million out of its voucher program from 2005 to 2010, and in 2010 left about 9,300 low-income families unassisted as a result. Beginning in 2010, a series of reports surfaced that substantial funds were used for unnecessary payments to outside law firms, gifts for employees, social events, and unnecessary or excessively expensive improvements to housing developments and administrative buildings.¹⁶ In

¹³ Barry Steffan *et al.*, *Worst-Case Housing Needs, 2009: A Report to Congress*, Office of Policy Development and Research, Department of Housing and Urban Development, February 2011.

¹⁴ Gregory Mills *et al.*, “Effects of Housing Vouchers on Welfare Families,” prepared by Abt Associates for the HUD Office of Policy Development and Research, 2006.

¹⁵ See, for example, Diana Becker Cutts *et al.*, “US Housing Insecurity and the Health of Very Young Children,” *American Journal of Public Health*, August 2011, p. 1508.

¹⁶ See for example *Philadelphia Inquirer*, “PHA Spent Lavishly on Pet Projects, Upgrades,” December 19, 2010, http://www.philly.com/philly/news/homepage/20101219_PHA_spent_lavishly_on_pet_projects_upgrades.html; and HUD Office of Inspector General, *The Philadelphia, PA, Housing Authority Did Not Comply with Several Significant HUD Requirements and Failed to Support Payments for Outside Legal Services*, Audit Report 2011-PH-1007, March 10, 2011, <http://www.hud.gov/offices/oig/reports/files/ig1131007.pdf>.

March 2011, HUD placed the authority under administrative receivership, and several federal investigations have been completed or are underway. There is no indication that Philadelphia is representative of MTW agencies, but an expansion of MTW would increase the risk that Philadelphia's experience would be repeated.

Funds Could Supplant Other State or Local Funds, Reducing Total Resources for Low-Income Housing

MTW permits housing agencies to shift housing assistance resources into areas that are often funded using state or local resources, including development subsidies and employment or social services. When this occurs, a state or locality could then withdraw state or local funds from these areas (or withhold funds they would otherwise use to increase expenditures in these areas) and use the funds to fill gaps elsewhere in its budget.

The result of this practice, known as supplantation, is that funding for housing assistance drops, but funding for the related areas to which funds are transferred is no higher than it would have been otherwise. Unlike certain other federal programs where a risk of supplantation exists, MTW does not impose a "maintenance of effort" requirement to ensure that states and localities maintain expenditure levels in related areas. In fact, MTW agencies are not required to report whether state and local funds for related purpose have been reduced or even the details of how the agency spent its own funds, so it is impossible to know to what degree supplantation has occurred. The risk of supplantation has grown in recent years, however, as states and local governments have struggled with difficult fiscal environments.

Transfers Could Weaken Efforts to Give All Agencies Adequate Administrative and Public Housing Funding

MTW agencies have used substantial funds that congressional appropriators provided for voucher *subsidies* to low-income families to instead support activities covered by voucher *administrative funds* and the public housing operating and capital funds. In both cases, therefore, there is a strong justification for providing added resources to make up for funding shortfalls. The need for such resources, however, extends to all agencies that administer public housing and vouchers, not just those in MTW.

The best way to address the shortfalls would be for Congress to increase appropriations for voucher administration and public housing, not to expand MTW to grant more agencies flexibility to shift funds away from vouchers for low-income families. Indeed, by granting select agencies a backdoor way to reallocate funding, MTW expansion reduces the pressure on Congress to provide adequate appropriations in these areas and could make it *less* likely that non-MTW agencies will receive adequate funding.

Conclusion

The drafts of SESA and MTWIEPA offer very different approaches to supporting self-sufficiency among housing assistance recipients. By permitting an unlimited expansion of MTW, MTWIEPA would allow HUD and state and local housing agencies to sweep aside many of the basic federal standards that have made housing assistance programs effective and allow housing assistance funds to be shifted in ways that are likely to result in many fewer families receiving

assistance. Yet there is no reason to expect that an expanded MTW program would do a better job of identifying effective self-sufficiency policies than the existing demonstration has.

SESA, by contrast, would make targeted changes to promote self-sufficiency while leaving in place rules that have proven beneficial. Major improvements are needed to SESA's self-sufficiency provisions. Most importantly, participation in the SSRACSP initiative should not be condition for housing agencies to benefit from SESA's rent and inspection provisions, and the increase in the minimum rents agencies can adopt — and especially the provision permitting minimum rents to be raised to 12 percent of the local FMR — should be removed.



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**Written Testimony of
Gregory P. Russ, Executive Director of the Cambridge Housing Authority**

**Submitted to the U.S. House of Representatives Committee on Financial Services,
Subcommittee for Insurance, Housing and Community Opportunity**

October 13, 2011

Good Afternoon Chairman Biggert, Ranking Member Gutierrez, and the Members of the Subcommittee. I am Gregory Russ, Executive Director of the Cambridge Housing Authority, Cambridge, Massachusetts.

I would like to thank you for the opportunity to appear before the committee.

The CHA was one of the original 24 Moving to Work agencies, becoming part of the program in 1998. Since that time, the CHA has been able to pursue many innovative policies and programs that have increased the efficiency of the agency, promoted economic betterment for our tenants, simplified the burdens placed on tenant families who participate in the public housing and leased housing programs, and served unique and underserved populations. We have initiated a range of programs and policies that are aimed at enhancing economic opportunities and incentives for our participants and tenants, by utilizing our subsidy dollars in new ways.

CHA believes that the general purpose of a housing subsidy ought to be to improve the economic health and stability of the family. We have pursued, and are pursuing, a new vision of how the subsidy can be utilized to encourage families to build assets, establish reasonable budgets, and become more integrated into the economic system, including the banking system, in meaningful ways. We are in the process of building the programs with the incentives to achieving these goals.

We have initiated a number of demonstration efforts that encourage tenants to pursue work, training, or education, combined with a subsidy that is flexible in its use while enabling them to be stable and safely housed. Because of the wide range of needs and abilities, we are striving to address families at many different starting points. All of these initiatives created new types of

vouchers/subsidies that would not have been possible without MTW flexibility. Some of those initiatives are:

- Sponsor-based Vouchers. The CHA created a new type of voucher that provides assistance directly to organizations that provide service-rich or transitional housing programs for unique populations in need, such as the homeless, victims of domestic violence, or the previously institutionalized. Providing the voucher directly to the service agency provides the economic means for the organization to operate, while the population they serve will take their first step into a stable housing environment that will make future progress and independence possible.
- Family Opportunity Subsidy Program (FOS). FOS involves a vast array of subsidies, services, and standards designed to move families from homelessness to self-sufficiency in ten years. CHA has partnered with other agencies (Heading Home, Parenting Resource Associates, and the Executive Office of Massachusetts Community Colleges, among others) in developing a program that integrates housing assistance with employment and other services. The program design provides generous subsidies in earlier years, and transitions from the sponsor-based model to an independent model over time. Subsidies decrease over the term of the program, and the families receive significant monetary incentives to increase income and complete the program.
- Career Family Opportunity Cambridge Program (CFOC). CFOC is a five-year program that consists of three integrated components: a self-sufficiency component, a matched savings component, and a housing component. Participants are provided with secure and affordable housing while they progress through three stages of an education/career plan. CHA has partnered with the Crittenton Women's Union in designing and implementing this program. At graduation, residents are expected to have a job that supports economic independence. Shallow subsidies are available to large families if necessary to provide continued stability post-graduation.
- Rent Simplification. CHA adopted a new method of rent-setting in public housing that is still based on tenant income, but is easier to understand and less burdensome for both the participant and the agency. Consultation with tenants and their advocates created a fair system that encouraged participants to seek additional income without penalty by requiring recertification only every two years, and allowing the tenant to retain the benefit of any additional income they earn during that period without an immediate rent increase, as would be required in conventional programs. The CHA hopes to implement this approach in our leased housing programs in the near future.
- Project-based Vouchers: By simplifying the process for developers to apply for project-based vouchers, CHA has enabled developers to create new permanent housing opportunities in the City of Cambridge. Longer-term contracts and the ability to subsidize 100% of the building's units leverages private sector mortgages from local banks.

- Expiring Use Preservation. Working with the City of Cambridge, tenants and their advocates, and a non-profit developer, the CHA developed a voucher program that permits the acquisition and refinancing of expiring use buildings by converting tenant-protection vouchers, at the tenant's election, to long-term project-based vouchers.

Additionally, the CHA has been able to preserve its own housing inventory and expand the number of affordable housing units in the city by using its MTW flexibility to acquire buildings and condominium units throughout the City of Cambridge as a new affordable housing resource.

The CHA, as part of its 2011 MTW activities, is testing HUD's proposed Rental Assistance Demonstration model against real world conditions. This is an example of how MTW can provide an incubator for new approaches to the delivery of housing.

In approaching its new initiatives, the CHA has drawn on the ideas proposed by Jeffrey Lubell of the Center for Housing Policy and Reid Cramer of the New America Foundation.¹ They have developed a framework for expanding the reach of the Family Self-Sufficiency Program by offering families the opportunity to build family assets through a Rental Assistance Asset Account. They project that by systemic utilization of asset building incentives, as well as earning incentives, families will gradually transition into the private market, allowing other families to be served by the subsidy dollars. The impact on the federal budget by reducing the amount of subsidy to each family would be very significant if replicated on a large scale. They point to the MTW program as the perfect place to begin to implement and test these models.

CHA is also starting discussions with the Corporation for Enterprise Development (CFED) to refine an approach to family asset, especially for children, and the opportunity incentives. The mission of CFED is "to identify and advance innovative ways to help moderate and low-income people go to college, start a business, own a home and save for their children's financial futures and their own retirement years."² CHA believes this is the direction of the future that offers the promise of success to participants, and utilizes subsidy in a creative and efficient way.

The Section Eight Savings Act (SESA)

The proposed Section Eight Savings Act (SESA) moves the Section 8 program in the right direction. Simplifying program requirements benefits the agency as well as the tenant and saves dollars. Simplification also provides time for the agency to fulfill its underlying mission, rather than spending its time conforming to unnecessary bureaucratic requirements. The incorporation of family self-sufficiency components into SESA also promotes policies that CHA has pursued,

¹ See, "Taking Asset Building and Earnings Incentives to Scale in HUD-Assisted Rental Housing", New America Foundation and Center for Housing Policy, www.Newamerica.net.

² "A Legacy of Innovation & Impact", CFED, www.cfed.org.

and we think is one of the primary goals of our agency. For those reasons, we applaud the changes included in SESA.

However, our experience in Cambridge has taught us that in order to truly change the shape of the services we offer, more flexibility is required than is offered by SESA. Particularly in a climate of limited resources, it is difficult to craft new directions that meet the needs of our clientele. Yet, the more we can offer a pathway to success to participants and tenants, the more fulfilled their lives will be. The concomitant result is that the agency saves money that would ordinarily be required for a subsidy, and apply that savings to new families or to self-sufficiency initiatives. The SESA provisions, while encouraging, would not be enough to accomplish our goals.

MTW Improvement, Expansion, and Permanency Act

CHA has reviewed the proposed "MTW Improvement, Expansion, and Permanency Act". The legislation takes the very important step of acknowledging the success of the MTW demonstration model, and provides the tools to expand that success by allowing additional agencies to participate in the program. The provisions of the Act follow the successful model of the original authorizing legislation. In a time of very limited resources available to support the continuation of existing public housing and leased housing programs, it creates a vital tool for make the most of the resources that are available. The CHA is very supportive of the provision in the Act that requires due process prior to termination of tenant or participant benefits, which the CHA has always included in its own program.

Important to the success of this model is the focus on local needs of communities. There are so many different circumstances that exist across the country, with widely divergent demographics, markets, and resources, that it makes perfect sense to create the flexibility necessary to enable success in a variety of ways depending on the particular circumstances of a community. The MTW program requires no additional funding, yet it creates great opportunities for innovation, for preservation, and for development in the interests of our low-income families. Providing a road to success to these families is a step toward strengthening their opportunities and the well-being of the community as a whole.

In sum, the MTW program makes it possible for agencies to use their imagination and creativity to address difficult and endemic social and structural challenges, such as generational poverty, or lack of life and vocational skills. To solve these problems, many approaches must be tested. To achieve the objectives of family self-sufficiency, economic integration, and programmatic success, we must strive not to be constrained by habit, history, or inertia. Congress has the means to open the door to these possibilities. We encourage you to pass both SESA and the MTW Improvement, Expansion, and Permanency Act.

CHANGE.
CHICAGO HOUSING AUTHORITY

**Written Testimony of
Kris Warren, Chief Operating Officer of the Chicago Housing Authority**

**Submitted to the U.S. House of Representatives Committee on Financial Services,
Subcommittee for Insurance, Housing and Community Opportunity**

October 13, 2011

Good Afternoon Chairman Biggert, Ranking Member Gutierrez and Members of the Subcommittee, my name is Kris Warren and I am the Chief Operating Officer at the Chicago Housing Authority.

Thank you for the opportunity to give testimony on the importance of the Moving to Work (MTW) Demonstration Program and its impact on low-income families in Chicago. In 2000 Chicago became one of the fortunate agencies to be granted MTW status. I am here to share lessons learned and provide concrete examples on the impact of the MTW program. The landscape of Chicago and the life trajectory of thousands of low income families would not be the same without the local flexibility the MTW program provides.

Congress, with great foresight, created MTW in 1996 to allow cities and housing authorities to develop and implement localized plans, incorporating the intent of Congress and the accountability required by HUD, but also the local conditions, political realities, community dynamics and a range of partnerships. MTW allows the relationship between HUD and the housing authority to be a partnership to solve issues and not a cookie-cutter approach to compliance and regulations. Simply put, MTW allows PHAs to create specific housing models and services for their unique community needs.

With this flexibility, Chicago has implemented the Plan for Transformation, one of the largest and most ambitious redevelopment efforts of public housing in the history of the United States. The goals of the Plan for Transformation are to:

1. Ensure that all public housing is of the highest quality and contributes to the well-being of the renters and the neighborhood in which it is located;
2. Redevelop the land on which former failed housing stood into mixed income developments that are assets to their residents and surrounding neighborhoods, and
3. Build and strengthen residents and communities by encouraging economic independence and integrating the formerly isolated public housing and its leaseholders into the larger social, economic, and community fabric of Chicago.

MTW allowed Chicago to demolish dilapidated high-rise housing that blighted the lives of residents and the surrounding community while rebuilding, financing or acquiring over 20,000 units so far. The developments that replaced that housing now reflect the housing patterns in the rest of the city – with low and moderate income families as well as market rate families in each mixed-income development.

Home values around the surrounding communities have increased. Private investment in new businesses brings needed retail, services, and jobs; while city investments in infrastructure, schools, and parks have amplified the impact of the CHA's work. To make these new communities a reality, CHA worked with private, public, nonprofit and investor partners to leverage 1.7 billion dollars, including 1 billion of direct investment or infrastructure improvements by the City of Chicago.

Perhaps most importantly, the Moving to Work demonstration program has allowed us to serve substantially the same number of people as when CHA entered the MTW program. But we are able to serve those families in safer and more dignified environments. In Chicago, those who rent through CHA are no longer warehoused in isolated islands of poverty. They are now integrated into the fabric of the city and part of the social structure of Chicago's great neighborhoods.

While the change to Chicago's public housing buildings and communities is impressive, the Plan's impact on residents' lives is perhaps more dramatic –people not only report feeling healthier and safer¹, but more people are working, and income from employment has risen from an average of \$10,000 to \$19,000 per year.

Through the Plan for Transformation CHA has learned the critical importance of linking housing assistance with supportive service programs including job training, financial literacy, and educational opportunities. Due to the MTW program, CHA has been able to offer services that, under statute, could not otherwise be funded with Section 8 or public housing operating dollars. These services provide a multitude of opportunities that encourage resident accountability and progress toward economic independence. They are vital to the success of the Plan for Transformation and our goals of ending isolation, breaking the generational cycle of poverty and ultimately encouraging movement out of federally subsidized housing. To date, Chicago's participation in the MTW program has allowed us to:

- Help over 6,000 residents find employment, many for the first time in their lives;
- Increase the employment rate from 15% in 1999 to 60% among work eligible residents today.
- Place nearly 2,000 residents in Transitional Jobs, connecting them to real work;
- Assist over 300 families in buying their first home; and
- Ensure thousands of youth have employment, academic enhancement, and summer opportunities every year.

We're proud of these accomplishments, but the numbers they don't fully capture the human impact of the MTW program. No one is more familiar with that impact than Crystal Palmer, who is here with us today. Crystal grew up in a CHA highrise and returned to CHA housing as an adult, where she soon became a resident leader. Drawing on lessons learned in her own life, she has worked for CHA and our providers to help other residents connect to the services they need to change their lives for the better.

¹ Popkin, S. J., B. Katz, M. K. Cunningham, D. D. Brown, J. Gustafson, and M. A. Turner. 2004. *A Decade of HOPE VI: Research Findings and Policy Challenges*. Washington, DC: The Urban Institute. <<http://www.urban.org/publications/411002.html>>.

National Opinion Research Center, University of Chicago. 2007. Resident Relocation Survey. National Opinion Research Center at the University of Chicago. <<http://www.norc.org/Research/Projects/Pages/resident-relocation-survey.aspx>>.

The Plan for Transformation and CHA's Moving to Work Agreement with HUD: Increasing Housing Choices for Low-Income Chicagoans

Just over a decade ago Chicago was the poster child for public housing all over the country through its failure to serve low-income families, neighborhoods and the city. Today, 12 years later, Chicago is a model for true revitalization of communities, families, and housing stock in a major urban city. Chicago's ultimate goal of rebuilding 25,000 units and ending years of isolation started in 2000 and continues today.

CHA's Plan for Transformation goals align with the MTW program's three statutory objectives:

1. Reduce cost and achieve great cost effectiveness in Federal expenditures;
2. Give incentives to families with children whose head 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
3. Increase housing choices for low-income families.

While CHA has met these goals, we believe we can and should do more.

Plan Accomplishments

Today the Plan is 83% complete and has increased the type and location of housing choices for low-income families in Chicago. Specifically:

- More than 20,000 public housing units rehabbed or replaced in family, scattered, senior, and mixed-income sites and through the use of project-based vouchers.
- All family high-rise buildings demolished (451 total buildings).
- Mixed-income developments now exist at eight major replacement sites.
- Only 19% percent of the original families with a Right of Return still need to make their final housing choice.
- Yearly incomes of working CHA residents have risen from about \$10,000 to \$19,000, with families in mixed-income developments earning an average of more than \$24,000.
- Residents report they feel safer in their new communities based on studies by NORC and Urban Institute.
- Residents have better access to community and supportive services.
- Strong partnerships have been forged within new communities.
- Since the beginning of the plan, \$3.6 billion invested or leveraged by CHA with private, public and nonprofit partners.

Ultimately, the Plan for Transformation simply would not have been possible without a relaxation and flexibility of federal rules and regulations governing public housing dollars – which were negotiated with HUD and embodied in our Moving to Work Agreement. CHA continues to utilize the single-fund budget provided through MTW participation for expanded and flexible resources for overall administration of housing assistance, capital activities, and special services and programs for residents;

that focus on improving their economic independence. Beyond flexibilities provided through the MTW Demonstration Program, CHA maintains and continues to build sustainable partnerships with a variety of stakeholders, organizations, agencies and residents to fulfill the overall goals of the Plan for Transformation.

Increasing Resident Economic Self Sufficiency: CHA's Resident Service Strategies

The Plan for Transformation goes beyond bricks and mortar, embracing what many describe as challenges steeper than physical development: building social and economic independence among historically isolated residents and deconcentrating poverty.

Through CHA's Plan for Transformation we have learned the critical importance of linking housing assistance with supportive services programs including job training, financial literacy and educational opportunities. These services are critical to the success of the Plan for Transformation and our goals of ending isolation, breaking the generational cycle of poverty and ultimately encouraging movement out of federally subsidized housing.

The structure of services offered to CHA residents is constantly evolving and has changed significantly, particularly since the beginning of the Plan for Transformation and the Residents Relocation Rights contract established in 2000. Using robust demographic and outcome data about residents and their needs, services have evolved through an outcomes-based model administered directly by CHA. Outlined below are a few examples of important programs only possible through participation in the MTW program. The strength of MTW is that it allows CHA to customize our services to meet the unique challenges our residents face.

Specifically, CHA offers public housing families a variety of outcomes-based services ranging from:

- comprehensive case management so residents can set and achieve their goals;
- free college certificates and degrees at City Colleges of Chicago so residents become qualified for positions beyond entry level;
- academic remediation and enhancement for CHA youth to prepare the next generation to aspire to leave public housing;
- transportation and child care assistance to reduce barriers for work;
- transitional jobs designed for residents who have never worked or have not worked in a very long time;
- counseling, wellness and substance abuse treatment to address individual challenges that could compromise stability in housing; and
- linkages to other city services and other community resources.

This year alone (Jan-Sept.) our case management providers have helped nearly 11,000 residents work on achieving their goals.

Developing Self-Sufficiency Programs Tailored to Community Needs

Comprehensive services that help support economic independence and break the generational cycle of poverty

Using its single-fund flexibility, CHA offers public housing families living in CHA properties or temporarily utilizing a Housing Choice Voucher a variety of case management services and workforce development services, known collectively as FamilyWorks and related programs. These programs focus on identifiable outcomes with an intensive concentration on employment preparation and retention, education, youth opportunities, permanent housing, lease compliance, clinical services, and senior support services. As part of the wrap-around support services offered by agencies under contract with CHA, residents have access to child care and transportation assistance, clinical/wellness services and more. Workforce development activities build on the foundation of these wrap-around services and specialize in job preparation training, direct placement, employment retention and referrals to other services, including education.

On the path to success:

Stephanie Madison is a single mother of six children. In the summer of 2010 Ms. Madison took advantage of an ARRA subsidized employment program known as Put Illinois to Work and had a great experience. Ms. Madison's employer stated that, "Stephanie is a valued employee and shows up to work full of enthusiasm every day." She also leveraged CHA opportunities for her family including Summer Camp program vouchers at their local Park District as well as a teen employment program for her older children. This level of involvement for her and her children was a first. After her subsidized employment, she took advantage of CHA's City College tuition assistance program, made possible in part through MTW authority, and completed a certification program in property management in May 2011. Today she is employed at a company utilizing her skills.

Sylvia Payne is the 21 year old daughter of a mom with 8 children. In 2009 Ms. Payne attended CHA's transitional jobs program that focused on information technology. CHA's Transitional Jobs programs are made possible in part to the flexibility afforded through HUD's MTW program. After participating in this program which also included her earning a certificate in Microsoft Office, Sharon continued to work for the computer technology company. In 2011 she moved out of public housing and into her own market rate rental unit; thus stopping the cycle of intergenerational poverty.

Crystal Palmer grew up at Henry Horner Homes, a CHA development on the west side of the city, from the age of nine. She returned to the development as an adult in 1997. She began working for the property manager and then the service provider as an outreach specialist. Because the challenges and barriers her community members were facing reflected experiences of her own life, she was able to be an effective provider and connect other residents to needed services such as employment, child care, education, substance abuse treatment and clinical counseling services. As someone who understood that services can truly

* In some instances, resident names have been changed.

change people's lives, she was a crucial player in improving resident engagement. She also took advantages of the services offered, going back to school at no cost through an agreement between CHA and the City Colleges of Chicago, made possible in part by MTW authority. Ms. Palmer became an advocate for her community, and in 2005 she was elected to the Central Advisory Council (CAC) which represents residents' interests to CHA. She now works for CHA as liaison to the CAC and continues to advocate for residents at work and support them in her community.

Hard to House Demonstration Project: A national model for services

In partnership with the Urban Institute, The John D. and Catherine T. MacArthur Foundation, and the Annie E Casey Foundation, among others, CHA participated in a demonstration program that addressed the intensive service provision necessary when working with households that were deemed as very vulnerable and hypothesized to be "Hard to House." The lessons learned from this demonstration have been touted as a best practice in service provision, and have served as a spring board to additional research for two-generational service models, evidence to support the services necessary in supportive housing, as well as used as testimony when Choice Neighborhoods was considered. Outcomes and information on the demonstration can be found on The Urban Institute's website².

CHA's Work Requirement: A tool to promote resident accountability and economic independence

To further promote economic independence, CHA implemented a work requirement in January 2009 as a condition of occupancy in public housing and a work preference has been introduced for HCV participants coming off the waitlist. As part of the requirement, every adult member of a public housing household, age 18 (or 17 and not attending school full time) to age 54, must be engaged in employment or employment-related activities for at least 20 hours per week. The intention of the work requirement is to encourage low income individuals receiving a federal housing subsidy to strive for whatever the next step is on their road to economic independence. For some that might be volunteering or attending a job training program, while for others it may be enrolling in college or obtaining a job for the first time in their life. Residents may request a 90-day Safe Harbor from the Work Requirement if they are unable to comply with the policy, but can demonstrate they are working to meet it.

This policy has been critical in our success of moving people to work. In 1999 the employment rate was 15% and now it is 42%. While the continuing statement set forth by outside observers is "there are no job opportunities due to the economy," we disagree. Today, 98% of residents are compliant, exempt, or have been granted Safe Harbor.

On the path to success

Valerie Walker was initially concerned about CHA's work requirement because she was unemployed. She fully engaged with FamilyWorks, meeting with an employment specialist, attending Job Club and completing Job Readiness Training. As a result of her efforts, she

² Popkin, S. J., M. K. Cunningham, M.R. Burt. 2005. Public Housing Transformation and the "Hard to House". Washington, DC: The Urban Institute <<http://www.urban.org/publications/311178.html>>.

secured employment as a Certified Nurse's Assistant at Mayfield Care Center. She is extremely happy with her new job and is looking forward to building on her professional accomplishments.

Family Self-Sufficiency expansions and successes

Previously, CHA's Family Self-Sufficiency (FSS) program was only included in our HCV program. Today, through MTW, CHA assists both public housing residents and HCV leaseholders in gaining independence by setting and achieving specific self-improvement, educational, and employment goals. Program participation is voluntary and is typically limited to a five-year period. Rather than increasing participant rent obligations as earned income increases are achieved, all increased earnings for participants are placed in escrow savings accounts. Upon program completion, participants are awarded the escrowed savings to use for the purpose of their choosing. This is an important program to reward work, encourage savings and prepare residents to transition out of subsidized housing.

Since 1996, 827 residents have graduated from the FSS program earning a total of \$7,479,348.12 in escrow. Of these graduates, at least 140 have purchased their own home, and many more have purchased a car, completed one or more post-secondary degrees and met a range of other personal goals. There are 1,503 residents currently enrolled.

On the path to success

When **Chenell Pickett** started the FSS Program she only had a high school diploma. During her participation in the program, she earned her bachelor's degree and masters in Social Work, and also raised a teenage son. Shortly after completing the FSS program, Ms. Pickett was earning enough money to rent in the private market and left the HCV program. Ms. Pickett reports that she would have been unable to complete her educational goals without the support of the FSS program.

Choose-To-Own expansion and successes

CHA's Choose to Own (CTO) Homeownership Program gives participants the option to own a home within the city of Chicago. Eligible households attend pre-purchase counselling and receive assistance in buying a home, including referrals to lenders and pro bono legal services. Then CHA uses the Housing Assistance Payment that would ordinarily go to a landlord to help participants pay a portion of their monthly mortgage for up to 15 years (or up to 30-years for the elderly or people with disabilities). Post-purchase counselling helps ensure that participants keep up with their mortgage. The program was designed for Housing Choice Voucher holders, and through MTW, CHA has begun to implement a process by which families in public housing can also take advantage of the opportunities it offers.

On the path to success

In his mid-twenties, **Charles Coleman** was a drug addict with a bleak future. After deciding to turn his life around, Mr. Coleman joined the FSS program, where he learned about the Choose to Own homeownership program. He focused on repairing his credit and maintaining his employment. Mr. Coleman currently works at an alcohol and drug rehabilitation center and used his FSS escrow toward down payment on a home, purchased with the assistance of Choose to Own.

When **Debra Walton** joined FSS, she was barely making enough to support her two children and was looking for the motivation and support to take the next step in her personal and professional life. Through the support of the FSS program, Ms. Walton obtained her bachelor's degree and became a certified optician. She currently works at large optical company in the Chicago area and is now the owner of a three-bedroom home through CHA's Choose to Own homeownership program.

Building and Leveraging Strong Partnerships

No single agency could have undertaken the Plan for Transformation alone. A wide range of public, private and not-for-profit partners contributed support of all kinds, providing capital for bricks-and-mortar improvements, supporting opportunities for residents and investing in surrounding communities. Partners have ranged from local elected officials and public institutions to businesses and developers, to philanthropic agencies and research organizations, to social service providers, community stakeholders and residents. Each partner, including those that have expressed disagreement or criticism, has helped shape and improve the Plan over the past decade. The bold vision of CHA's plan for transformation spurred a new set of partnerships that radically changed relations among public agencies at all levels; among real estate developers, public housing tenants and area residents; and among private foundations, businesses and civic institutions. The following example illustrates only one of the numerous partnerships that have played a significant role in the Plan's creation, implementation and progress to date.

Leveraging public partnerships to augment CHA services

In 2001, under the leadership of the John D. and Catherine T. MacArthur Foundation and The Chicago Community Trust, The Partnership for New Communities was created to play a unique role in supporting the Plan. The Partnership is a group of business, civic and philanthropic entities dedicated to supporting the goals of public housing transformation in Chicago, stimulating large-scale economic revitalization in disinvested neighborhoods, promoting strong institutions to enrich community life and sustain economic diversity, and investing in human capital. In 2006, The Partnership launched Opportunity Chicago, a multi-year initiative that provides workforce development and adult education services to CHA residents, with substantial public sector participation. Since then, more than 5,000 residents have been placed in jobs. To date, The Partnership has raised more than \$19 million in philanthropic and investment dollars to create incentives for private investment by homeowners and retail and commercial businesses in mixed-income neighborhoods.

Reducing Costs to Achieve Greater Cost Effectiveness: Streamlining Operations

Streamlining of Housing Authority Operations

CHA as an organization has undergone a transformation as well. Before the Plan for Transformation CHA had over 2,000 employees and provided a wide range of service directly including property management and police services. Operationally CHA is now set up as an asset-management company. CHA contracts the day-to-day management of public housing property management and HCV program

operations to businesses that specialize in those services. CHA oversees and monitor the programs through contractual management oversight.

In addition to realigning the agency, CHA has utilized a variety of administrative flexibilities to reduce unnecessary costs and labor. These include: bi-annual reexams, streamlining formerly costly rent calculations by reducing recertification frequency for fixed-income households; and proposals to eliminate the earned income deduction and replace medical and utility deductions with a flat deduction.

For CHA, MTW authority has enabled the efficient operation of the HCV program and allowed CHA to implement effective business processes and design innovative strategies to open housing choices for low-income families. For example, CHA may go up to 300% of the FMR to achieve greater mobility, conduct HCV participant re-exams every two years instead of annually allowing for greater cost effectiveness, and create the "Owner Excellence" program, an initiative to reward outstanding owners offering high quality properties. These and other approved administrative efficiencies have translated into staff time savings estimated at over \$1.7 million and other program cost savings with little to no negative impact to the program and its participants to date.

CHA's Public Housing operations have, for the most part, functioned in accordance with the ACOP and HUD rules. We have been much more protective of our new assets since the rehabilitation of our family and senior properties. We are very strict with our requirements to adhere to the lease and have been able to add additional security to all of our properties through the infusion of stimulus dollars that allowed us to add 3,000 cameras on-site. While we may operate in a traditional manner, we do contract out the management of our 17,000-plus units with private firms. Through our contractual agreements, we hold these firms accountable to the standards set by HUD and CHA.

While we are in the home stretch of the Plan for Transformation unit delivery goals, we take the lessons learned seriously from the first 12 years of the Plan. Our next phase of implementation will see some changes and will occur with community and resident input.

With Mayor Rahm Emanuel's new administration in Chicago and the pending arrival of a new CEO for CHA, we will work with HUD and the City to recalibrate the Plan for Transformation. This is an exciting time for us to re-tool the Plan and incorporate lessons learned, market conditions not anticipated when the Plan began, and new opportunities that may be afforded to CHA and the City of Chicago. Ideas we are contemplating include: a higher degree of rent reform beyond bi-annual re-exams that would blend the public housing and HCV programs and make them more consistent; new policies to ensure we are serving those in most need of subsidized housing; new rent standards utilizing true rents from the market place and not FMRs; incentives to landlords in areas that we would like to afford low-income Chicagoans the opportunity to live; educational initiatives that would more strongly engage Chicago Public Schools and encourage student and parent accountability; and a larger, more integrated Supportive Housing component between CHA and the City of Chicago.

Sometimes, the changes and tools for experimentation are not about saving money but about what is the most effective use of the dollars to truly effectuate change in peoples' lives. New housing cannot

do it alone. And, with that, there is cost. But how do you say that a certain cost is too high when it means that an individual or family is truly economic independent, has a job, an education, and a prosperous family? This is the real success story – housing is only one component of the American Dream.



Statement of

Larry C. Woods

Chief Executive Officer/ Executive Director

Housing Authority of the City of Winston-Salem

Winston-Salem, North Carolina

Before the Housing Financial Services Committee

United States House of Representatives

October 13, 2011

Hearing: "The Section 8 Savings Act of 2011: Proposals to Promote Economic Independence
for Assisted Families"

Testimony of Larry C. Woods

Chief Executive Officer/Executive Director
Housing Authority of the City of Winston-Salem
Winston-Salem, North Carolina

Before the House Financial Services Committee
Subcommittee Insurance, Housing and Community Opportunities
October 13, 2011

Chairwoman Biggert, Ranking Member Gutierrez, members of the Subcommittee on Insurance, Housing and Community Opportunity, good afternoon and thank you for the opportunity to testify; my name is Larry C. Woods and I am the Chief Executive Officer/Executive Director of the Housing Authority of the City of Winston-Salem in North Carolina. I have over 25 years of leadership experience in the field of community economic development and I have been involved in the development of a variety of affordable housing opportunities in a wide variety of economic challenging urban environments during my career. I have worked in the South Bronx and Harlem in New York City, North Philadelphia in Pennsylvania, in Wilmington, Delaware and now in Winston-Salem, North Carolina and in each of these communities the economic and social environments is unique and complex. Each community requires customized solutions to address the short-term and long-term systemic problems of chronic homelessness and the concentration of poverty.

The Housing Authority of Winston-Salem has approximately 1,300 public housing units, administers 4,600 housing choice vouchers, and manages another 400 non-public housing units and two office buildings. Over 90% of our current housing inventory is located in communities of high concentration of poverty, with poor public transportation and no employment opportunities. In 2010, our housing choice voucher waiting list was opened for five (5) days and over 6,000 applications were received. We have been able to address only 18% of those new applications in the last 17 months.

I joined the Housing Authority in Winston-Salem in December 2006 knowing that funding was shrinking. I realized then that in order for the Authority to survive and fulfill its mission, there had to be operational changes, additional streams of income and that new public and private sector partnerships needed to be formed.

I assembled a staff of credentialed professionals in real estate management, real estate development, and finance from both the public housing industry and the private sector. Our overall goal was the realignment of our operational structure to address the city-wide affordable housing needs. We began intensive training programs for all staff members. I am pleased to say that all of our property managers are now Institute of Real Estate Management (IREM) certified. Additionally, our maintenance staff has undergone training and has been certified by Forsyth Technical Community College and the Piedmont Triad Apartment Association in their individual fields of expertise. We are the only housing authority in North Carolina that is a licensed real estate brokerage firm. We are now licensed to manage property for third-party owners.

In 2003, our Vice President of Operations implemented the first phase of a private property management model. We did this to enable us to budget and evaluate the performance of each property. By the way, this was prior to the U.S. Housing and Urban Development's (HUD) mandated Asset Management initiative. It also prepared the Housing Authority to manage property for private owners by establishing internal policies and procedures to handle the needs of private owners.

The Authority also entered into short-term contracts with other housing authorities to provide services and consulting resulting in additional streams of income.

Even though it is clear to me that our focus is and needs to remain housing management and community development, I recognize that the availability and accessibility of quality and performance-based resident services are vital to the advancement and wellbeing of the individuals and families which we serve. I also realize the problems facing each family are extremely complex and uniquely challenging, requiring a multi-disciplined and holistic approach.

Real estate managers and development professionals need to do what they do best – real estate. We are not educators, law enforcement officers, healthcare providers, mental health professionals or workforce development experts. We have determined that within the City of Winston-Salem there are a wealth of agencies with experience, expertise, and an excellent track record, that are more qualified to provide these services. Many of these agencies are currently funded through city, state and federal grants targeting families and individuals with the same or similar demographic profiles of those living in federally subsidized housing. Bottom line, our attempt to mimic their services and operations would only result in the duplication of services and that clearly would not be the best use of tax payer dollars.

In order to provide these services, I developed partnerships with local agencies through performance-based contracts. For example, I contracted with the Urban League to evaluate residents' skills, prepare them for interviews and make job placements. Under this contract, a portion of the fee for each individual was paid upon placement. Two remaining payments were made at retention intervals. I am pleased to report to you today that forty-three (43) individuals have been placed in jobs, with total annual salaries of \$648,000, at a cost of only \$29,000. Also, the Housing Authority has a tri-party contract with Experiment in Self-Reliance (ESR), to provide case management for residents, a contract with the Winston-Salem/Forsyth County Schools for afterschool homework assistance, and a contract with Goler Institute for Development and Education, a faith-based group, to provide mentoring for the children in our developments. The William H. Andrews Scholarship Fund, established by an individual who once lived in public housing, has provided financial assistance to high school seniors and adults residing in housing owned, managed or administered by the Authority by awarding 179 scholarships for education. Through the availability of ROSS funding, we employed a program coordinator who maintains continual contact with these agencies, informs public housing residents of the availability and accessibility of new services, and serves as a clearinghouse for program reporting.

While developing this delivery system for services, the Winston-Salem Housing Authority has enhanced its efforts to improve and expand housing options and increase retail opportunities in order to improve the overall quality of life in an economically challenged community. We have engaged the wider community in the development of a neighborhood transformation plan for a 130-acre site in an under-served, under-developed and severely distressed area of Winston-Salem. We have site control of over 30 acres in the Masterplan area which includes three (3) public housing sites and vacant lots. As a result of this Masterplan, the Winston-Salem/Forsyth County Schools is investing over \$50 million in the construction of a high school campus complete with a vocational school and career center. A local community faith-based organization is investing over \$5 million in a senior housing property, and a private developer is investing \$1 million in a multi-family property. With an initial investment of \$250,000, the Housing Authority has attracted additional public and private investments totaling \$56 million and has stimulated interest in this community from private developers, retailers, and financial institutions. This transformation area is adjacent to the Piedmont Triad Research Park (PTRP), a 200-acre medical research complex which is bringing 27,000 – 30,000 new jobs into this area. The Housing Authority has developed a strong relationship with PTRP to assist with housing options for these employees. All of the relationships built with service providers allow the low-income families in the community to receive supportive services they need to fully benefit from these job opportunities.

Under our HOPE VI programs, the Authority assisted 65 qualified, unsubsidized families with down payment and closing cost assistance resulting in home purchases in every zip code within our jurisdiction. In addition, the Authority in fact received an award for the number of families purchasing a home under the Housing Choice Voucher Homeownership program. Seventy-seven (77) families purchased homes using vouchers ranking us 2nd in North Carolina and 32nd in the nation under this Section 8 program.

Chairwoman Biggert, although we have made great progress, there are needs to be addressed in our City that cannot be solved with the inflexibility currently found in existing rules and regulations. There are policies, rules and regulations in place now that simply do not allow us to tailor solutions to more comprehensively meet our needs in Winston-Salem.

To address this, I believe a Moving-to-Work model or approach must be considered as you continue your work on The Section 8 Savings Act of 2011 and the Moving to Work Improvement, Expansion and Permanency Act of 2011. Current Moving-To-Work (MTW) demonstration objectives would:

1. Provide incentives to families who are seeking employment and economic self-sufficiency,
2. Reduce costs and achieve cost effectiveness, and
3. Increase housing choices for low-income individuals.

MTW, with its flexibility to align resources with the needs that exist in local areas, is currently the only means to provide a lasting and perpetual impact. Local authorities like mine must be allowed to develop and implement strategies to best serve the needs in their jurisdiction. The

ability to become a MTW agency should be a choice open to housing authorities meeting basic qualifications rather than through a competitive process.

A MTW contract does not result in any increase in federal funding for the Authority. However, it provides the significant flexibility we need to use our available resources in more innovative and creative ways that are currently unavailable to us under federal regulations. As a MTW agency, our goal would be to achieve real results that will provide greater incentives for families to become less dependent on subsidy and to move away from outdated policies that perpetuate the warehousing of low-income individuals in functionally obsolete housing within severely distressed neighborhoods that provide no hope for a better life.

As each individual's circumstances and needs for housing and assistance to reach self-sufficiency are unique to that individual, so are the issues and solutions for each City. No one standardized/cookie cutter solution will work since the issues in the City of Winston-Salem are not the same as St. Louis, San Diego or any other city across America. It is not reasonable to believe or expect that there is a one size fits all solution or a set of regulations that can solve all housing and self-sufficiency needs. A standard MTW contract would be just another one size fits all approach, which we already know does not work. One improvement I would suggest for your consideration would be to revise the existing 10-year MTW contract to allow for an indefinite term. This would allow housing authorities to undertake long-term planning without having to worry unnecessarily about winding down program improvements in the last several years of the contract.

I do believe that a specifically tailored agreement between HUD and the housing authority to meet the unique challenges in its locality would provide the means for me to solve the issues I face in Winston-Salem and my colleagues face in their communities. Within a specifically tailored MTW agreement, I believe that we could meet the needs in Winston-Salem, if not surpass them, and at the same time provide a wider range of services and a greater diversity of inventory through partnerships with service providers and developers.

With minimal funding, in Winston-Salem we have an opportunity to partner with agencies such as:

- Northwest Piedmont Workforce Development - employment skills training
- Head Start - early childhood education
- Forsyth Technical Community College – GED, career counseling and educational opportunities
- Employment Security Commission – job search techniques and job placement
- Goodwill Industries – job placement assessment and skills training
- Career Connections & Prosperity Center – job readiness and placement services, low cost loans, matched savings programs and financial plans
- Center for Homeownership - housing counseling, homeowner education, budget and credit counseling
- Best Choice Center (YWCA) – grade level assessment testing, tutoring, after-school programs and summer camps

- Experiment in Self-Reliance (ESR) – financial literacy, transitional housing and educational opportunities

There are additional issues, Chairwoman Biggert, that also need serious review and new solutions. Many of these issues are unintended outcomes of otherwise well-meaning rules and regulations. Sadly, in the housing arena, often what appears to be a progressive idea in theory, results in abuse of the system, exorbitant administrative burdens and unnecessary expenditures that reduce our ability to assist low-income families.

One example is the earned income disallowance rules that allow previously unemployed tenants that become employed the opportunity to create savings for the first two years of employment. One hundred percent (100%) of the income for determining rent is excluded in the first year and fifty percent (50%) in the second year. In reality, this income is not saved. With this extra cash, tenants purchase assets such as a car, with corresponding debt. At the end of the exclusion period when rent is recalculated without this income disallowance, the tenant is in a situation where they cannot afford the rent due to obligations and are often evicted or quit their job in order to once again reduce the rent they would pay.

As a MTW agency, I believe we would have, at a minimum, the opportunity to:

1. Design programs to use subsidized housing as a stepping stone to self-sufficiency, rather than subsidized housing being a way of life generation after generation.
2. Provide a means for individuals entering housing assistance to proceed through a series of services so that the individual can reach a point where housing assistance is no longer needed or is significantly reduced.
3. Create partnerships to develop individual life plans and goals for those receiving assistance since the needs of each individual are unique. For example, the needs are different for someone needing temporary assistance due to a job loss versus someone who has low skills or who is in a low paying, yet essential, job.
4. Utilize all the funding for the Housing Choice Voucher program in the Authority to assist additional families, such as the chronic homeless, rather than capping the number of vouchers when the funding is available and the need is so great.
5. Provide development opportunities in order to promote true de-concentration of poverty by leveraging development for low-income families all across the city where there is better access to transportation, healthcare, educational and employment opportunities and provide incentives for private developers to set aside 10-20% of their units for low-income families in their developments. This type of deconcentration will greatly assist with removing the stigma of living in public housing.
6. Take full advantage of cost saving measures through the simplification and realignment of program guidelines and the elimination of redundant paperwork, in order to operate more efficient and effective manner.

In conclusion, this Authority, as a high performing agency, wants to remove the burden and responsibility of determining the program designs and solutions that are the best fit for the local needs in Winston-Salem from Congress and HUD. We want the responsibility and expect to be

held accountable. I have families that are desperate for advancement, not only for themselves, but their children as well. I am asking you here today to provide me the tools for the Authority to make this a reality.

These are difficult days for our economy and there is a pressing need to get our fiscal house in order. Given the current pressures on the federal budget, it is now more important than ever to empower local housing agencies to all that they can do for their communities with the funding available to them. One important way to accomplish this is through deregulation and relieving agencies of unnecessary and costly administrative burdens that impede progress. I want to thank this Subcommittee for their commitment to address these issues and I look forward to the opportunity to assist you further to ensure the passage of a bill that can better enable me to maximize the potential of my authority to assist the citizens of Winston-Salem.

This concludes my testimony. I want to thank you again for the opportunity to address public policy based upon our efforts in Winston-Salem. I am happy to answer any questions you may have.



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October 13, 2011

The Honorable Judy Biggert
Chairwoman
Subcommittee on Insurance, Housing and Community Opportunity
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Biggert:

The Council of Large Public Housing Authorities (CLPHA) is writing to support your Committee's consideration of the discussion draft "Moving to Work Improvement, Expansion and Permanency Act of 2011," authored by Representative Gary Miller.

CLPHA has been a supporter of the Moving to Work program (MTW) since the program's inception and during the many legislative efforts to expand and make the program permanent. We are pleased that the Committee has once again chosen to turn its attention to the reforms needed to extend MTW's regulatory, administrative and financial flexibilities to a greater number of public housing authorities (PHAs). Many CLPHA members are interested in attaining MTW status in order to design innovative local strategies to address the affordable housing needs of residents in their local communities.

The discussion draft offered by Representative Miller is an important step forward in offering the flexibilities of the MTW program to the greatest number of PHAs interested in participating in the program. While there is sure to be considerable discussion and debate over the particulars of the discussion draft, the draft has changed the focus of the discussion from granting MTW status to a fortunate few, to extending it to all who are interested and qualify. This represents a sea change in thinking within the policy discussion.

The Moving-to-Work program was born in a budget climate not unlike the one we currently face. Especially in tough budgetary times, PHAs need the flexibility to think and plan strategically in the larger context of their local communities. Ultimately, we believe expanding the MTW program will only lead to improvements in the quality of life for the types of low-income households that CLPHA members serve.

We thank you for considering our comments, and we look forward to working further with you, Representative Miller and other members of the Committee as the discussion draft continues to evolve and as it moves forward in the legislative process.

Sincerely,

A handwritten signature in cursive script that reads "Sunia Zatterman".

Sunia Zatterman,
Executive Director

cc: Representative Gary G. Miller



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**Moving to Work Program Analysis by Center on Budget and Policy Priorities
 Leads Readers to False Conclusions**

The Moving To Work (MTW) program, authorized by section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, offers a limited number of public housing authorities (PHAs) the opportunity to design and test innovative local strategies for addressing the affordable housing and service needs of their residents and their local communities. The House Financial Services Committee is now considering legislation titled *Moving to Work Improvement, Expansion, and Permanency Act of 2011 Discussion Draft* that would expand the program to more housing authorities. The Center on Budget and Policy Priorities (CBPP) disagrees with the central premise of the MTW program: that broader flexibility to make decisions locally allows PHAs to make better use of federal housing subsidies to meet local housing needs. CBPP prefers a rigid, one-size fits all, federal regulatory structure with intensive federal monitoring and oversight. Thus, CBPP’s criticism of the program and opposition to MTW expansion is based on their theoretical preference for tight federal control rather than concerns about the actual performance of MTW agencies.

CBPP’s most recent attack on MTW, titled “Expansion of HUD’s ‘Moving-to-Work Demonstration Is Not Justified: Other Approaches Would Promote Demonstration’s Goals More Effectively,” presents “evidence” about the harms that MTW expansion would incur—to other housing authorities, to federal spending, to tenants. But a close examination of CBPP’s arguments reveals that their “evidence” is fundamentally flawed and lead to false conclusions about the program. All examples of adverse consequences are either on the system-wide level or are hypothetical; no specific cases of harm can be cited or documented. Generally, the arguments lack logical consistency, both within the paper itself and with other CBPP positions. In fact, CBPP advocates for many of the initiatives that MTW agencies are implementing: preserving and improving affordable housing; supporting economic independence; streamlining cumbersome and expensive federal regulations; increasing housing choice; and supporting housing stability.

I. MTW Funding Agreements Do Not Impact Non-MTW Agencies

1. The MTW program is designed to provide stable, reliable funding.

The Moving-to-Work program was born in a budget climate not unlike the one we currently face. The program aims to learn how housing authorities could do more with their limited funds if provided a reliable funding stream and flexibility with which to use it. Funding locked-in by contract is a key program element for establishing consistent, predictable funding levels. Promoting reliable, consistent funding for the Housing Choice Voucher (HCV) program is a central CBPP goal, as reflected in their congressional testimony and briefing papers over the last six years. Their May 2011 paper on the Section Eight Voucher Reform Act (SEVRA), states

that “[T]he most important improvements in SEVRA would establish a stable, efficient system of distributing funds to renew vouchers to the . . . agencies that administer the program.” Yet, for MTW agencies, CBPP opposes a stable, predictable funding system because of its alleged impact on other agencies.

2. Congress decides how much funding PHAs—including non-MTW PHAs—receive.

The funding that PHAs—MTW or non-MTW—receive depends entirely on the Congressional appropriations process. Appropriators understand the MTW program—indeed it was they who created it—and include a proviso each year that MTW agencies are funded according to their contracts with HUD. Appropriations staff do not estimate the funding for which MTW agencies *would* be eligible if not for their MTW status and then base their allocations on that number. They estimate the eligibility of all agencies, as that eligibility is defined in the real world, and then appropriate available funds to meet that need. If PHAs are underfunded, it is because appropriation levels, given all the constraints of the federal budget process and congressional decision-making, did not cover the full funding eligibility of public housing and/or Housing Choice Voucher programs.

In such a case, allocations for *all* agencies are prorated, including MTW agencies. CBPP fails to mention this fact in its discussion of proration (p.4), misleading the reader to believe that MTW agencies are able to stay whole while other agencies bear the burden of prorated funding. The issue here is not that MTW agencies are receiving funding off the top of appropriations, but that an insufficient amount of funding has been appropriated. It is an illustration of the need for a more reliable and predictable funding system.

3. MTW agencies do not run less cost-effective voucher programs.

CBPP’s Figure 1 (p. 4) suggests that MTW voucher funding levels are much higher than those of non-MTW agencies. The figure, however, does not make a valid or useful comparison. MTW voucher funding contracts resemble the unit-based system in use to fund the HCV program until 2004. Most MTW contracts involve funding based on the number of authorized units, whereas non-MTWs do not. In 2004, the HCV program moved to a budget-based funding system, based on the amount that agencies spend on Housing Assistance Payments (HAP) during a baseline period. The move from unit-based to budget-based funding left many agencies in a situation in which it is unlikely that they will ever be able to provide their authorized number of vouchers. CBPP implies (p. 7) that authorized vouchers are vouchers that could theoretically be leased up, but their number can really have little relation to a PHA’s actual leasing. It is a meaningless number for those agencies who utilize all of their funds without ever getting close to utilizing their authorized number of vouchers. In effect, Figure 1 compares a ratio of funding to the basis for funding (for MTWs) to a ratio of funding to the basis of funding *plus* extra hypothetical units. For this reason, the denominator on the non-MTW side of the comparison is far too high, reducing the per-unit funding and creating a misleading impression that MTW vouchers are far more expensive than non-MTW vouchers. In fact, the average monthly HAP payment for non-MTWs in FFY2010 was \$472. When MTW agencies are added to the equation, the average rises only to \$477. Clearly, MTWs are not far enough outliers to have a huge effect

on the average. This is despite the fact that the majority of MTW agencies are located in relatively high-cost areas.

4. *MTW agencies are increasing the accuracy of the market basis for their voucher costs.*

Even if MTW vouchers were significantly more expensive, the HCV program is market-based. Housing authorities do not control the cost of rental housing in the private market, even with MTW flexibilities. In some cases, the cost of MTW HCV vouchers may indeed be higher than other agencies' costs, as MTW agencies use their flexibilities to provide access to higher-cost "opportunity areas." In San Bernardino, California, the largest county in the continental U.S., the housing authority has completed independent market studies in nine local areas and is in the process of implementing nine local payment standards. The highest of those payment standards is 160 percent of the area Fair Market Rent (FMR), an amount that would not be allowed without MTW flexibility, but which opens up low-poverty, opportunity-rich areas for voucher holders. Similarly, the San Diego Housing Commission increased payment standards for nine low-poverty zip codes. The Atlanta Housing Authority has long operated with nine different payment standards in order to provide the appropriate subsidy for the various submarkets in its service area. Thus, if MTW agencies' vouchers are more expensive for reasons other than higher market rents, it is because flexibilities have been used to increase housing choice, one of the statutory goals of the MTW program and a high priority for CBPP.

CBPP testified in a House Financial Services hearing on SEVRA in June 2009, "[i]n metropolitan areas, however, HUD often has established very large FMR areas, sometimes stretching across several counties with millions of inhabitants....As a result, FMRs (and thus payment standards) in many communities are far above or below the cost of a typical modest rental unit....SEVRA requires HUD to set FMRs using smaller geographic areas...[which would] increase access to housing in lower-poverty neighborhoods with greater employment and educational opportunities and strengthen the cost-effectiveness of the voucher program." In testimony on the Section Eight Savings Act (SESA) in June 2011, CBPP lamented the fact that SESA omits this "beneficial provision."

5. *Special public housing funding agreements do not pose a threat to other agencies.*

Figure 2 (p. 5), like Figure 1, uses a flawed comparison to suggest that it costs the federal government more money to operate MTW public housing units than it costs for non-MTW units. In this case, the flaw stems from the fact that what makes special funding agreements special is that they are not based on the operating fund subsidy unit count that CBPP uses in Figure 2 as the denominator of the ratio for the comparison. Instead, the special agreement funding was locked when the agreements were finalized, almost fifteen years ago. As a result, CBPP uses a denominator for the funding-to-unit ratio that is too low and creates the appearance of inordinate per-unit funding. As noted above, congressional appropriators are well aware of the funding of these agreements and do not make their decisions based on theoretical operating fund eligibility, were certain agreements not in place, but rather on estimates of actual eligibility. In the years prior to 2010, the problem was that appropriated funds did not cover the full funding eligibility for this account, not that MTW agencies had too large a share of those funds.

As CBPP notes, only ten of the current 35 MTW agencies have special funding agreements as they were the first participants in the MTW program. None of the agencies admitted to the program more recently have such provisions in their contracts. Thus, there is no danger that expansion of MTW will lead to expansion of such agreements. Furthermore, the MTW agencies with special agreements are using their funds to develop best practices in serving their communities. For example, the Seattle Housing Authority and the Cambridge Housing Authority are developing national models for innovative approaches to combining housing and services for special needs populations. The Chicago Housing Authority has invested significant resources in creating a highly effective and comprehensive system of case management services to support resident participation in the economic mainstream and reduce concentrations of poverty.

II. MTW Agencies Serve as Many Households as Possible with their Funds

1. No vouchers are sitting idle, waiting to be used.

CBPP suggests that despite their alleged advantage in funding, MTW agencies leave “unused” or “idle” a large share of the vouchers that they could have supported (Figure 3, p. 5). This assertion misleads readers to believe that MTW agencies are letting money sit unused while their community residents go without the subsidies that they need. As noted above, the allegation is based on a hypothetical number of vouchers that the agencies could have used. Ironically, CBPP complains (p. 7) of HUD’s use of authorized vouchers counts in its August 2010 report to Congress. In effect, this number reveals nothing other than the number of vouchers that CBPP would like the agency to have leased. It does not show MTW agencies leave funds unspent. To the contrary, several agencies have expenditure benchmarks as part of their Annual Plans and Reports. The Atlanta Housing Authority has a benchmark of 98 percent expenditure of HCV funds received. The Housing Authority of Baltimore City’s benchmark is 100 percent expenditure of HCV funds received. Both agencies consistently meet those benchmarks. MTW agencies are using their funds to support their communities, not amassing excessive funds in a bank account.

2. MTW agencies have strong incentives to serve as many families as possible.

Contrary to CBPP claims, MTW agencies have strong incentives to serve as many households as possible with their funds. Serving substantially the same number of households is not only a statutory objective of the MTW program but is a central tenet of all MTW contracts. Should the agencies not meet this goal, they could be in breach of contract and could lose their MTW status. Granted, to date, this possibility has yet to be imposed upon any agency, but its threat still poses a significant incentive. HUD has recently created a measure with which it will be determining compliance with the “substantially the same” requirement.

Thus, the fact that these agencies are not leasing as many vouchers as CBPP would like them to be leasing does not mean that they are serving fewer families than they “should” be serving. It simply means that they are not serving all of those families specifically with vouchers.

It is interesting to note that in their discussion of voucher utilization, CBPP fails to mention that MTW agencies have fought in recent years to maintain their MTW flexibility to lease more vouchers than the number to which they would be restricted under the standard HCV program. For example, the King County Housing Authority has long made use of this particular flexibility, serving 30 percent more households in its HCV program after five years as an MTW than it had previously. Others, such as the Oakland Housing Authority, are following their lead and leasing up above the standard program restriction of authorized vouchers.

Generally, MTW agencies have the flexibility to make strategic decisions about balancing the mix of tenant-based and project-based assistance in a manner that best serves their community needs. They are not “leaving needy families unassisted,” as CBPP mischaracterizes their actions. They are assisting them in the most appropriate way possible in their community, according to their locally- and HUD-approved MTW annual plans.

3. Some MTW agencies have chosen to prioritize enhancing supports for tenants.

Increasing the number of HCVs in use is not appropriate in all localities and all situations. Some agencies have chosen to emphasize the provision of supportive services for their residents, providing what might be termed housing-plus. The Housing Authority of Baltimore City has lowered the participant-to-staff ratio of its Family Self Sufficiency program and begun an initiative that targets unemployment. The Atlanta Housing Authority and the Charlotte, N.C. Housing Authority have allocated resources to resident services and human development supports. In many ways, these expenditures should be seen as an investment in future housing stability for residents. The Cambridge Housing Authority has demonstrated that resident incomes have increased significantly since they began implementing a variety of initiatives promoting self-sufficiency. Thus, paying for supports can actually result in increased tenant contributions to rent, making up some of the cost. More importantly with regard to CBPP claims, although point-in-time counts of vouchers will never be able to reflect these dynamics, as more participants are moved to housing stability and self-sufficiency, additional new households can be served in the program, thus allowing the agencies to serve more households than they would have been able to serve without MTW.

4. Much confusion surrounds the number of households served in cost-effective non-traditional local programs.

MTW flexibility in shaping programs means that agencies can find more cost-effective ways to assist households who would otherwise be on a waiting list to live in traditional public housing or receive a traditional HCV. HomeFoward (formerly known as the Housing Authority of Portland) uses some MTW funds to support their Short-Term Rent Assistance (STRA) program, an approach similar to the national Homelessness Prevention and Rapid Rehousing Program (HPRP). In both cases, the programs have shown that many households at risk of homelessness are able to stabilize in a permanent housing situation with a relatively small amount of money provided for a short period of time. (In the case of HPRP, almost all are assisted for under six months, but nearly half are assisted for 30 days or less.) Ninety-two percent of HPRP recipients, who came in with very few financial resources and were assisted for only

that short amount of time, entered permanent housing upon exiting the program. This is much more cost-effective than providing these households a long-term Housing Choice Voucher. The Chicago Housing Authority uses project-based subsidies in SRO units for special needs populations. The Cambridge Housing Authority's sponsor-based program serves high-need "hard to house" households, but actually costs less per subsidy than traditional HCV.

There has been a great deal of confusion about the number of households that MTW agencies serve because of gaps in HUD's data collection systems for these types of non-traditional programs. To date, there has been no standard for reporting on households served through programs other than public housing and Housing Choice Vouchers. Different types of data have been reported in annual MTW plans and reports, but it has been difficult to compile, compare, and aggregate. HUD recognizes the problem and is currently working both to implement a new version of required reporting standards that will include households served by local MTW programs, as well as to establish a compliance measure for the "substantially the same" requirement, as mentioned above. The ongoing challenge facing such efforts is finding reporting measures that fully account for the PHA's various activities without restricting the full range of flexibilities available to MTW agencies.

5. MTW development activities seek to ensure long-term affordability.

Many MTW agencies are trying out new, innovative methods for serving their communities, but as stated in HUD's report to Congress, "the most substantial changes to agencies' portfolios comes through the ability to use MTW funding flexibility to allocate funds *for the development of new units*" (emphasis ours). CBPP claims, in this paper, that studies have found that "even over the long run, developing affordable housing is generally a less cost-effective way to help families afford housing than vouchers" (p. 6). In a 2008 paper, however, CBPP claimed that "[f]or households that...are likely to have difficulty in using vouchers and in areas where vouchers generally are hard to use...making the investments necessary to retain public housing is likely the best policy." Clearly, this is an acknowledgment that local market conditions deserve consideration when making decisions about the form of subsidies provided. They also noted in 2008 that "on average, it would be less expensive in the long run for the federal government to provide adequate funding to sustain units as public housing than to replace those units with vouchers." For this reason, the flexibility to use funds for development and the streamlined processes for doing so are a critical component of MTW, allowing agencies to strategize about the best way to maintain a stock of affordable housing in their communities in the long term. The current balance of tenant-based to project-based units at any given PHA is completely arbitrary, as well as outdated, in effect having been set over 30 years ago. MTW agencies have the flexibility to reassess that balance in the context of their communities' needs.

CBPP's claim that paying debt service does not enable an agency to assist more families in the current year (p. 6) clearly misses the point -- MTW agencies are focused on long-term affordability so that more families can be assisted in the future. The charge against MTW agencies' using funds to cover debt service directly contradicts CBPP's call for Congress to "help agencies leverage private investment to rehabilitate public housing" (p. 11). Once again, this is an activity of which CBPP approves only if its details are decided in Washington.

III. MTW Programmatic Changes Make System Navigation Easier for Both Tenants and Staff

CBPP's assessment of the programmatic changes that agencies have made under MTW refers to "risky policies" and hypothetical threats to tenants, yet no evidence is provided that any tenants have been harmed.

1. Rent reform activities create only hypothetical challenges for tenants and staff.

While correctly noting that nearly all MTW agencies have adopted their own rules for determining tenant rent payments, CBPP focuses on the use of flat rents. We note that in the Low Income Housing Tax Credit program, which is the primary affordable housing development program, rent setting is only loosely tied to tenant incomes, presuming that all low-income families can afford to pay what a family at 60 percent of area median income would pay at 30 percent of adjusted income. Still, very few MTW agencies are implementing flat rents. The vast majority of MTW agencies still tie rent payments to tenant income, albeit in a variety of different ways.

The notion that these rent reforms will create an obstacle for participants wishing to move to another jurisdiction, who "must sift through widely varying local rent rules to determine which localities they could move to without seeing their rent burden increase significantly" (p. 10) or that it will increase errors in rent calculation (p. 11) is the opposite of what rent reform and streamlining initiatives are intended to accomplish. MTW agencies have spent considerable time and energy developing rent calculation systems that are simpler and easier to understand than the current, needlessly complex standard HCV protocol. The goal is to make rent calculations transparent and predictable so that tenants can understand and anticipate what their rent contribution is going to be, which they cannot currently do without mastering complex rules about deductions, allowances and adjustments. The biggest challenge for a tenant wishing to move to another jurisdiction would be the one facing a tenant of an MTW agency who is trying to understand the current standard system.

The simplified calculation process also helps to reduce rent calculation errors by staff, so that they can better understand what is going on without the need for the years of technical assistance from HUD, which CBPP cites as having reduced error rates (p. 11). Additionally, the majority of MTW agencies have implemented less frequent recertifications, giving staff a greater ability to focus on correct calculations and producing savings that can be used for any needed training. The Housing Authorities of the County of Santa Clara and the City of San José have seen their rent calculation error rate drop from 11 percent to 4.5 percent just three years into implementation of biennial and triennial (for fixed-income households) recertifications.

2. MTW agencies address portability needs.

CBPP mischaracterizes MTW policies on voucher portability. Again providing hypothetical examples—a worker who is laid off but finds a job in another county and can't use his voucher to move within commuting distance; a victim of domestic violence; a person in need

of a caregiver; a family wishing to move for school (p. 10)—CBPP fails to mention that MTW policies include exceptions for just those types of cases. MTW agencies do not want to restrict their tenants' upward mobility and they recognize that moving can be a key element of such improvements in quality of life. They simply want to use their administrative capacity to serve the most households in the best way possible and have thus limited the use of an extremely costly and time-intensive feature of the voucher program to circumstances where the benefit to the household is clear.

Conclusion: MTW Flexibilities Should Indeed Be More Broadly Applied

CLPHA agrees with CBPP that there should be a much broader effort to streamline administrative requirements and provide PHAs with more options (p. 11). CLPHA has long been a supporter of the Section Eight Voucher Reform Act (SEVRA), but agencies need additional flexibility, beyond what is provided in that Act, in order to maximize their performance and best meet the needs of their communities.

CBPP's argument to limit reforms to a piecemeal approach, targeting only very specific elements of program operation (p. 12-13), is out of step with current thinking. Even HUD recognizes that it is not enough to streamline traditional programs – hence, the Administration's focus on breaking down silos and promoting more holistic community development strategies, as exemplified by the Choice Neighborhoods Initiative; collaboration with other federal agencies through inter-agency agreements; and new cross-cutting program offices such as the Office of Sustainability. PHAs need to be able to act in the interest of the big picture, thinking holistically about local strengths and challenges. In order to be able to do so, they must have local decision-making power. HUD's report to Congress on MTW recommended expansion of the program recognizes that redefining federal control can result in more innovative and cost-effective local strategies. MTW should be expanded. Especially in tough budgetary times, PHAs need greater flexibility to use scarce federal resources as strategically and effectively as possible.

October 2011



October 3, 2011

The Honorable Judy Biggert, Chair
Subcommittee on Insurance, Housing and Community Opportunity
Committee on Financial Services
United States House of Representatives
B-303 Rayburn House Office Building
Washington, D.C. 20515

Re: Columbus Metropolitan Housing Authority's
Interest in Moving to Work Designation

Dear Ms. Biggert:

This is to express the Columbus Metropolitan Housing Authority's (CMHA) interest in participating in HUD's Moving to Work (MTW) Demonstration program and the need for Congress to expand the program. In addition, this letter sets out what CMHA believes can be accomplished with the MTW designation that it cannot otherwise do under existing HUD regulations.

Currently, CMHA operates 2,209 Public Housing units and administers 12,970 Section 8 Housing Choice Vouchers (these vouchers include VASH, Shelter Plus Care, and Project Based). CMHA is a national leader in using Project Based Vouchers to partner with non-profit supportive housing providers to develop affordable housing for our most vulnerable and hard to serve populations, thereby reducing the number of homeless in our community. CMHA has a total of 15,179 units of assisted housing for which it is responsible.

CMHA continues to innovate and lead the nation in producing affordable housing units by partnering with supportive housing providers and leveraging project-based vouchers. However, we are constrained in many ways by burdensome HUD regulations that do not achieve positive results for our consumers. With an MTW designation, CMHA can do more with diminishing resources. We believe that CMHA is the type of agency that HUD wishes to add to the MTW Demonstration Program.

A. What CMHA Objectives Would Be Furthered by Participation in the MTW Demonstration?

As we evaluated the MTW program, staff first asked what was required during the next three to five years to fulfill CMHA's mission, and then considered what the MTW designation might do to assist in reaching our goals. The following is not all-inclusive, but does summarize our major concerns and objectives:

1. Public Housing for Families

While, we have successfully renovated our family projects we intend to keep, we have other obsolete projects that are located in areas where significant neighborhood revitalization efforts need to be undertaken if any redevelopment of the projects are to become marketable and successfully sustainable. It is already difficult to attract and retain working families in these areas because of conditions in the surrounding neighborhoods. Because of high land costs, NIMBYism and zoning restrictions in non-central city areas, it will be difficult to develop replacement units in any significant numbers if these redevelopment efforts fail. Therefore, we must work with the broader community to make these neighborhoods more attractive as a living environment and thereby protect any replacement housing stock. We have no choice but to look at our family communities in the long-term context and viability of the neighborhoods where they are located.

Under MTW, we believe that imaginative use of flat rents, job training and employment opportunities targeted at residents could begin to provide tenant stability and rising incomes in these communities. We need flexibility in designing rent structures, in negotiating with service providers, and in including non-public housing residents of the surrounding areas in programs funded with public housing dollars. To promote neighborhood revitalization, we need flexibility in designing and implementing homeownership programs, in targeting Section 8 funds to support rehabilitation of rental units and homeownership and in undertaking other activities created in concert with neighborhood residents and local public officials (e.g., pooling HUD funds with those of other agencies to support affordable housing efforts or initiating economic development activities that will provide job opportunities to public housing and neighborhood residents).

In terms of new construction for families, we will seek to locate them in vibrant mixed income redevelopment communities. This will often require negotiated partnerships with private developers to encourage the incorporation of subsidized housing units in their projects. Under MTW, we would gain flexibility in forming partnerships for the construction and/or acquisition of units for use as public housing. Combining funding sources would give us more flexibility in arranging financing for acquisition, construction, permanent loans and operating costs as we form partnerships and deal with the private sector.

2. Public Housing for the Elderly and Disabled.

CMHA is a leader in meeting the needs of the elderly market. However, we also have a large population in need of supportive housing, many of whom are under 55 years of age and are disabled persons with mental health, drug, alcohol and other problems. Senior communities were not designed to meet the requirements of this disabled population and the current tenant mix contributes significantly to elderly marketing problems. CMHA believes that it needs to 1) develop separate housing choices for the disabled in concert with community based service providers; 2) rehabilitate or construct elderly-only communities on existing sites where economics and neighborhood conditions permit; and 3) pursue a strategy of developing mixed-income (public housing and market rate)

communities for the elderly in non-central city locations. Under MTW, we would pursue flexibility in designating communities as all elderly, in leasing units to service providers for specific disabled populations, in vacating properties or holding units off the market to achieve specific leasing objectives, in leasing operating space to service providers and in creating partnerships for the development and financing of mixed-income elderly communities. (The latter effort has already been initiated through the formation of a partnership development agreement with National Church Residences.)

3. Section 8 Vouchers

In administering and managing its Section 8 Housing Choice Vouchers, CMHA has forged partnerships in a variety of programs and activities with service providers and public organizations. These programs include Shelter+Care, transitional housing for the homeless, housing for the disabled and Continuum of Care. We have developed a modest Section 8 Homeownership Program and have developed Section 8 Project Based vouchers targeted at homeless and disabled service providers who not only develop housing, but will also provide services to residents.

During the next three to five years, CMHA wishes to use Section 8 to provide more housing choices across Franklin County to provide residents greater opportunities for self-sufficiency; to encourage landlords to renovate properties in designated areas; to promote rehabilitation of existing units or construction of new units to serve the disabled and homeless with project based vouchers; and to increase the number of families receiving some amount of Section 8 assistance. Under MTW we would seek flexibility 1) in setting fair market rents to promote housing choice; 2) in establishing flat rents and time limits for receipt of assistance; 3) in targeting use of Section 8 vouchers in specific areas to support neighborhood revitalization through homeownership or construction or rehabilitation of rental properties; and 4) in supporting providers of services to low-income and disabled families who need permanent or transitional housing for their clients by targeting Section 8 vouchers for their exclusive use.

4. Employment Opportunities for Residents and Self-Sufficiency

As it looks ahead, CMHA intends to subscribe to an "Up and Out" philosophy for both public housing and Section 8 assistance, i.e., that housing assistance (other than for elderly and some disabled) should only be available until a family is self-sufficient. CMHA has already taken several steps in this direction:

- a. In its HOPE VI program, CMHA received a HUD Best Practices Award for its Section 3 Employment effort.
- b. We have a current enrollment of nearly 400 in the Section 8 Family Self-Sufficiency Program and have offered a Section 8 Homeownership program to its participants.
- c. We are currently working with a YouthBuild grantee to provide education and job training to a designated number of public housing program participants.
- d. As part of a negotiated sale of a former public housing site (Sullivant Gardens) we developed an agreement with the City of Columbus and its nonprofit subsidiary to give public housing residents and Section 8 tenants first priority in hiring and training for all new jobs that will be created in the light industrial park to be developed on the site.
- e. We negotiated a contract with the Franklin County Department of Jobs and Family Services in the amount of \$2,300,000 to provide employment and job

training opportunities in six of our public housing family communities. This training is conducted by community based organizations that are part of the partnership. We work closely with the Central Ohio Workforce Investment Council (COWIC) to link residents with employment training and job opportunities.

These are the types of programs we will continue to create in support of the "Up and Out" strategy. Many others will be needed. For these programs to be effective in encouraging self-sufficiency, we will obviously require some flexibility in setting conditions for admission to the public housing and Section 8 programs, the conditions for enrollment and participation in job training and educational programs, the amount and term of the assistance to be provided, the amounts Section 8 tenants and public housing residents must contribute towards rent and the requirements for continued occupancy.

B. Can CMHA Meet the Purposes of the MTW Demonstration?

Given the challenging economic conditions we currently face, the opportunities offered by an MTW designation are urgent if we are to remain successful. Furthermore, we believe the activities and objectives described above provide a basis for meeting all three MTW purposes.

1. Reduce costs and achieve greater cost effectiveness in Federal expenditures.

Since providing housing assistance is CMHA's primary mission, protecting the current investment in public housing communities through support of neighborhood revitalization and increasing the number of Section 8 program participants become significant cost considerations in the long term.

In public housing, we plan not only to redevelop two large sites but also to improve the quality of life within them and to present them as a needed and integral part of the neighborhoods where they are located. We plan to work with city officials and local organizations by using public housing programs to promote neighborhood revitalization and to support and reinforce other Federal/State/Local investments (CDBG, HOME, Enterprise Zones, etc.). Further, using a neighborhood revitalization strategy along with client based activities (job training, educational programs, work incentives, etc.) offers the best chance of attracting grant funds to support our efforts from other Federal/State/Local and privately funded programs because grant selection criteria often require broad-based coordination and commitment of resources.

Without undertaking such efforts, we run the risk that our current housing resources could lose their long term viability. With the flexibility offered by MTW, CMHA can better work with neighborhood based organizations to leverage funds and improve conditions in the areas surrounding our public housing communities, thereby protecting the Federal investment.

In Section 8, we will examine the use of flat rents with time limits on the receipt of assistance to see if the number of families receiving rental assistance can be increased. This should also produce cost savings to CMHA by providing an opportunity to streamline the application, leasing and recertification processes. We also intend to examine the use of vouchers to support and/or encourage neighborhood revitalization by designating specific areas for voucher usage, by providing vouchers for homeownership and by using them for targeted project based purposes, thereby using the vouchers not only to provide direct assistance to families but also to support other efforts that will yield long-term benefits to the broader community.

2. Provide work incentives to families with children

CMHA plans to examine the use of flat rents, income disregards, time limits on assistance, and participation requirements for educational, job training and employment programs as work incentives in both the public housing and the Section 8 programs. Some of these features could be incorporated in admission and continued occupancy standards. We will consider expansion of the Family Self-Sufficiency Program and seek ways to promote homeownership as incomes increase. We also believe if our work incentive programs are successful, that public housing residents and Section 8 tenants with increased incomes will thereby have access to more housing choices.

3. Increase housing choices for low-income families

CMHA plans to increase housing choices by developing elderly projects in non-central city locations or by including public housing units in mixed-income projects for families and seniors. For the disabled, we will enter into partnership agreements with service providers (who agree to provide supportive services to residents) to provide access to units in existing public housing facilities or to construct or acquire additional units throughout the larger community, using Project Based Section 8 Vouchers as one development tool. We will continue to increase Section 8 Fair Market Rents in low-poverty areas. Finally, CMHA will use MTW to develop a Section 8 Homeownership Program that will not only provide purchase opportunities to low-income families but also contribute to neighborhood redevelopment.

CMHA sees the MTW Demonstration Program as an opportunity to improve and expand its ability to reinvent itself. This reinvention actually started in 1994 with the receipt of a \$42,000,000 HOPE VI Grant. As we proceeded with the construction of the new Rosewind community on the old Windsor Terrace site, we became increasingly involved with the revitalization of the surrounding neighborhood, recognizing that the success of the neighborhood was critical to the long term viability of Rosewind. This effort continues today and will extend into the indefinite future. We have formed partnerships with neighborhood organizations, businesses and other area stakeholders, the City of Columbus, the Columbus Urban Growth Corporation and others to promote urban revitalization. CMHA's participation in economic development activities was also crucial to the success of the Four Corners project adjacent to Rosewind that has received national acclaim (\$12,000,000 to \$15,000,000 of investment in new office and commercial buildings, a transportation center and space for service providers).

Based upon this HOPE VI experience, CMHA recognizes that it must continue to take more of a leadership role in redevelopment and revitalization activities in those neighborhoods where public housing communities are located. Investment in our facilities, through physical betterments or through providing services, training and employment opportunities to residents, can be a catalyst for other improvements. Unfortunately, funding for many of these other improvements and social service programs will not be forthcoming in the absence of CMHA leadership and participation since many of the neighborhoods where our communities are located lack organization and knowledge with respect to competing for scarce monies from Federal/State/Local sources. MTW can be used as a tool by CMHA in forging partnerships by giving us the ability to seek exemptions from or modifications to existing program rules that hamper program design and execution as we work with other funders.

Further, it is not likely that CMHA will receive financial assistance from any governmental entity other than HUD for the construction or acquisition of additional public housing units. CMHA must look beyond its traditional funding sources and develop more partnerships with the private and non-profit sectors. In undertaking these new approaches, CMHA must also look for ways to generate income to support its operations. This will require flexibility in program design and in the commitment and use of public housing funds from all sources.

As stated above, CMHA has begun to reinvent itself, and the process must be continued. However, the continuing loss of HUD funding together with restrictive regulations constrain our ability to innovate, be creative, and do more with less. Without MTW, the only option we have with fewer resources is to provide fewer housing options, serve fewer people in need, and do less.

The opportunity to participate in the MTW Demonstration will give us more options to pursue development projects, to increase the number of families receiving assistance and to pursue supportive service programs focused on job training, employment opportunities, education and youth development. We recognize that many of the proposals described herein need further examination, but we would welcome the opportunity to work with HUD staff to refine and analyze the ideas we have presented and to prepare an MTW application. We have on-going working relationships with resident organizations, the City of Columbus Planning and Development Departments, the Ohio State University, the Regional Planning organization, a wide variety of service providers, non-profit housing groups, the United Way, job training and employment agencies and neighborhood groups. We believe we have taken some significant steps in laying the foundation for successful collaboration with all parties if we are given an opportunity to participate in MTW.

In summary, we believe that CMHA can accomplish the three stated purposes of the MTW Demonstration. Furthermore, CMHA with an MTW designation will provide HUD with a viable model of how a PHA can assert itself as a neighborhood development agent to preserve and enhance HUD and other Federal investments. We urge Congress to expand the MTW Demonstration program.

Thank you for your consideration.

Sincerely,

Charles D. Hillman
President & CEO

Copy to: The Honorable Sherrod Brown
United States Senate
Washington, DC 20510

 The Honorable Rob Portman
United States Senate
Washington, DC 20510

 The Honorable Pat Tiberi
House of Representatives
Washington DC 20510

 The Honorable Steve Stivers
House of Representatives
Washington, DC 20510

October 13, 2011

The Honorable Judy Biggert
 Chair
 House Financial Services Subcommittee on Insurance, Housing and Community Opportunity
 2129 Rayburn House Office Building
 Washington, DC 20515

Dear Madame Chair:

We are in receipt of your recent discussion draft entitled "The Section Eight Savings Act of 2011" (SESA), which is the subject of today's hearing. Our organizations represent owners, management companies, lenders, builders and developers and housing agencies, which have been working with Congress for the last ten years to formulate common sense legislation to streamline the important Housing Choice Voucher Program. We have long-maintained that the Section 8 voucher program is extremely successful, but like many government programs, has started to sag under the weight of too many inefficient and duplicative requirements. The myriad of overlapping and redundant procedures has made the program difficult to administer and has deterred many professional landlords from participating in the program.

We very much appreciate your interest in improving what is a critical tool for housing millions of low income families and elderly persons. We also are pleased that the draft clarifies issues related to the Limited English Proficiency Program (LEP), allows more working families to qualify for vouchers, particularly in rural areas, includes language to ensure that the Fair Market Rents (FMRs) continue to be published annually on October 1 and that prior to final publication, a public comment period is offered, as well as provides an extension of HUD's authority to restructure debt under its Mark to Market program.

However, we are unable to offer our full support for the current discussion draft because the provisions that are most important to streamlining the program have been marginalized in an attempt to condition their application to only housing agencies who agree to participate in a self-sufficiency demonstration program. While our organizations are supportive of ongoing and future efforts to help low income families achieve self-sufficiency, tying the ability to implement efficiencies to a demonstration program is unwarranted as streamlining inspections and income certifications is a benefit to all those involved. Important program changes including streamlined inspections, less frequent certifications for the elderly and disabled and common sense approaches to calculating income and assets should be applied to every voucher holder, housing agency and apartment owner.

We request that the Subcommittee reconsider its approach and restore the important changes to all program participants by removing Section 101 of the bill. In this difficult fiscal climate, it is important to note that these reforms would provide for significant budget savings. We are happy to work with you to identify other incentives and tools to promote expanded self-sufficiency efforts in the voucher program without mitigating the important efficiencies that are central to the continued success of the program.

Sincerely,

Council for Affordable and Rural Housing
 Institute for Responsible Housing Preservation
 Institute of Real Estate Management
 Leading Age (formerly AAHSA)
 National Affordable Housing Management Association
 National Apartment Association
 National Association of Affordable Housing Lenders
 National Association of Home Builders
 National Association of REALTORS®
 National Leased Housing Association
 National Multi Housing Council

cc: Luis V. Gutierrez, Ranking Member
 House Financial Services Subcommittee on Insurance, Housing and Community Opportunity



U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-0001

THE SECRETARY

October 11, 2011

The Honorable Judy Biggert
Chairman
Subcommittee on Insurance, Housing
and Community Opportunity
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515-6050

Dear Madam Chairman:

I would like to thank you for your support on a number of HUD's initiatives, and for being a key partner to the Agency. I know we both share the goal of having safe, decent, and affordable housing for everyone in our country.

I wanted to personally follow up with you on the Department's proposed Rental Assistance Demonstration (RAD) as presented in two House Transportation, Housing and Urban Development, and Related Agencies Appropriations Subcommittee hearings (by me on March 10, 2011, and by Assistant Secretary Henriquez on May 25, 2011). The current RAD proposal would facilitate private investment in the Public Housing program to meet the program's \$26 billion capital needs backlog through more stable and reliable Section 8 contracts, preserving the country's public housing assets and their long-term affordability.

My staff has been working closely with key stakeholders and with Members of Congress to refine this proposal. At the request of Representatives Bachus and Ellison, along with Senator Shelby, we provided technical drafting service language that would implement RAD. To develop this proposal, the Department worked with a cross-section of stakeholders who have been supportive, and who recently distributed letters endorsing the proposal.

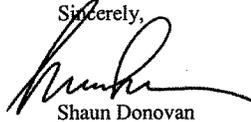
The Department has also engaged in constructive discussions with your staff and Representative Bachus's staff regarding the authorization of RAD, as well as with key minority authorizers on the Financial Services Committee. While we have been discussing a possible hearing with committee staff to more fully consider RAD, we found considerable support for it in the Senate. In fact, the Senate Transportation, Housing and Urban Development, and Related Agencies Appropriations Subcommittee recently included language in its Fiscal Year (FY) 2012 legislation that authorizes RAD in the form of a limited, no-cost demonstration.

The Senate appropriations language is considerably scaled back from our initial proposal. However, given the current uncertain legislative environment, I believe that an Appropriations path offers a reasonable first step toward assessing the utility of the RAD approach to preserve the affordable housing stock that the Federal Government has been investing in for the last 80 years.

Accordingly, I would like to proceed with this first step and request your support in retaining the more limited demonstration language in the final FY 2012 Appropriations bill. Moreover, the Department would also be pleased to proceed with a hearing on RAD as the legislative calendar permits.

Finally, I have asked Acting FHA Commissioner Carol Galante, and my Senior Advisor working on RAD, Patrick Costigan, to offer to meet with you in order to further discuss this matter. I would also be very pleased to discuss this request with you personally.

Sincerely,

A handwritten signature in black ink, appearing to read 'Shaun Donovan', written over the word 'Sincerely,'.

Shaun Donovan

cc: Acting FHA Commissioner Carol Galante
Patrick Costigan

REPORT TO CONGRESS

**Moving to Work:
Interim Policy Applications and the Future of the
Demonstration**



August 2010

Department of Housing and Urban Development

Office of Public and Indian Housing

Office of Policy Research and Development

Prepared for

Congress

Prepared by

Emily Cadik
Department of Housing and Urban Development
Office of Public and Indian Housing

Amanda Nogie
Department of Housing and Urban Development
Office of Policy Development and Research

August 2010

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I. Executive Summary

The Moving to Work (MTW) demonstration was established to give public housing authorities (PHAs)¹ and HUD flexibility to design and test various approaches for providing and administering housing assistance that:

- 1) Reduce cost and achieve greater cost effectiveness in Federal expenditures;
- 2) Give incentives to families with children where the head of household is working, seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient; and
- 3) Increase housing choices for low-income families.

The 33 current MTW agencies² manage over 11% of all public housing units and near 13% of all vouchers. Combined, they receive roughly \$2.7 billion in voucher funding, \$730 million in public housing operating funds and \$380 million in capital funds.

MTW was legislated in 1996³, implemented in 1999 and is set to run until the end of each participating agency's 2018 fiscal year. Over ten years into the demonstration, it is an opportune time to assess lessons learned from the early years of the demonstration in order to shape the coming years.

The Consolidated Appropriations Act of 2010⁴ specified that, "of the amounts made available for research, evaluation and program metrics and program demonstrations, the Secretary shall include an evaluation of the Moving-to-Work demonstration program." Each MTW agency implements a distinct set of activities with unique outcome measures, making the effects of MTW difficult to generalize. HUD is currently working to procure a contractor to conduct an independent, third-party evaluation of MTW, but, prior to this evaluation, the individual experiences of MTW agencies can, in many cases, already inform housing policy. With this challenge acknowledged, this interim report will address two questions:

1. How can MTW inform major policy debates, such as rent reform and streamlining housing authority operations, based on the data available?
2. What have we learned about participating agencies' abilities to implement MTW activities, in order to help inform selection of future MTW participants?

MTW provides unprecedented insight into alternative methods of providing housing assistance. By prolonging the demonstration and doubling the number of participating agencies, the housing industry stands to learn even more from this unique resource.

Policy Applications

This report summarizes how MTW informs each of four key policy areas by examining case examples and existing research. While this report does not attempt to synthesize and analyze all available data

¹ The terms "PHA" and "agency" are used interchangeably throughout this report.

² See Appendix A: List of Participating MTW Agencies.

³ See Appendix C: MTW Authorizing Legislation.

⁴ Public Law No: 111-117

and the examples and research provided are by no means considered exhaustive, this report identifies promising policies and practices, as well as concerns raised, based on the information available.

Preserving and Revitalizing Public Housing

Several MTW agencies have used MTW flexibilities to preserve public housing and replace decaying housing stock with modernized, mixed-income communities. These agencies have been able to improve the physical landscapes of their communities while providing more housing options for low-income families by:

- ***Pursuing greater capital development and portfolio goals with funding flexibility.*** MTW agencies have been able to pursue more ambitious development activities and engage in more strategic long-term capital planning as a result of MTW funding flexibility.
- ***Developing localized mobility policies to increase housing choice for recipients of rental assistance.*** The preexisting deconcentration statute for all traditional PHAs⁵ has proven difficult and expensive to administer. MTW PHAs have been able to adapt locally-informed resident choice and opportunity policies, which are streamlined to more effectively transform and revitalize their communities.
- ***Preserving public housing with project-based assistance.*** MTW agencies have leveraged considerable funds to preserve and maintain public housing by converting their public housing units to project-based assistance. Their experiences inform the Preservation, Enhancement, and Transformation of Rental Assistance Act (PETRA),⁶ which would support a streamlined conversion to longer-term project-based contracts similar to the project-based vouchers that MTW agencies use.

Though the flexibility afforded to MTW agencies allows them respond quickly to portfolio needs and local market conditions, the relocation of residents and the stability of leveraged funding sources should be taken into consideration.

Streamlining Housing Assistance: Using MTW to Increase Cost-Effectiveness of Federal Expenditures

While conclusive impacts of many MTW activities, particularly as they relate to residents, cannot yet be known, some of the most compelling MTW results to date are those regarding housing authority operations. MTW housing authorities have been able to more efficiently allocate resources and engage in strategic long-term planning by:

- ***Allowing agencies to combine funds.*** MTW agencies do not receive an allocation of funds by virtue of participating in MTW; rather, they receive funds from the traditional three primary funding sources (Housing Choice Voucher, public housing capital and public housing operating funds) and are able to allocate the funds interchangeably for activities approved under MTW. Combined funds are easier to manage and provide an opportunity to explore development and other activities that may require sizable initial investments. HUD would need to further explore how combined funds would function in accordance with other federal requirements and institute

⁵ Section 16(a)(3)(B) of the 1937 Act as added by QHWRA of 1998 and 24 CFR 903.2

⁶ http://portal.hud.gov/portal/page/portal/HUD/fy2011budget/signature_initiatives/transforming_rental_assistance/documents/PETRABillText%202010-05-11.pdf

protections to ensure that PHAs are serving as many or more families when they combine funds, before cautiously expanding this authority to other PHAs.

The primary concern regarding combined funds is whether housing authorities continue to serve the same number of families when they are permitted to use funds for purposes other than housing assistance. While there is a risk of relatively low utilization rates and high levels of reserves, most MTW agencies have actually served substantially more families than they would have been able to serve without MTW by streamlining operations and using accumulated funds to administer new assisted housing units.

- ***Streamlining housing authority operations.*** MTW agencies have utilized a host of administrative flexibilities to reduce unnecessary costs and labor for both residents and PHA staff. Many of these flexibilities have significantly reduced administrative burden and allowed participating agencies to more efficiently provide housing assistance. Some of the most promising streamlining flexibilities include:
 - ***Simplifying Housing Quality Standard (HQS) inspection protocols.*** Outside of MTW, all HCV units must be inspected prior to occupancy by tenants and before the anniversary of the occupancy date in each subsequent year. PHAs devote considerable resources to inspecting units that regularly adhere to HQS standards, and have no flexibility to cluster inspections efficiently. MTW offers agencies a number of flexibilities designed to streamline the HQS inspection process, including targeting higher-risk units with risk-based inspections, allowing landlords to self-certify that units meet inspections and modifying inspection dates to allow for efficient groupings. These policies have resulted in considerable administrative and cost savings for agencies.
 - ***Developing local wait list policies.*** MTW agencies are permitted to merge wait lists between developments and programs, create special-purpose and additional site-based waiting lists, and develop localized tenant selection procedures. These flexibilities enable them to adapt their waitlists to their portfolios and to more efficiently transition tenants off of waitlists and into unoccupied units.

These represent only two of many possible ways to streamline housing authority operations. Further exploration would likely reveal many ways in which more operations could be streamlined to reduce costs for the agency without negatively impacting residents. However, if streamlining flexibilities were to be expanded to other housing authorities, it would be important to explore the compatibility of these reforms with other programs so that housing authorities do not take on greater administrative burden to administer parallel systems with streamlined procedures for some families and traditional procedures for others.

Rent Reform: Streamlining and Encouraging Self-Sufficiency through Alternative Rent Structures

The experiences of MTW agencies have demonstrated that streamlining the rent calculation process may help alleviate administrative burden on housing authorities and residents without adversely impacting residents by:

- **Reducing recertification frequency for fixed-income households.** For elderly and disabled households living on fixed incomes, the only annual adjustment to income is typically the cost of living adjustment, which can be easily calculated by the PHA without administering the entire recertification process. MTW agencies have found that recertifying these households every two or three years, with only an automated cost of living adjustment in interim years, substantially reduces administrative burden.

HUD has already issued related guidance by requiring use of the Enterprise Income Verification (EIV) system in all assisted housing programs (including MTW). EIV has saved hundreds of thousands of federal dollars by increasing the accuracy and efficiency of income and rent determinations and reducing incidents of under- and unreported household income. Reducing recertifications for fixed-income households would allow PHAs to further realize the benefits of automating income recertifications where possible.

- **Eliminating or simplifying the earned income deduction.** The current disregard policy⁷ has imposed a significant administrative and financial burden on agencies that attempt to implement it. Income exclusion policies that encourage self-sufficiency can be simplified while keeping the original goals intact in order to prevent unnecessary burden on the PHA and residents.
- **Ignoring some or all of asset income.** Asset income refers to non-earned income, such as interest, dividends, or income derived from other investments. These sums are small, if they exist at all, and are extremely difficult to verify in a timely and cost effective way. The exclusion or limitation of asset income in tenant rent calculations allows agencies to save considerable time and labor costs without significantly altering the amount of rental income they receive from residents.
- **Replacing medical and child care deductions with a standard deduction.** These deductions require extensive documentation and verification, which is time-consuming and labor-intensive for PHAs and residents, and often provide only minimal savings for the tenant. A standard deduction set at a sufficient level and coupled with a hardship policy potentially reduces or eliminates the need for obtaining this documentation.

MTW has shown that alternative rent structures may have positive self-sufficiency outcomes for residents. However, because the rent reforms implemented under MTW vary greatly and were not implemented with a controlled experimental methodology, further exploration is needed to determine which aspects of these rent reforms could be recommended for all PHAs. Any potential rent model should attempt to encourage self-sufficiency and accurate reporting of income, but also ensure that tenants are not unduly burdened. Research suggests that a hybrid rent structure, which combines streamlining efforts with a form of flat rent and a form of income-based rent, may be most promising. These models have the potential to better encourage self-sufficiency in residents and produce much-needed cost-savings in the administration of public housing and Housing Choice Voucher programs. The Cambridge Housing Authority's tiered rents, in which a flat rent is set at 30 percent of adjusted income at the lower end of each of several income bands, is an example of this model.

Even with further research, it may still be difficult to determine one single rent structure that functions best in all housing authorities. Providing housing authorities with a limited menu of rent flexibilities

⁷ 24 CFR 960.255

similar to those provided in MTW, with protections to limit resident burden, could allow PHAs to better adapt their rent structures to their communities.

Self-sufficiency, Supportive Services and Service-Enriched Housing

MTW PHAs have used their flexibility to provide a more holistic approach to housing assistance, which combines rental subsidy with supportive services. MTW PHAs have shown that the ability to streamline operations, to combine funds between programs and to go beyond traditional public housing and voucher models of resident services can allow PHAs to more effectively encourage self-sufficiency by:

- ***Building stronger partnerships with other community organizations.*** As a result of their funding flexibility and leveraging ability, MTW PHAs have an enhanced ability to collaborate with local community partners and capitalize on existing community resources to formulate precise, tailored self-sufficiency programs that most effectively serve their local needs. MTW agencies can leverage their funding flexibility to supplement housing authority resources with community resources, ultimately providing more comprehensive services for residents.
- ***Developing local self-sufficiency programs.*** Although the current HUD self-sufficiency programs have shown signs of success, they are limited in funding and scope and provide a uniform approach to serving many distinct communities. MTW PHAs have developed ways to better incentivize self-sufficiency in residents by tailoring their self-sufficiency activities to their local community needs.
- ***Providing service-enriched housing.*** MTW agencies have used their project-based assistance flexibilities in partnership with local community organizations to provide service-enriched housing for homeless or other high-risk individuals and families. These populations often require extensive services in conjunction with housing assistance, but neither housing authorities nor community organizations are well positioned to provide both of these on their own.

While pairing housing assistance with supportive services may help housing authorities serve more family types (e.g., homeless and special needs families) and reduce the need for public assistance by helping residents become self-sufficient, it is important to recognize trade-offs between providing services and providing housing assistance. Without additional funding sources, the funds directed towards the provision of services may in some cases require a PHA to house fewer families. If the ability to develop locally tailored self-sufficiency programs is extended to all PHAs, it is important to consider how to ensure that the same number of families is housed. The ability of PHAs to partner with community organizations is especially important in this consideration, as leveraging community funds can allow PHAs to provide more services to residents while still maintaining the same level of rental subsidies.

Selecting for Success in MTW

While definitive outcomes of specific MTW reforms are still unclear, there is abundant qualitative data regarding the implementation of MTW programs. This report analyzes the data to determine characteristics of ‘successful’ MTW PHAs in terms of implementation, defined as those with the ability to make significant changes and to report on their outcomes in a way that is instructive to HUD, local

housing agencies and housing policy-makers. These characteristics were found to be resident, community and stakeholder support; responsiveness to community needs; strong leadership and committed staff; innovation and openness to change; and evaluation capacity. Obstacles to 'successful' implementation of MTW include a lack of stakeholder support and buy-in; unrealistic goals; deep systemic issues; limited vision and staff capacity; and difficulty evaluating activities. Based on these attributes, it is possible to develop more precise selection criteria for potential MTW agencies:

- **High Performance:** While some troubled agencies have benefited from MTW, achieving high performer status in HUD reporting systems and complying with other HUD requirements are predictors of ability to effectively implement and report on MTW activities. In particular, incoming MTW agencies should have stringent financial controls so as to effectively report on combined funds.
- **Evaluation Strategy and Capability:** Incoming agencies should have demonstrated evaluation capacity, a rigorous evaluation strategy, and a commitment, as a part of the MTW demonstration, to implementing a controlled study relating to at least one policy priority.
- **Demonstrated Innovation:** Incoming agencies should be able to demonstrate that they have exceeded HUD requirements and accessed optional HUD programs that help them better serve their communities.
- **Local Support:** Resident, community, local stakeholder and local political support are necessary for successful implementation of MTW, especially when introducing new and potentially controversial reforms. Incoming agencies should provide evidence of this support.
- **Identification of Community Needs:** Incoming agencies should be able to articulate specific local needs and how MTW would be used to address community goals.
- **Balanced Distribution of MTW PHAs:** The demonstration could be strengthened by a more representative distribution of housing authorities in the program, in terms of both size and geographical location.

Expanding MTW up to twice its current size (or roughly 60 agencies) with the use of strategic selection criteria and program implementation can help demonstrate the impacts of MTW on a broader scale, with the ultimate objective of applying the most successful approaches nationwide. However, program expansion should only proceed if the newly admitted PHAs structure their programs for high quality evaluations that permit lessons learned to be generalized beyond the single PHA experience. Altering the scope of the demonstration for new participants by mandating controlled studies and other more rigorous evaluation methodologies would lend insight into a variety of areas of interest. For example, by selecting agencies committed to testing a particular rent reform or other innovation in combination with a rigorous evaluation, the addition of new agencies can help HUD learn about specific areas of interest as they arise. Moreover, by requiring improved data collection methods and evaluation strategies from the outset, incoming MTW agencies will be better positioned to significantly strengthen the existing body of data on MTW.

MTW was designed as a demonstration program and a response to the ongoing need for a sustainable public housing platform. While MTW can continue to inform the housing industry about the outcomes of various approaches, a more extensive overhaul of the public housing laws would allow all public housing authorities to experience the benefits available to MTW agencies.

II. Introduction

Moving to Work (MTW) is a demonstration program that allows public housing authorities (PHAs) to design and test innovative, locally-designed strategies in pursuit of the national goal of delivering rental assistance more efficiently. MTW PHAs are permitted to seek exemption from many existing public housing and Housing Choice Voucher (HCV) program rules found in the United States Housing Act of 1937 in pursuit of the three MTW statutory objectives⁸:

- Reduce cost and achieve greater cost effectiveness in Federal expenditures;
- Give incentives to families with children where the head of household is working, seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient; and
- Increase housing choices for low-income families.

MTW serves as a laboratory for efforts to alter or streamline how public housing and HCV rental assistance is distributed nationally, regionally, and locally. MTW agencies are expected to use the opportunities presented by MTW to inform HUD and the housing industry about better ways to address local community needs. While MTW agencies are responsible for reporting the outcomes of their activities, it is HUD's responsibility to synthesize information from MTW agencies into lessons that can be applied nation-wide.

In order to discern the effects of any systemic changes to how these programs are implemented and managed at the city-, county- or state-level, it is important to properly evaluate the effects that MTW has on PHAs, PHA residents, local communities and federal expenditures. The Urban Institute completed the first formal evaluation of the entire stock of MTW agencies in 2004, but in the early years of MTW, rigorous evaluation strategies were not required and program data was inconsistent. The 2004 evaluation was thus largely descriptive and qualitative, and a more thorough combined quantitative and qualitative evaluation is needed. In 2008, HUD began requiring that MTW agencies provide more rigorous outcome measures of their MTW activities. HUD is in the process of securing another third-party evaluator of MTW to begin an evaluation of the program in FY 2011 based on the new data available, as required by the Standard MTW Agreement.

The Consolidated Appropriations Act of 2010⁹ specified that "of the amounts made available for research, evaluation and program metrics and program demonstrations, the Secretary shall include an evaluation of the Moving-to-Work demonstration program." This report responds to this request, acknowledging that while the outcomes of specific activities will not be fully known until the pending third-party evaluation is complete, MTW agencies have provided a wealth of descriptive data and outcome measures on a number of activities that can be used in a preliminary evaluation. Thus, while this report does not attempt to synthesize and analyze all available data and the examples and research provided are by no means considered exhaustive, this report will identify promising policies and practices, as well as concerns raised, based on the information available.

⁸ Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134, 110 Stat 1321)

⁹ Public Law No: 111-117

This report addresses the following two questions:

1. How can MTW inform major policy debates, such as rent reform and streamlining housing authority operations, based on the data available?
2. What have we learned about participating agencies' abilities to implement MTW activities, in order to help inform selection of future MTW participants?

This report explores four key policy areas, using case examples from MTW housing authorities and existing research and literature, in order to answer questions about how MTW can inform these policy debates, which MTW activities can likely be successfully implemented at all PHAs, and what should be further explored. The report also analyzes the agency features that have facilitated successful implementation, which have presented obstacles, and how these lessons can be synthesized into selection criteria for future MTW agencies. The investigation of these two questions leads to a discussion of larger themes, including the role of the MTW program in HUD and in informing the housing industry.

III. MTW Program History

The Moving to Work demonstration program arose as a response to two philosophical debates of the mid-1990s – one regarding deregulation of public housing authorities, and one regarding self-sufficiency and employment among recipients of public assistance. At the time, HUD was looking to privatize many of its functions and reduce the number of HUD programs as an attempt to streamline HUD's operations. Housing practitioners at both housing authorities and at HUD were increasingly frustrated with what they saw as excessive regulation. Complaints about the regulatory environment and the non-market approach to providing housing assistance have persisted since the formation of public housing, and growing frustration with federal regulations, paired with desires to streamline and privatize programs and to cut costs in federal programs, made deregulation an attractive option to explore.

At the same time, the dialogue surrounding welfare reform in the 1990s emphasized the need for recipients of public assistance to obtain employment and become self-sufficient. Many of the initiatives developed during the wave of related domestic policy reforms were locally-driven, with programs that conformed to the circumstances and needs of the communities served. A demonstration like MTW, designed to encourage local strategies of encouraging self-sufficiency, was timely and compatible with these nationwide efforts.

Moving to Work was a confluence of these two ideas – on one hand, it would allow HUD to learn what housing authorities could accomplish if they were relieved from significant regulatory burden, while also giving PHAs the flexibility to experiment with ways to help residents become self-sufficient. These purposes are reflected in the three statutory objectives of MTW – to reduce cost and achieve greater cost effectiveness in Federal expenditures; to give incentives to families to obtain employment and become self-sufficient; and to increase housing choices for low-income families. By confining MTW to a demonstration program, policymakers and HUD could see the impacts of the demonstration on these goals before committing to a full overhaul of the nation's public housing laws.

Authorizing Statute

The Omnibus Consolidated Rescissions and Appropriations Act of 1996¹⁰ (Public Law 104-134, 110 Stat 1321), dated April 26, 1996, authorized the Moving to Work demonstration program. The statute establishes the purpose of the demonstration:

“The purpose of this demonstration is to give public housing agencies and the Secretary of Housing and Urban Development 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 where the head of household is working, seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient; and increase housing choices for low-income families.”

¹⁰ See Appendix C: MTW Authorizing Legislation.

In pursuit of these objectives, MTW agencies may be granted exceptions to many portions of the 1937 Housing Act¹¹ and combine funds received for the Housing Choice Voucher and Public Housing Capital and Operating Funds to use interchangeably, similar to a block grant. The authorization left many of the details of the program and the criteria for selection of agencies to the discretion of the Secretary, but specifies that participating agencies must:

- Ensure that at least 75 percent of families admitted are very low-income.
- Establish a reasonable rent policy designed to encourage self-sufficiency and employment.
- Continue to assist substantially the same number and mix of low-income families that would have been served had the agency not participated in MTW.
- Ensure that housing provided under the demonstration meet housing quality standards determined by the Secretary.
- Continue to abide by Sections 12 (regarding labor standards and community service requirements) and 18 (regarding demolition and disposition) of the United States Housing Act.
- Receive no less funding than they would have had they not participated in MTW.
- Collect and make available to the Secretary and Comptroller General data regarding their activities.

The remaining details of the program have been developed through evolving agreements with participating agencies, subsequent legislation and HUD guidance.

Agency Selection

The first round of applications for MTW designation was solicited in a December 18, 1996 HUD Notice and Invitation to Apply. Agencies were evaluated based on housing authority performance, capability, quality and feasibility of the MTW Plan, the extent to which the Plan was likely to promote resident self-sufficiency, resident and community support and involvement, and local and national impact. Forty-five agencies applied and twenty-four were selected.

The scoring and selection process was not straightforward. The application reviewers recommended that several high scoring agencies not join the demonstration based on factors like limited program scope, a lack of proposed innovation, or activity proposals that would not be permissible under MTW. Three applications that were not the highest scoring, on the other hand, were recommended for participation in the demonstration based on proposal for activities related to areas that HUD was eager to explore. These three – the San Diego Housing Commission, the Vancouver Housing Authority and the Minneapolis Public Housing Authority – were all subsequently selected.

An additional six slots were filled through the Jobs-Plus Initiative¹² – a demonstration program with compatible goals but a more limited scope. It allowed ten housing authorities to implement locally-

¹¹ MTW Agencies can only waive specific portions of the United States Housing Act of 1937. All other federal rules and regulations, including the Fair Housing Act, the Civil Rights Act, Davis-Bacon Act wage requirements, procurement guidelines, environmental rules, demolition and disposition procedures and relocation regulations still apply. In the case that a waiver of the 1937 Act conflicts with one of these statutes or regulations, an MTW agency must still defer to the statute or regulation outside of the 1937 Act.

¹² The December 18, 1996 HUD Notice and Invitation to Apply specified that “up to 10 of the 30 HAs will be selected for MTW through a separate competition under the Jobs-Plus initiative described in Section IV of this notice.”

based approaches to providing employment opportunities to residents in selected public housing developments. The Jobs-Plus sites occupied slots available for the MTW demonstration, but Jobs-Plus sites were not necessarily fully participating MTW sites. Jobs-Plus agencies were permitted, but not required, to bring their entire housing portfolio into the MTW program. Only six agencies were eventually chosen to participate in Jobs-Plus, and only two of those (the Housing Authority of Baltimore City and the Seattle Housing Authority) eventually became MTW agencies.

Five of the twenty-four MTW agencies selected from the 1996 Notice and one of the six originally selected Jobs-Plus sites declined participation. Some of these agencies found that the 1998 Quality Housing and Work Responsibility Act (QHWRA)¹³ legislation provided them with the deregulation that they had sought with MTW, and some grew frustrated with HUD over negotiated agreements that did not provide them with the flexibilities originally requested in their applications. This left twenty-four slots filled, and six slots remaining, by the end of 1999.

Beginning in 1999, a series of HUD Appropriations bills have authorized the participation of additional agencies in MTW. Two MTW PHAs – the Charlotte Housing Authority and the Housing Authority of the City of Pittsburgh – were specifically named and authorized in the 1999 Appropriations Act to join the demonstration, bringing the capacity of the demonstration to thirty-two sites.

In 2000, six more MTW PHAs were selected from an invitation to apply under Public and Indian Housing (PIH) Notice 2000-52 to fill the remaining six slots. PIH Notice 2000-52 solicited applications from large PHAs (defined as having more than 2,500 public housing units) who were undertaking or planning to undertake a substantial transformation of their public housing stock and management systems. The Chicago Housing Authority was also specifically selected to participate in MTW in 2000 with the intent of using MTW to aid in their Plan for Transformation.

In 2003, the Jobs-Plus demonstration had run its course and the participation of the Jobs-Plus sites in the demonstration was completed and terminated. One of the Jobs-Plus sites, however – the Housing Authority of Baltimore City – returned as a full MTW agency. In 2004, the participation of three of the original twenty-four MTW sites was also completed and terminated based on the terms of their MTW agreements, but one of them – the San Diego Housing Commission – returned in 2008.

Several years later, Congress authorized the addition of several new agencies. The 2008 Appropriations Act specifically named and authorized four housing authorities to join the MTW demonstration: the Alaska Housing Finance Corporation, the Housing Authority of the County of San Bernardino, and the Housing Authorities of the City of San Jose and the County of Santa Clara. This brought the total count to thirty participating MTW agencies.

The 2009 Appropriations Act authorized the addition of three more MTW agencies, provided that the agencies were High Performers in HUD's Public Housing Assessment System (PHAS) with current HOPE VI grants and no more than 5,000 units. This marked the first time since 2000 that HUD administered a competitive selection process. Under these criteria, sixteen agencies were eligible to apply, eight submitted applications as a response to a solicitation for applications found in PIH Notice 2009-29, and three were selected in 2010. The three selected were the Orlando Housing Authority, the Tacoma Housing Authority, and the Housing Authority of Champaign County, bringing the total count to thirty-three MTW agencies.

¹³ Public Law No.: 105-276, Title V.

The 2010 Appropriations Act authorized the HUD Secretary to add another three agencies to the demonstration, provided the agencies are High Performers with no more than 5,000 units. Over 1,500 agencies are eligible to apply based on these two criteria alone. On July 30, 2010, HUD issued PIH Notice 2010-29 to solicit applications that will require incoming MTW agencies to commit to testing departmental priorities and to meet more rigorous performance criteria in order to be considered eligible to apply.

| History of MTW Agency Selection | | | |
|---------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Year | No. of PHAs Added or Removed | How MTW Slots Were Filled/Vacated | PHAs Added/Removed |
| 1996 | + 30 | 30 MTW PHAs authorized by the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134, 110 Stat 1321), dated April 26, 1996. 24 MTW PHAs selected from December 18, 1996 HUD Notice and Invitation to Apply. 6 slots filled through Jobs-Plus Initiative. | Birmingham, Cambridge, Cherokee Nation, Delaware, Greene, High Point, Keene, Lawrence-Douglas County, Lincoln, Los Angeles County, Louisville, Massachusetts, Minneapolis, Portage, Portland, San Antonio, San Diego, San Mateo County, Seattle (also Jobs-Plus), Stevens Point, Tampa, Tulare County, Utah Consortium, Vancouver <i>Jobs Plus Only:</i> Baltimore City, Chattanooga, Cuyahoga, Dayton, Los Angeles, St. Paul |
| 1999 | -6 | <i>3 agencies selected in 1996 NOFA do not sign MTW agreements; 1 Jobs-Plus selectee does not sign agreement.</i> | <i>Birmingham, Cherokee Nation, Los Angeles County, Stevens Point, Tampa</i> |
| 1999 | + 2 | 2 MTW PHAs specifically named and authorized in 1999 Appropriations. | Charlotte, Pittsburgh |
| 2000 | + 6 | 6 MTW PHAs selected in PIH Notice 2000-52. | Atlanta, District of Columbia, King County, New Haven, Oakland, Philadelphia |
| 2000 | + 1 | 1 MTW PHA added as authorized by 1996 statute. | Chicago |
| 2003 | - 6 | <i>5 Jobs-Plus sites' participation in demonstration completed and terminated; 1 withdrew.</i> | <i>Baltimore City, Chattanooga, Cuyahoga (withdrew), Dayton, Los Angeles, St. Paul</i> |
| 2004 | - 3 | <i>Participation in demonstration completed and terminated for 3 MTW PHAs.</i> | <i>Greene, High Point, San Diego</i> |
| 2008 | + 1 | 1 MTW PHA added as authorized by 1996 statute. | Baltimore City (slot available from Job-Plus) |
| 2008 | + 1 | 1 former MTW PHA returned to demonstration. | San Diego |
| 2008 | + 4 | 4 MTW PHAs specifically named and authorized in 2008 Appropriations. 29 Agencies execute Standard Agreement, extending participation to 2018. | Alaska, San Bernardino, San Jose, Santa Clara |
| 2009 | + 3 | 3 PHAs added through PIH Notice 2009-29. | Champaign County, Orlando, Tacoma |
| 2010 | Pending | HUD will add 3 MTW PHAs pursuant to 2010 Appropriations. | |
| TOTAL | 33 | | |

Initial MTW Agreements

When MTW was first implemented, it took several years for each PHA to negotiate a unique contract with HUD, known as its MTW Agreement, regarding the conditions of its participation and the exceptions to the United States Housing Act that it was permitted to invoke. In consultation with the HUD Office of General Counsel, HUD provided agreements that listed the specific portions of the Act that each agency could waive (as opposed to the portions that participating agencies could not waive), based on PHA requests for specific flexibilities. Some agencies had more restrictive agreements, while

some were much more permissive, complicating administration of the program and comparisons between participating sites. Of the original group of agencies, twelve proposed systemic changes to their programs and operations (only half of which utilized the combined funding approach), and the remaining agencies proposed changes that affected only a small portion of the agency's housing stock.

The original agreements had terms of varying lengths; some ran for as little as three years and others as long as seven years. Amendments to prolong participation¹⁴ and add additional exceptions and flexibilities were common, which made long-term planning difficult for both HUD and participating agencies. Many agencies expressed that they were hesitant to make substantial changes to policies, operations or systems when they were unsure if and when the changes would have to be undone and whether they would have to return to the traditional method of administering public housing and HCV programs.

Early Evaluation Strategy

Though the MTW demonstration was intended to inform HUD and the housing industry, the ability to report on outcomes was limited by fluctuating evaluation requirements and strategies. The MTW statute required an evaluation at the end of the demonstration, though the end date was not clearly defined. The initial monitoring of the demonstration relied heavily on HUD systems that were not fully operational, and on contractor support, meaning that many agencies were not collecting their own data. These issues made it even more difficult to evaluate a demonstration in which each site was implementing a different set of activities and collecting its own data. MTW agencies in the early years were not required to rigorously monitor activities; as a result, many did not.

Standard Agreement

The shortcomings of the original agreements became apparent in early evaluations of the MTW program. A 2004 congressionally-mandated evaluation of MTW by the Urban Institute¹⁵ concluded that the main impediments to using MTW to inform the public housing industry were the agencies' prohibitively short terms of participation in MTW, the lack of a programmatic research design, and limitations on data collection. In 2005, the HUD Inspector General also reported¹⁶ that the MTW program was not equipped to collect data independent of existing HUD reporting systems, and lacked statistical evidence of the outcomes of MTW activities. The report concluded that HUD should develop a means to collect performance data on MTW, as well as provide better oversight and monitoring.

To address the concerns raised, HUD made the decision in 2006 to amend and restate the original MTW agreements to incorporate many of the existing elements, but also to expand and standardize the reporting requirements and authorizations granted to MTW PHAs. Though there is some variation in funding calculations and there are some local authorizations given to certain agencies, the

¹⁴ Both HUD and Congress made extensions to the duration of participation.

¹⁵ "Testing Public Housing Deregulation: A Summary Assessment of HUD's 'Moving to Work' Demonstration," Martin Abravanel, Robin Smith, Margery Turner, Elizabeth Cove, Laura Harris and Carlos Manjarrez, The Urban Institute, 2004. http://www.urban.org/UploadedPDF/311009_TestingPublicHousingDeregulation.pdf.

¹⁶ "Inspector General Reports on HUD's Moving To Work Demonstration Raise Serious Questions," Will Fischer and Barbara Sard, Center on Budget and Policy Priorities, 2006. <http://www.cbpp.org/cms/index.cfm?fa=view&id=486>.

authorizations granted and reporting requirements are now generally consistent between agencies. The Standard Agreement also extended participation in MTW to the end of each agency's 2018 fiscal year, giving the agencies more time and flexibility to test innovative policies and engage in long-term strategic planning with MTW.

With the earlier agreements, MTW agencies were permitted to implement any activity authorized under their MTW Agreements without further HUD approval. Under the Standard Agreement, MTW agencies must include any new MTW initiatives in an Annual MTW Plan and have the Plan approved by HUD prior to implementation – a change that increases HUD oversight of MTW agencies' activities. Agencies must also provide descriptions of the anticipated impacts and evaluation metrics in their Annual MTW Plans. In their Annual MTW Reports, they must report on the outcomes of all ongoing MTW activities.

Twenty-nine of the thirty MTW agencies participating in MTW prior to 2010 have executed the Standard Agreement. The remaining agency has the option of signing the Standard Agreement in order to continue participation in MTW beyond 2010. All new agencies joining the demonstration, including those selected in 2010, only have the option of signing the Standard Agreement.

Though some agencies have had considerable difficulty adapting to the new reporting requirements, they are generally appreciative of the longer terms of participation and, for many, to have more authorizations made available than in their original MTW Agreements. The reporting challenges are particularly acute for the original MTW agencies that have only recently begun reporting on activities implemented up to eleven years ago. However, the newer agencies have encountered less difficulty reporting on outcomes when their measures are better defined from the outset, and it is expected that all incoming MTW agencies will outline more rigorous evaluation methodologies prior to program implementation.

HUD and Agency Collaboration

In the early years of MTW, responsibility for oversight and administration of MTW shifted between several HUD offices, none of which had staff devoted full-time to MTW. In 2006, renewed interest in the potential of MTW at HUD and within Congress prompted the Assistant Secretary to create an MTW Core Team, marking the first time that the MTW demonstration had centralized, full-time management. With centralized, dedicated staff at HUD Headquarters and a Standard Agreement that ensures consistency and continuity of MTW participation, more efforts have been made to foster collaboration and information-sharing among MTW agencies and between HUD and the MTW agencies.

HUD hosted the first Annual MTW Conference in 2008, giving MTW agencies an unprecedented opportunity to share success stories and challenges, brainstorm, network and receive technical assistance from HUD. The conference has given agencies a venue to learn from one another, allowed HUD to understand how to improve the demonstration, and provided HUD an opportunity to deliver more uniform guidance regarding MTW.

The MTW Office has also held several program-wide trainings in recent years on topics including rent reform, evaluation, and the transition to the Standard Agreement. These trainings were designed to provide a centralized venue to familiarize MTW agencies with the Department's goals and expectations

while giving them an opportunity to ask questions and provide feedback.

Continuing Progress

Though HUD has addressed many of the most significant challenges that have faced the MTW demonstration, more remain:

- Several of HUD's primary reporting systems still require revisions in order to accommodate data from MTW agencies in a clear, analyzable way. The fact that MTW agencies may combine funding sources into a single-fund budget, serve families outside of the traditional public housing and Housing Choice Voucher programs and develop alternate rent calculations, for example, makes MTW incompatible with some existing HUD reporting systems.
- Though MTW agencies are now required to provide data on all MTW activities, there is no data collection portal to facilitate comparisons between agencies and years. The MTW Office is determining the specific unique elements needed from MTW agencies in order to consolidate information collected over the course of the demonstration in order to aid evaluators and to facilitate cross-site comparisons, but it remains difficult to standardize the information received from MTW agencies when each site is implementing a unique set of MTW flexibilities.
- MTW oversight responsibilities have been jointly shared by both the MTW Core Team at HUD Headquarters and the HUD Field Offices. In 2010, the Office of Public Housing Investments and the Office of Field Operations drafted a memorandum of understanding to increase collaboration between offices in the oversight of MTW agencies, to more clearly assign roles and to ensure consistent provision of services. However, the implementation of the new plan has just begun.

IV. Policy Applications

Over ten years have passed since MTW was first implemented. While the outcomes of specific MTW activities have not yet been compared between agencies in a way that would enable general conclusions about the impact of MTW, there is still a substantial amount of evidence that can inform current policy debates.

The following four policy areas were selected as ones that MTW agencies are uniquely positioned to enlighten, and that align with statutory objectives of MTW:

- Preserving and Revitalizing Public Housing
- Streamlining Housing Authority Operations
- Rent Reform: Streamlining and Encouraging Self-Sufficiency through Alternative Rent Structures
- Self-sufficiency, Supportive Services and Service-Enriched Housing

Each topic is supported with examples of housing authority experiences and, where applicable, existing literature and research. While the examples do not represent the full range of MTW agencies and their activities, they are provided to demonstrate the variety of possibilities available with MTW.

In some of these areas, such as streamlining housing assistance, best practices have already emerged. In other areas, like rent reform, MTW agencies can only offer insight on several of many possible approaches, and further research is needed before industry-wide recommendations can be made. Areas of concern have emerged as well, and are noted throughout the report.

Preserving and Revitalizing Public Housing

Over the past fifteen years, 150,000 public housing units have been demolished and disposed of because of poor quality. A 1998 study based on inspections of a nationwide sample of public housing developments estimated that \$22.5 billion was needed to modernize and preserve the current public housing stock,¹⁷ but public housing authorities only receive funds for these improvements in small increments that are not adequate to undertake extensive modernization. Without the necessary capital repairs, the units will continue to deteriorate and more may be lost.

Public housing assistance in the United States has traditionally been administered through funding from HUD allocated to state and local PHAs. Over time, this model has become fraught with “administratively burdensome federal reporting requirements”¹⁸ which have limited local autonomy and which require high capital and operating costs. The MTW demonstration was born out of this context, with a “gradual shift in sentiment among policy makers and housing practitioners in favor of adopting more market-based strategies for providing housing assistance,” as well as the need to tune into more local market needs.¹⁹

The nature of the public housing stock in the United States has changed in light of these urban revitalization policies, particularly within MTW agencies. With the statutory focus on increasing choice for low-income residents, MTW enables these selected PHAs to give more housing opportunities to residents living in concentrations of poverty and to revitalize and preserve their public housing stock without the administrative burdens that traditional PHAs face.

Public Housing Prior to MTW

Public housing began appearing in the United States in the late 1930s after the passage of the United States Housing Act of 1937, which authorized the federal government to issue subsidies to local government entities to provide and rent housing to low-income families. There have been several revisions to the concept of rental assistance over time, including the 1969 Brooke Amendment’s limitation on income paid toward rents for assisted households, the U.S. Housing and Community Development Act of 1974²⁰ that authorized Section 8²¹ rental assistance, and the Quality Housing and Work Responsibility Act of 1998 (QHWRA)²².

Throughout the 1940s and 1950s, local government entities responded to a growing confluence of issues, such as the need for workforce housing and housing for veterans returning from World War II, by ensuring the availability of affordable housing. This resulted in the creation of mostly large, high-

17 “Capital Needs of the Public Housing Stock in 1998: Formula Capital Study,” Abt Associates, Inc., 2000. <http://www.abtassociates.com/reports/ES-20008744720691.pdf>

18 “Testing Public Housing Deregulation: A Summary Assessment of HUD’s ‘Moving to Work’ Demonstration,” Martin Abravanel, Robin Smith, Margery Turner, Elizabeth Cove, Laura Harris and Carlos Manjarrez, The Urban Institute, 2004. http://www.urban.org/UploadedPDF/311009_TestingPublicHousingDeregulation.pdf.

19 *Ibid.*

20 Public Law No.: 93-383.

21 Section 8 was the program authorized under the U.S. Housing and Community Development Act of 1974; HCV is the successor program to Section 8. Both terms are often used interchangeably to describe the functions of the HCV program today.

22 Public Law No.: 105-276.

rise public housing or workforce housing complexes, generally concentrated in older, industrial large cities in the Northeast and Midwest United States.

Over time, the quality of this housing stock declined due to increasing capital needs that were not matched by an increase in federal dollars. Housing experts generally agree that these large-scale high-rise public housing complexes in dense urban areas often “exacerbated the problems of concentrated poverty”²³ and crime in these areas. Public housing faced the dual problems of dire capital needs and the concentration of poverty.

In the 1970s and 1980s, practitioners and scholars began noting the effects of concentrated poverty and dilapidated housing stock on neighborhoods and families. Of particular significance, William Julius Wilson’s 1987 landmark work *The Truly Disadvantaged* noted that the high concentration of low-income, poorly-educated individuals in neighborhoods has high negative effects on all residents.²⁴ The concentration of poverty was often viewed as a disadvantage per racial lines as well; because of this, there were growing issues of fair housing concern.

This concern was reflected in a major legal battle at the time (*Gautreaux v. Chicago Housing Authority*). In a 1976 Supreme Court case, residents claimed that the CHA used “racially discriminatory policies in the administration of the Chicago low-rent housing program.”²⁵ The residents’ court victory resulted in the awarding of Section 8 vouchers to CHA’s public housing residents to move to the mostly white, affluent suburbs surrounding Chicago in what is known as the Gautreaux program. Over 7,000 families participated from 1976 through 1998, with placement counselors assisting them in their moves.²⁶

Although born out of regrettable circumstances, the Gautreaux program provided an opportunity to witness how the surrounding neighborhood affected the ability of assisted households to become more self-sufficient. Indeed, the families that moved to more highly-educated neighborhoods were more likely to leave welfare assistance over time than their counterparts who remained in neighborhoods of concentrated poverty and limited educational opportunities.²⁷

The results of Gautreaux demonstrated that neighborhoods did seem to have some effect upon the well-being and self-sufficiency of assisted households. There was a growing notion that ‘neighborhoods matter’ and that greater income and educational integration of neighborhoods was needed. HUD took steps to test some of these effects as well, through the Moving to Opportunity (MTO)²⁸ demonstration from 1994 through 1998. This demonstration sought to replicate some of the similar yet unintended designs of the Gautreaux program by providing vouchers to experimental groups in five major urban areas²⁹ with distressed public housing. The final outcomes of the longitudinal study will provide greater insight into whether the impacts of relocation provide net positive or negative outcomes for

23 “Deconcentrating Poverty with Housing Programs,” Kirk McClure, *Journal of the American Planning Association*, 2008.

24 *The Truly Disadvantaged*, William Julius Wilson, University of Chicago Press, 1987.

25 “Is Housing Mobility the Key to Welfare Reform?: Lessons from Chicago’s Gautreaux program,” James E. Rosenbaum and Stephanie DeLuca, *The Institute for Policy Research*, Northwestern University and The Brookings Institution, 2000.

26 *Ibid.*

27 *Ibid.*

28 “Moving to Opportunity for Fair Housing Demonstration Program: Interim Impacts Evaluation,” U.S. Department of Housing and Urban Development, 2003.

29 MTO was implemented in Baltimore, Boston, Chicago, Los Angeles and New York City. Both Baltimore and Chicago are also home to MTW PHAs.

families, but interim evaluations showed improved outcomes for the experimental group on a number of indicators.³⁰

With a recognition of the importance of the quality and location of housing assistance, and an increasingly deteriorating and unaffordable public housing stock, MTW agencies structured interventions to deal with these two looming issues.

Increasing Resident Mobility and Opportunity with MTW

One of the purposes of MTW was to provide PHAs with flexibility to administer housing assistance in a way that “increase[s] housing choices for low-income families.”³¹ Although there is no clear definition of exactly what ‘housing choice’ should mean for residents, the policy environment at the advent of MTW has led to an interpretation of ‘housing choice’ as providing opportunities for residents to live in low-poverty areas or promote mixed income living, to live in safe and affordable housing stock, and to provide additional units of assistance where funding permits.

The most substantial changes to agencies’ portfolios comes through the ability to use MTW funding flexibility to allocate funds for the development of new units. In addition, MTW agencies may also streamline investment policies, develop local deconcentration policies, provide incentives for under-utilized developments, simplify the development and redevelopment process, streamline the demolition and disposition process, enter into commercial business ventures and develop local Total Development Cost (TDC) limits.

Often MTW PHAs that pursue ambitious development activities partner with other organizations and utilize other funding sources, like HOPE VI grants and the low-income housing tax credit (LIHTC), in mixed-finance transactions that allow the agencies to function more like private-sector businesses. MTW PHAs are also able to waive the complex development approval processes to which traditional PHAs are subject, and to utilize a streamlined process that enables MTW PHAs to be more responsive to local market conditions and opportunities.

MTW PHAs have responded to their precise local needs, and have repaired or demolished segments of their declining housing stocks, in order to provide residents with housing options in lower-poverty areas. The following PHAs have been particularly innovative and successful in reinventing their public housing portfolios.

Chicago Housing Authority: The Plan for Transformation

The Chicago Housing Authority (CHA) signed its initial MTW agreement in February 2000, one year after introducing its ambitious Plan for Transformation. The Plan formalizes CHA’s intent to demolish ‘severely distressed’ housing and redevelop or revitalize 25,000 units. CHA calls it “an ambitious plan that called for the demolition of notorious high-rise developments, the comprehensive rehabilitation of all the other scattered-site, senior and lower-density family properties, and the construction of new mixed-income/mixed-finance developments.”³² CHA joined the MTW demonstration after the Plan for

30 Interim impacts from 2003 showed that the MTO experimental group demonstrated improved housing, neighborhood conditions, and safety, as well as increased health measures for both children and adults, and less delinquency for girls.

An increase in behavioral problems, however, was noted for boys of ages 15 – 19.

31 Public Law No.: 104-134 §204(a)

32 Chicago Housing Authority, http://www.thecha.org/pages/about_cha/18.php.

Transformation was already underway, with the goal of using the MTW flexibility to combine funds in order to redirect funding towards these capital-intensive projects.

Through the Plan for Transformation, CHA has relocated thousands of families from their previous public housing units with Housing Choice Vouchers – some temporarily and others permanently. As a result, CHA's public housing portfolio has been permanently and visibly altered. Of the 25,000 units to be replaced or renovated through the Plan, a total of 7,704 family public housing rental units will be in mixed-income communities, representing over 30% of the units to be replaced or renovated. As of the end of FY 2009, CHA has completed 17,812 units of the 25,000 unit goal, or 71.25% of the overall delivery,³³ and is on track to complete the Plan Transformation by the end its 2015 fiscal year.

A 2010 Urban Institute study on the outcomes for families relocated from one of Chicago's largest developments found that "most former residents live in better housing and safer neighborhoods and report lower levels of anxiety."³⁴ However, some research claims that the majority of CHA families leaving public housing actually relocate to other high-poverty neighborhoods, and that CHA did not provide adequate social services for these families in transition.³⁵ In addition, as the nation's third largest housing authority, the scale of movement was large and concerns were raised regarding the transition for residents. In 2003, after a lawsuit was initiated, CHA made a more conscious and deliberate effort to "build capacity and ensure that these goals are met."³⁶ Advocates continue to recommend more realistic pacing of relocation, as well as effective relocation counseling and the provision of social services.³⁷ CHA has been working to build greater capacity and to provide services for their residents while in transition during the transformation.

The outcomes of the Plan for Transformation as they relate to residents will not be known for some time, as the Plan had just completed its tenth year in practice in FY 2009 and the transformation is not yet complete. Further research will be an important component of assessing the real impact of the Plan. However, the Plan for Transformation has already undeniably changed the physical landscape of Chicago and provided more housing choices for low-income families.

Atlanta Housing Authority: Developing Mixed-Income Communities

The Atlanta Housing Authority (AHA) has also undertaken a significant transformation of its public housing portfolio, with the goal of providing housing in mixed-income communities. Atlanta has been working toward this goal since 1994, when it began its "'blueprint' for providing affordable-housing opportunities in amenity-rich, mixed-income communities where people from all walks of life can live, learn, work and play."³⁸ AHA has continually been at the forefront of the development of mixed-income co-located with rental assistance units; in 1996, AHA created "the financial and legal model for mixed-income, mixed-finance transactions that include public-assisted housing as a component," which was later utilized by the HOPE VI program.³⁹

³³ FY 2009 Annual Report, Chicago Housing Authority, 2010.

³⁴ "CHA Families and the Plan for Transformation," The Urban Institute, 2010.
<http://www.urban.org/housing/Transforming-Public-Housing-in-Chicago.cfm>

³⁵ "Chicago Public Housing Transformation: A Research Report," Sudhir Alladi Venkatesh et al, The Center for Urban Research and Policy, Columbia University, 2004.

³⁶ *Ibid.*

³⁷ *Ibid.*

³⁸ FY 2009 Annual Report, Atlanta Housing Authority, 2010.

³⁹ "What we do," Atlanta Housing Authority. <http://www.atlantahousing.org/profile/>

AHA became an MTW agency in 2003, and had a distressed public housing stock in some ways similar to Chicago's. AHA cited the use of MTW block granting flexibilities as the 'relief' to this systemic problem. AHA also implemented a Revitalization Program, in which AHA "is able to develop and adopt its own policies and procedures to determine and control major development decisions, to include replacing HUD's Total Development Cost (TDC) limits."⁴⁰ As of June 30, 2009, or the end of their 2009 fiscal year, AHA had produced or revitalized the following:

- 966 market rate rental units
- 442 Tax Credit rental units
- 1,160 Public Housing w/Tax Credit units
- 915 Tax Credit with PBRA units
- 114 Market Rate for-sale homes
- 115 Affordable for-sale homes⁴¹

AHA would have been limited in its ability to develop the above units without MTW – particularly the ability to combine funds and the exemption of TDC limits. As such, MTW has enabled AHA to respond more dynamically to a large and still expanding metropolitan area's need to retain affordable housing for its residents. AHA has, however, been criticized because a low number of the original residents have returned to occupy the revitalized HOPE VI developments.

Using Project-Based Assistance to Preserve Public Housing

MTW agencies have flexibilities that allow them to preserve public housing developments and leverage long-term, stable funding to maintain and improve properties while allowing tenants to remain in place by converting public housing to a project-based assistance model. Several MTW PHAs have undertaken or begun this conversion, and their experiences indicate that while there are potential obstacles, converting public housing to project-based assistance can help housing authorities secure more sustainable funding streams to preserve affordable housing.

Project-Based vs. Tenant-Based Vouchers

Prior to passage of QHWRA, PHAs relied predominantly on tenant-based vouchers, meaning that once a tenant was awarded a voucher, he or she could use the rental subsidy to help pay for rent in any eligible private market unit. QHWRA expanded and clarified the ability to use project-based vouchers – in which a rental subsidy is tethered to a specific building or unit. Congress further refined the program in 2000, and the final rule on project-based vouchers was established in 2005.⁴² Typically, a PHA signs a contract with the owner of a privately-owned building for up to fifteen years in exchange for the owner's agreement to rent all or a portion of the units to low-income tenants. Eligible tenants are referred by a housing authority to the owner, and the owner signs a lease with the tenant.

Project-based vouchers have different contract requirements from tenant-based vouchers beyond the mobility aspect. For instance, with project-based vouchers PHAs may pay higher rent levels for these

⁴⁰ *Ibid.*

⁴¹ FY 2009 Annual Report, Atlanta Housing Authority, 2010.

⁴² Federal Register / Vol. 70, No. 197 / Thursday, October 13, 2005 / Rules and Regulations, Department of Housing and Urban Development, 24 CFR Part 983. [Docket No. FR-4636-F-02] RIN 2577-AC25.
<http://edocket.access.gpo.gov/2005/pdf/05-20035.pdf>.

units, make vacancy payments under certain circumstances, and enter into initial contracts of up to ten years with the possibility of extensions to achieve long-term affordability – none of which are possible with tenant-based vouchers. There are also restrictions that limit the number of project-based vouchers per property and per agency in order to avoid concentrations of poverty; PHAs can only project-base 20% of the vouchers they administer, and can only project-base 25% of units in a single development.⁴³

Project-Based Vouchers vs. Public Housing

Project-based assistance is seen as a more lucrative, reliable and streamlined option than public housing. The Public Housing Authority Directors Association (PHADA) articulates a widespread industry position on the benefits of utilizing this form of project-based assistance as opposed to public housing in that it:

1. Provides more funding per unit than operating and capital subsidies.
2. Has been a traditionally more reliable funding source than public housing. Public housing faces deep annual prorations, declining capital awards and disappearance of certain program funding streams. Project-based assistance, on the other hand, has always received close to 100 percent of its annual funding.
3. Operates under a simpler regulatory framework than public housing.

Because project-based vouchers allow PHAs to continue to use public housing developments while leveraging the benefits of private market housing and capital, some view project-based assistance as a more stable, long-term alternative to public housing. In April 2009, PHADA concluded that HUD should pursue policy changes to facilitate converting public housing to project-based vouchers, as it would generate extra revenue that could be used as debt service to leverage private investment for capital improvements at the properties.⁴⁴ Of the three forms of assistance currently available to MTW agencies – tenant-based vouchers, project-based vouchers and public housing – project-based assistance may be the best option for developments that need significant infusions of funding for capital repairs.

MTW Project-Basing Flexibilities

MTW agencies must abide by many of the existing project-basing regulations, including demolition/disposition regulations, Fair Housing requirements and subsidy layering review rules. They do, however, have several important flexibilities relating to project-based assistance that give them the option of making substantial, unprecedented transformations to their housing portfolios, including:

- **Exceeding the limit that specifies that no more than 20% of a share of an agency's Housing Choice Vouchers can be project based.** MTW agencies can project-base a greater share of their portfolio, which allows them to convert their entire public housing stock to project-based assistance if they so choose.

⁴³ PHAs may project-base more than 25 percent of units in a single development if the development is a single-family property or is specifically made available for households comprised of elderly families, disabled families, and families receiving supportive services.

⁴⁴ "Convert Portion of Public Housing to Project-Based Model." PHADA. April 28, 2009.
<http://www.phada.org/pdf/Convert%20of%20Public%20Housing%20to%20Project-Based%20Model.pdf>.

- **Exceeding the limit that specifies that no more than 25% of units in a property can be project based.** MTW agencies can project-base as large a portion of a building as they see fit, which allows them to convert entire public housing developments to project-based assistance without displacing residents and to create entire project-based buildings for special-needs populations.
- **Adopting local alternative standards and competitive processes for determining the location of properties to receive project-based assistance.** MTW PHAs can streamline the arduous competition process or utilize an existing alternate competitive process, which is especially beneficial when they want to project-base vouchers at their own developments.
- **Project-basing Section 8 assistance at properties owned directly or indirectly by the Agency that are not public housing.** This allows MTW agencies to project-base vouchers at public housing developments that have been disposed to non-profit affiliates.

Many MTW agencies have used these and other MTW project-basing flexibilities to meet specific community needs. The Cambridge Housing Authority, for instance, increased the proportion of project-based vouchers to secure affordable units in a tight housing market with a decreasing supply of affordable rental units, and the Seattle Housing Authority used their project-basing flexibility to increase their supply of three-plus bedroom units to meet waiting list demands. Several others have used project-based vouchers in service-enriched housing in coordination with local non-profit services and properties to create units that serve underserved and vulnerable populations.

Moving to Vouchers in MTW

Over the course of the demonstration, MTW agencies have begun to administer more of their housing assistance as vouchers instead of public housing. While PHAs nationwide saw a 10 percentage point shift in the share of their units administered as public housing to vouchers from 1998 – 2010, MTW agencies saw a 24 percentage point shift.

Share of Public Housing vs. Voucher Assistance⁴⁵

| | | Program Type (percent) | |
|-----------------|-------------------|---------------------------|-----|
| | | PH | HCV |
| All MTW PHAs | 1998 (Pre-MTW) | 53% | 47% |
| | 2009 | 29% | 71% |
| All PHAs | 1998 | 44% | 56% |
| | 2009 | 34% | 66% |

MTW agencies have more flexibility in changing the composition of their housing stock than non-MTW PHAs, and the trend in administering a greater share of assistance as vouchers suggests that agencies may prefer this option.

⁴⁵ Data was taken from PIC administrative data for the last year in which a PHA was not under the MTW designation to the most recent PIC extract from July 2010.

Converting Public Housing to Project-Based Assistance under MTW

In recent years, several MTW PHAs have undertaken unprecedented reforms by disposing of all or substantial portions their public housing inventory and project-basing vouchers at the former public housing sites. Their experiences provide the first glimpses of the process of converting public housing to project-based assistance, along with its possibilities and shortcomings.

The PHAs undergoing this conversion first submit an application for conventional Section 18 disposition and transfer of the units to a non-profit affiliate, which is typically owned by the housing authority. Subsequent to the disposition, the property is no longer considered public housing, and is therefore no longer eligible for the public housing operating subsidy or allocations from the Capital Fund Program. As part of the disposition, the PHA receives an allocation of tenant protection vouchers for all occupied units, which it then project-bases at the former public housing site, either as a simple replacement of subsidy, as part of a tax-credit development, or as a piece of a leveraged finance package.

Keene Affordable Housing Project: Portfolio-Wide Conversion

The Keene Housing Authority (KHA) was the first MTW agency to complete the conversion of its entire public housing portfolio to project-based assisted developments. Of KHA's 228 public housing units, fifteen were sold and the remaining 213 were transferred to Monadnock Affordable Housing Corporation (MAHC), a 501(c)(3) nonprofit affiliate of KHA, in a 2009 disposition. KHA then project-based the replacement vouchers it received in the majority of these units as part of the Keene Affordable Housing Project, with the remaining vouchers project-based in other LIHTC properties whose owners and managers partner with KHA. Rehabilitation of the Keene Affordable Housing properties began in April of 2009 and continues through 2010.

To begin the process, KHA first sold the properties to MAHC. The fact that KHA had a stream of project-based assistance allowed MAHC to secure a traditional mortgage to buy the properties, and the funds from the sale were used by KHA to do the capital improvements. The project-based subsidy and tenant rent will pay back the mortgage over time and allow KHA to save for future capital repairs. The sale of the units to KHA's nonprofit affiliate altered the funding for the properties in a way that allowed KHA to leverage \$5,000,000 of private funds to make capital improvements to the properties -- amounting to nearly fifteen years' worth of capital funds invested in KHA's properties in one year.

In order to ensure that residents were accommodated throughout the process, KHA hired a relocation specialist to work with any residents who needed to be relocated because of capital improvements. All residents were given the choice of receiving a tenant-based voucher and leaving the program, or using a project-based voucher in one of the modernized project-based units. Only twelve residents chose to leave the program.

KHA did encounter several hurdles throughout the transition. The original budget for the project relied on a combination of LIHTC funding and the issuance of additional vouchers. However, the original LIHTC investor withdrew in the midst of economic downturn and KHA had to modify its initial funding request to HUD and secure a conventional mortgage from a local bank. Delays in the timing of the closing also resulted in increased vacancy loss and relocation expenses. KHA originally planned to use low income housing tax credits, and used this as a justification for the Section 18 disposition

since KHA is not permitted to use the tax credits itself. Subsequent to the disposition approval KHA could no longer get the tax credits and instead chose to use a private mortgage.

Prior to the conversion, much of the KHA's affordable housing stock was in need of repair and KHA did not anticipate securing the necessary funding for those repairs under their existing funding framework. KHA now has funds to make necessary capital improvements and secure and maintain its housing stock for at least the next 20 years, with four to six months in operating reserves for all converted units. KHA staff believes that the ability to use MTW flexibility to preserve their housing helped them "weather a storm," and that project-basing vouchers in these properties will provide long-term affordability to their residents.

Housing Authorities of the County of Santa Clara and the City of San Jose: Mid-Conversion

The Housing Authorities of the County of Santa Clara and the City of San Jose (HACSC), which operate as a single entity, have undertaken a conversion to project-based assistance for Rincon Gardens, a severely deteriorated 200-unit senior property, in 2008. HACSC plans to convert its remaining 355 units in the nine remaining public housing projects to non-public housing, 100% project-based units. Of these nine, four small properties for which American Recovery and Reinvestment Act of 2009 (ARRA) and HUD Capital Fund Program (CFP) funds are sufficient to complete the necessary renovations will be converted by the end of FY 2010, with the remaining five converted by early FY 2011.

HACSC's conversion involved disposing of the properties to HACSC's nonprofit affiliate in a non-competitive process. The process of soliciting competitive bids for project-based vouchers from property owners typically involves developing, writing and issuing a request for proposals, publishing the request for proposals (RFP) in the newspaper, holding public meetings on the RFP and the project-based voucher program, and reviewing and processing the applications submitted. By avoiding this process, HACSC saved \$8,290 in FY 2009, and has reduced the review and processing time by 3 months.

Because HACSC agreed to project-base vouchers for 15-years at Rincon Gardens, HACSC was able to create a stable long-term financing package for the development. HACSC combined project-based voucher subsidies with tax-exempt bonds and tax credits to maintain the affordability of units at Rincon Gardens. HACSC originally planned to complete the conversion of its remaining public housing to project-based assistance in FY 2010, but the tax credit financing they had included as part of the original transaction became unavailable when the tax credit market declined. HACSC is now looking to ways to leverage other funds as part of the disposition and project-basing process to address capital backlog.

HACSC's experience demonstrated that while leveraged sources of funds may be less reliable, the conversion process is still promising insofar as it would bring in more funds than would have been secured otherwise, and that those funds can help to transform properties with significant capital needs, thus ensuring the units remain viable into the future. Moreover, the streamlined process definitively and significantly reduced administrative burden on the agency.

While vouchers require more federal funds per unit in operating subsidy than public housing, this model allows for more types of private financing than under the public housing operating system,

which may help achieve cost effectiveness while preserving housing for low-income families. Without the ability to leverage outside sources of funds, non-MTW PHAs will likely continue to see their public housing decay, but may not be able to secure the funds to make necessary improvements.

The Preservation, Enhancement, and Transformation of Rental Assistance Act of 2010

HUD has proposed the Preservation, Enhancement, and Transformation of Rental Assistance Act,⁴⁶ which would preserve public and assisted housing by allowing and supporting conversion to project-based contracts. The project-based contracts under PETRA are similar to the project-based vouchers that MTW agencies use, but are longer term. The security that the long-term contracts provide facilitates the leveraging of debt and other public and private financing to improve the sustainability of operations, which would potentially bring more funds into the properties.

PETRA would amend the U.S. Housing Act of 1937 to add a section 8(n) that would authorize long-term project-based contracts for converted properties and a section 8(m) that would authorize the conversion process and funding that would increase the efficiency of rental assistance administration, establish uniform policies across HUD programs, and establish the right of residents at converted properties to move with available tenant-based rental vouchers after two years.

Similar to the MTW flexibility, PETRA would also change the limit on the share of project-based vouchers per development. However, MTW agencies can project-base up to 100 percent of projects and inventory, while PETRA would change the limit from 20 to 25 percent in housing that serves homeless individuals and families, provides supportive services, or is located in areas where vouchers are difficult to use. Up to 40 percent of an agency's units could be project-based for projects converting under the proposed section 8(m) conversion process.

PETRA would simplify requirements, particularly for small housing authorities, in ways that would make their operations less burdensome. The MTW agencies that have experimented with this conversion have overwhelmingly endorsed the approach, finding that it reduces administrative burden on the agency while providing more and better-quality housing choices for residents.

Though MTW agencies have transitioned to project-based assistance in a similar manner to the transition proposed in PETRA, key differences exist between the proposed legislation and the conversions that MTW PHAs have been permitted to undertake. For instance, MTW agencies project-base their vouchers as part of the traditional Section 8 program, whereas the project-based contracts proposed by PETRA are not administered as part of the Section 8 program and thus have different rules and regulations. MTW agencies are also able to tailor the process to their individual communities in a way that PETRA would not permit. Even so, what MTW agencies have learned can help shape the details of the legislative proposal, and if passed, the development of the program's implementing regulations, timeline and procedures.

The most common obstacle faced by MTW agencies who have converted public housing to project-based assistance may be the unstable nature of leveraged funding sources, such as tax credits and private investment. With Fannie Mae and Freddie Mac pulling out of the low-income housing tax

⁴⁶ http://portal.hud.gov/portal/page/portal/HUD/fy2011budget/signature_initiatives/transforming_rental_assistance/documents/PETRABillText%202010-05-11.pdf

credit (LIHTC) market, demand for low-income housing tax credits has been depressed and an important financial vehicle for raising development funding has been compromised. Uncertain timing in construction and financing, and investors who are not familiar with project-basing rules, can lend further uncertainty to the conversion process. However, insofar as project-basing public housing allows for the infusion of capital not possible under public housing regulation, the potential to leverage much-needed capital may outweigh the risks of seeking unreliable funding streams. Moreover, an insurance product adapted or developed by the Federal Housing Administration (FHA) or another entity that standardizes underwriting requirements and provides some level of comfort to a lender could help PHAs obtain and stabilize leveraged funds.

Aside from financing, other obstacles on the human side can include difficulty in coordinating resident moves while rehabilitating units, cultural differences between the public housing, voucher and tax credit programs, and hesitation towards adopting a new model of assistance among staff, tenants, residents and advocates. The MTW PHAs who have undertaken the conversion have reported that cross-training staff who administer these three programs is essential, as is closely tracking and integrating the timelines for these programs. By utilizing MTW flexibilities, MTW PHAs have also been able to minimize disruption to tenants.

Despite these challenges, MTW redevelopment and preservation efforts have shown promise as solutions to providing better housing opportunities for assisted residents.

Policy Applications

Several MTW agencies have used MTW funding flexibility to preserve public housing and replace decaying housing stock with modernized, mixed-income communities. These agencies have been able to improve the physical landscapes of their communities while providing more housing options for low-income families by:

- ***Pursuing greater capital development and portfolio goals with funding flexibility.*** MTW agencies have been able to pursue more ambitious development activities and engage in more strategic long-term capital planning as a result of MTW funding flexibility.
- ***Developing localized mobility policies to increase housing choice for recipients of rental assistance.*** The preexisting deconcentration statute for all traditional PHAs⁴⁷ has proven difficult and expensive to administer. MTW PHAs have been able to adapt locally-informed resident choice and opportunity policies, which are streamlined to more effectively transform and revitalize their communities.
- ***Preserving public housing with project-based assistance.*** MTW agencies have leveraged considerable funds to preserve and maintain public housing by converting their public housing units to project-based assistance. Their experiences inform the Preservation, Enhancement, and Transformation of Rental Assistance Act (PETRA),⁴⁸ which would support a streamlined

⁴⁷ Section 16(a)(3)(B) of the 1937 Act as added by QHWA of 1998 and 24 CFR 903.2

⁴⁸ http://portal.hud.gov/portal/page/portal/HUD/fy2011budget/signature_initiatives/transforming_rental_assistance/documents/PETRABillText%202010-05-11.pdf

conversion to longer-term project-based contracts similar to the project-based vouchers that MTW agencies use.

Though the flexibility afforded to MTW agencies allows them to respond quickly to portfolio needs and local market conditions, sweeping changes should be made with caution. There is not yet conclusive research on the impacts of relocation on residents, and many residents require extensive relocation and mobility services to assist in selecting an appropriate unit and integrating into a new community. Any significant changes to a public housing portfolio should thus be accompanied with appropriate services to help ensure positive outcomes for residents as the result of a major transition. The stability of leveraged funding sources, such as tax credits and private investment, is also an important consideration to ensure long-term affordability.

Streamlining Housing Assistance: Using MTW to Increase Cost-Effectiveness of Federal Expenditures

MTW is in part a deregulation demonstration, designed to relieve PHAs from excessive regulatory burden. The flexibilities and waivers afforded through MTW provide incentives for MTW agencies to be creative with their administrative structuring. By streamlining housing authority operations, MTW agencies are permitted to use saved costs towards other agency activities, giving MTW agencies an increased sense of autonomy over how they allocate funds.

MTW agencies do not receive an allocation of funds by virtue of participating in MTW; rather, they receive funds⁴⁹ from the traditional three primary funding sources (Housing Choice Voucher, public housing capital and public housing operating funds) and are able to allocate the funds interchangeably for activities approved under MTW. However, because they can enact cost-saving measures, MTW agencies are uniquely positioned to accumulate funding reserves. By finding ways to streamline operations or administration of programs, the savings created may be redistributed internally for other purposes, such as contributing to the funding of social services or adding funds to a development account.

Streamlining also benefits residents through more comprehensible and unified approaches to distributing housing assistance. In many agencies, residents find that applying for and receiving housing assistance is an easier and less invasive process with MTW PHAs that have undertaken streamlining efforts.

HUD Regulatory Framework

In the 1990s, HUD sought to privatize many of its functions and reduce the number of HUD programs as an attempt to streamline its operations. Housing practitioners at housing authorities and at HUD were increasingly frustrated with what they saw as excessive regulations imposed by the United States Housing Act of 1937, which authorizes the nation's public housing program.

QHWRA attempted to resolve many of these issues; indeed, the legislation stripped some of the repetitive and burdensome administrative requirements of both the public housing and HCV housing assistance programs. Reforms included streamlining of applications for demolition and disposition of public housing, the formal repeal of federal preferences, and the merger of Section 8 certificate and voucher programs. However, MTW went much further.

Many PHAs felt stifled by the administrative burden of the public housing and HCV programs – the “unnecessarily complex” nature of HUD-required procedures created a situation where PHAs did not have autonomy over program administration and could not steer these programs to fit local needs. Many PHA officials found the existing regulations to be “redundant, unresponsive to local housing markets, and inconsistent with local needs.”⁵⁰

⁴⁹ The specific funding arrangement for each agency is outlined in Attachment A of each agency's Standard MTW Agreement.

⁵⁰ “Housing Agency Responses to Federal Deregulation: An Assessment of HUD's ‘Moving to Work’ Demonstration,” The Urban Institute, 2004. 89.

The MTW 'Block Grant'

Under the MTW designation, MTW agencies may use their Housing Choice voucher funds and public housing operating and capital funds interchangeably to provide housing assistance to low-income families. This block grant provided the financial ability to drive other policy reforms, such as rent restructuring or enacting upon more aggressive affordable housing development within the community.

Outside of MTW, PHAs must keep these three funding streams separate and use the funds from each for each designated program, each of which has unique eligibility and reporting requirements. This limits agencies' ability to allocate funds efficiently as specific needs arise.

In many cases, MTW agencies have been able to serve more families with MTW. By streamlining certain functions, MTW may agencies produce savings that allow them to administer more units. The following table demonstrates that MTW PHAs have seen a more dramatic increase in the number of units authorized and funded through MTW than the aggregate of PHAs nationwide.

Change in Number of Units Authorized from Pre-MTW Level to Present⁵¹

| | No. Units Authorized Pre-MTW | No. Units Authorized (2009) | Change in No. Units Authorized | Percentage Change |
|--------------|------------------------------|-----------------------------|--------------------------------|-------------------|
| All MTW PHAs | 263,654 (1998) ⁵² | 388,443 | + 124,789 | + 47.33 % |
| All PHAs | 2,851,704 (1998) | 3,412,139 | + 560,435 | + 19.65 % |

Though not all of the increase in units authorized is necessarily attributable to MTW, the data still suggests that MTW agencies may be better equipped to serve more families without an increase in federal funding.

Charlotte Housing Authority: Serving More Families with Combined Funds

The Charlotte Housing Authority (CHA) used its combined funds to leverage financing for the development of additional affordable housing units in mixed-income developments. CHA established an ambitious goal of adding 100 units of affordable housing in each year of its participation in MTW. In 2009, the initiative's first year, CHA exceeded this goal by providing 110 units of affordable housing, 78 of which serve families at or below 60 percent of area median income (AMI) and 32 of which are public housing, in a neighborhood with high-quality educational and public transportation options. Eventually, CHA plans to serve an additional 1,000 families as a result of its participation in MTW – not by eliminating or deferring any programs or assistance, but by leveraging various federal, state and local resources with combined funds.

⁵¹ Data was taken from PIC administrative data for the last year in which a PHA was not under the MTW designation to the most recent MTW reporting from 2009. Each year represents a snapshot in time for each PHA during that year, taken from the December extract of each year. PIC data was extracted July 2010.

⁵² 1998 was used as a baseline for all MTW PHAs, though some joined the demonstration several years later. The 1998 levels thus capture changes at some agencies that took place prior to MTW, meaning that factors other than MTW may have contributed to the increase in units.

Seattle Housing Authority: Combining Funds to Stabilize and Expand Programs

As one of the six original ‘block grant’ agencies, the Seattle Housing Authority (SHA) undertook an ambitious array of initiatives that leveraged the flexibility to combine funds to stabilize at-risk programs, launch new initiatives, and engage in long-term financing and development efforts.

In 2004, SHA leveraged its combined funds to maintain a high voucher utilization rate, even during a period of above-average costs. Without MTW, the agency may have had to reduce operating costs elsewhere or terminate assistance to some families. In 2006, SHA used funds from the combined MTW funding source to establish a Down Payment Assistance program, in which up to thirty participants could receive up to \$15,000 to assist in homeownership. In 2009, SHA used nearly \$2 million from its combined MTW funds for deferred maintenance activities. Ultimately, streamlining funding sources enabled SHA to respond appropriately to local needs and continue to serve families in need even as economic conditions fluctuated.

Regulatory Relief under MTW

MTW provides PHAs with a number of waivers of provisions of the United States Housing Act of 1937 designed to help agencies streamline their operations that go beyond what was authorized in QHWRRA, as well as an unprecedented opportunity to experiment with combining federal funds.

While MTW PHAs may streamline a number of regulations related to rent reform and the development process (detailed in later sections of this report), PHAs may also use MTW to alter “HUD-proscribed procedural and reporting requirements for their own sake,”⁵³ including:

- Adopting a risk-management approach to inspections.
- Allowing agencies and landlords to self-certify that units meet inspection standards.
- Implementing a local lease.
- Merging waiting lists for the public housing and Housing Choice Voucher programs.

MTW enables PHAs to examine processes to determine where they could exempt unnecessary rules, either because of burdensome requirements or to better serve local needs.

The ability to streamline functions of the housing authority has worked to produce “small-scale improvements in efficiency and cost savings”⁵⁴ for many MTW PHAs, as well as making PHA processes more understandable to both employees and residents of the PHAs. Streamlining enables PHAs to make decisions that are best for their local needs – housing assistance recipient populations are not heterogeneous, and different needs may begin to be best met by small improvements in administration and implementation of the respective program or programs.

PHAs report that administrative streamlining resulted in “more rational or meaningful use of staff time,” which “improved staff morale and resident/landlord satisfaction with the HA.”⁵⁵ Beyond cost

53 Testing Public Housing Deregulation: A Summary Assessment of HUD’s ‘Moving to Work’ Demonstration, The Urban Institute, 2004.

54 *Ibid.*

55 “Housing Agency Responses to Federal Deregulation: An Assessment of HUD’s ‘Moving to Work’ Demonstration,” The Urban Institute, 2004. 94.

savings, MTW-enabled administrative reforms have changed the way that PHAs function.

Lawrence-Douglas County Housing Authority: General Housing Program

The Lawrence-Douglas County Housing Authority (LDCHA) utilized its MTW flexibility to merge their public housing and HCV programs into one program with one wait list, called the General Housing Program. The objective in doing so was to “establish program consistency, eliminate duplicated functions, and save agency staff time and resources.”⁵⁶ The General Housing Program enabled LDCHA to operate one waiting list for both project-based and tenant-based assistance.

LDCHA offers the household at the top of the list the first available form of housing assistance – the household may reject what is available twice before LDCHA requires the household to accept the third offer or fall to the bottom of the waiting list. In 2009, 224 offers of assistance were made, and only 6 families turned down two offers of assistance. LDCHA reports that the process “decreased the time required to fill public housing units, thus reducing the revenue loss incurred by vacancies.”⁵⁷

King County Housing Authority: Streamlined HQS Inspections

Since the onset of the HCV program, housing authorities have been required to conduct annual inspections of all units, many of which are inspected twice for quality control. This process is extremely time-consuming and expensive, and results in repeated inspections on high-quality units. MTW allows housing authorities to implement risk-based inspections, which mandate more frequent inspections only for units that fail random inspections or are the subject of complaints. PHAs may then target funds would have gone towards inspecting high-quality units towards more problematic units.

The King County Housing Authority (KCHA) allows property owners with a history of successful inspections to undergo a Housing Quality Standards (HQS) Inspection less frequently. For owners with twenty or more units under lease in the same complex and a two-year history of excellent HQS performance, KCHA may select a random sample of units to be inspected each year. If all units in the inspected sample meet HQS standards, the owner will be able to self-certify that remaining units meet the same standard and no further inspections will be performed in that year.

By implementing HQS inspection protocols that eliminate the need to reinspect units when only minor deficiencies were noted during inspections, KCHA has reduced the number of HQS inspections by 50 percent and saved close to 800 staff hours in FY 2009 alone.⁵⁸

KCHA also implemented a geographic “clustering model” for efficient completion of annual inspections. Traditionally, annual inspections coincide with each tenant’s move-in date, which does not allow for geographical groupings of HQS inspections. KCHA’s model decouples the two in order to reduce the travel time and expense associated with conducting inspections around KCHA’s expansive jurisdiction.

While modifying inspection protocols can result in considerable savings, this flexibility may be most

⁵⁶ Promising Practices Report for Lawrence-Douglas County Housing Authority, U.S. Department of Housing and Urban Development, 2008.

⁵⁷ Housing Agency Responses to Federal Deregulation: An Assessment of HUD’s “Moving to Work” Demonstration, The Urban Institute, 2004. 90.

⁵⁸ FY 2009 Annual MTW Report, King County Housing Authority, 2010.

beneficial to housing authorities with new or recently renovated housing stock; housing authorities with aging housing stock in serious need of repair may find that inspecting 100% of units annually is the only way to ensure the provision of quality housing to its residents.

Policy Applications

While conclusive impacts of many MTW activities, particularly as they relate to residents, are not yet known, some of the most compelling MTW results to date are those regarding housing authority operations. MTW housing authorities have been able to engage in strategic long-term planning that better conforms to local needs, and to reduce unnecessary costs and labor to use towards other initiatives by:

- ***Combining funds.*** Combined funds are easier to manage and provide an opportunity to explore development and other activities that may require sizable initial investments. HUD would need to further explore how combined funds would function in accordance with other federal requirements and institute protections to ensure that PHAs are serving as many or more families as a result of the ability to combine funds, before cautiously expanding this authority to other PHAs.

The primary concern regarding combined funds involves serving the same number of families as funds may be used for purposes other than housing assistance. With MTW, agencies may choose to temporarily serve fewer families – with the expectation that they will eventually serve as many or more families – in order to use the funds that would have been provided towards their assistance for other purposes permitted under MTW, such as supportive services or accumulating reserves for use in capital redevelopment projects. Though MTW agencies are required to serve substantially the same number of families as they would have served were they not in MTW, varying interpretations of this provision have resulted in relatively lower utilization rates and higher levels of reserves in some MTW agencies. Even so, most MTW agencies have actually served substantially more families than they would have been able to serve without MTW by streamlining operations and using accumulated funds to administer new assisted housing units.

- ***Streamlining housing authority operations.*** MTW agencies have utilized a host of administrative flexibilities to reduce unnecessary costs and labor for both residents and PHA staff. Many of these flexibilities have significantly reduced administrative burden and allowed participating agencies to more efficiently provide housing assistance. Some of the most promising streamlining flexibilities include:
 - ***Simplifying Housing Quality Standard (HQS) inspection protocols.*** Outside of MTW, all HCV units must be inspected prior to occupancy by tenants and before the anniversary of the occupancy date in each subsequent year. PHAs devote considerable resources to inspecting units that regularly adhere to HQS standards, and have no flexibility to cluster inspections efficiently. MTW offers agencies a number of flexibilities designed to streamline the HQS inspection process, including targeting higher-risk units with risk-based inspections, allowing landlords to self-certify that units meet inspections and modifying inspection dates to allow for efficient groupings. These policies have resulted in considerable administrative and cost savings for agencies.

- *Developing local wait list policies.* MTW agencies are permitted to merge wait lists between developments and programs, create special-purpose and additional site-based waiting lists, and develop localized tenant selection procedures. These flexibilities enable them to adapt their waitlists to their portfolios and to more efficiently transition tenants off of waitlists and into unoccupied units.

These represent only two of many possible ways to streamline housing authority operations. Further exploration would likely reveal many ways in which more operations could be streamlined to reduce costs for the agency without negatively impacting residents. However, while agencies have found that these processes help reduce what they believe to be redundant, overly complicated or unnecessary tasks, many agencies have found time and cost savings to be eliminated by the time and cost of administering parallel systems with streamlined procedures for MTW families and traditional procedures for others. Most agencies serve families with funds from special purpose voucher programs, state and local funds, or other funding sources incompatible with MTW which require the housing authority to administer separate non-MTW systems. If streamlining flexibilities were to be expanded to other housing authorities, it would be important to explore the compatibility of these reforms with the various programs administered by housing authorities.

Rent Reform: Streamlining and Encouraging Self-Sufficiency through Alternative Rent Structures

Public housing and Housing Choice Voucher rents are currently determined as a percentage of income. The Brooke Amendment of 1969 established a system of income-based rents that has only changed slightly since its inception. The Quality Housing Work Responsibility Act of 1998 (QHWRA) made the most substantial changes to the system, adding options of a flat rent and a minimum rent to accompany income-based rents, but for the most part rent is still calculated as a percent of income.

Recognizing the importance of developing a better rent system, policy-makers included rent reform as the only policy innovation that MTW agencies are required to design. The MTW statute states:

“An application to participate in the demonstration... shall include a plan ... that includes criteria for... establishing a reasonable rent policy, which shall be designed to encourage employment and self-sufficiency by participating families, consistent with the purpose of this demonstration, such as by excluding some or all of a family’s earned income for purposes of determining rent.”⁵⁹

The lessons learned from the various approaches of MTW PHAs, along with the outcomes of a smaller Jobs-Plus demonstration and extensive research on potential rent reforms, point to two conclusions:

1. Streamlining the current rent calculation system has the potential to reduce administrative burden and costs for both PHAs and residents without substantially changing rent calculations or adversely impacting residents.
2. Alternative rent systems have the potential to more effectively encourage self-sufficiency and accurate reporting of income while avoiding excessive rent burden, and should be further explored.

Rent Policy Outside of MTW

For public housing residents and Housing Choice Voucher holders at non-MTW PHAs, the payment for rent and utilities is typically based on 30% of a household’s adjusted income. Income is adjusted by standard deductions for elderly or disabled household members, children living in the household, and for certain medical and childcare expenses. With the passage of QHWRA, PHAs are also now permitted to establish a \$50 minimum rent with an accompanying hardship policy, and the majority of PHAs have exercised this flexibility.

QHWRA also required PHAs to offer residents the option of a flat rent schedule, in which the rents are tethered to market rates instead of income. The flat rents tend to appeal to higher-income residents; they provide rents that are well-below market rent but still exceed most income-based rents, in an attempt to allow residents who have made substantial earnings gains while in public housing to remain in their units as they approach self-sufficiency. Accordingly, households choosing the flat rent option comprise a small portion of households at any given PHA.

⁵⁹ This provision is reiterated in Section III of the Standard MTW Agreement.

The benefit of an income-based rent is that the subsidy size increases with a household's need, which provides the most subsidy to those with the lowest incomes and discourages less needy households from receiving assistance when 30% of their income exceeds the market rent in the area. It also avoids the issue of hardships due to excessive rent burden, whereas in flat or stepped rent systems, those with the lowest incomes are more likely to spend more than thirty percent of their incomes on rent.⁶⁰

Critics of the income-based rent system argue that it rewards unemployment and underreporting of income, distorts the value of rental units, and places a significant administrative burden on PHAs and residents. If a tenant's income increases, their rent increases, which may make residents less likely to increase earnings, report on increased earnings, and report on additional working adults in a household. With income-based rents, households may face abrupt and substantial rent increases by reporting on these sources of income. Indeed, a HUD Quality Control study found that overpayments of rent due to un- and underreported income accounted for \$524 million annually, whereas rent overpayments due to over-reported income accounted for \$260 million annually, for an aggregate net error of \$264 million annually.⁶¹

The complexity of the income-based rent system, which involves extensive documentation and verification, is subject to fraud and error, is invasive for residents, and consumes an inordinate amount of time and resources for both residents and PHAs. The HUD Quality Control study found that "the current statutory environment poses substantial obstacles to efficient, accurate income and rent calculations," and concludes that "federal laws, regulations, and HUD requirements should be simplified to the extent possible."⁶² Many housing practitioners agree that a new rent system is needed – one that avoids excessive rent burdens, but encourages employment and accurate reporting.

Rent Reform in MTW

One of the founding goals of MTW was to have the demonstration serve as a laboratory to test alternative rent models. Per the MTW statute, MTW agencies are required to develop alternative rent policies that encourage employment and self-sufficiency by participating families. Before implementing any rent reform, an MTW PHA must conduct an impact analysis and include provisions for addressing hardship cases, but otherwise MTW agencies have considerable leeway in shaping their rent policies.

HUD defines rent reform as any change in the regulations on how rent is calculated for a household. MTW offers a number of flexibilities related to rent reform, as well as accompanying occupancy policies that specify requirements associated with residing in assisted housing:

- Implementing alternate approaches to determining family payment, including the total tenant payment, the minimum rent, utility reimbursements and tenant rent.
- Adopting and implementing term limits.
- Restructuring the initial, annual and interim review process in the public housing program in order to affect the frequency of the reviews and the methods and process used to establish the integrity of the income information provided.

⁶⁰ Quality Control for Rental Assistance Subsidies Determinations: Final Report for FY 2007. Macro International. 2008.

⁶¹ *Ibid.*

⁶² *Ibid.*

- Defining, adopting and implementing alternate reexamination programs.
- Determining the term and content of Housing Assistance Payment (HAP) contracts to owners during the MTW demonstration. Any revised HAP contract must include language noting that the funding for the contract is subject to the availability of Appropriations.
- Determining alternate damage claim and/or vacancy loss policies and payment policies for occupied units.
- Adopting and implementing alternate reasonable policies to establish payment standards, rents or subsidy levels for tenant-based assistance.
- Determining alternate contract rents and increases and to determine the content of contract rental agreements.

These flexibilities have been combined in many ways, leading to as many unique approaches to rent as there are MTW agencies. The following examples, from the Cambridge Housing Authority, the Housing Authority of Tulare County, and the Lincoln Housing Authority, represent distinct approaches. Each approach was shaped by specific community needs and was considered successful by the implementing agency.

Cambridge Housing Authority: Tiered Rents

In developing a rent policy to encourage self-sufficiency, the Cambridge Housing Authority (CHA) focused on non-punitive incentives for savings that would encourage residents to work and reduce disincentives to misreport income and assets. In 2006, CHA implemented a tiered rent structure with a flat rent within income groups, set at 30 percent of adjusted income at the lower end of the income range for each group. As a resident's income moved higher within each group, the rent burden would thus decrease below 30 percent and the resident would be able to keep a higher share of income. Prior to implementation, CHA conducted an analysis which found that while 66 percent of households would pay lower rent under the new structure, the rent for some households would increase by over \$200. CHA temporarily capped the rent increases for these households to slow the transition to the new rent system. A \$50 minimum rent was also imposed in both the public housing and voucher programs and a 90-day limit on assistance was imposed on zero-income households. CHA paired these changes with a hardship review process and utility payment assistance.

Quadel Consulting Corporation conducted a benchmarking study to assess the outcomes of the rent simplification procedures in 2007.⁶³ While the study could not isolate the impact of rent simplification on resident earnings and self-sufficiency because of the lack of a control group, the study found that the new rent policy was not negatively impacting the residents' ability to pay rent, and many residents showed significant increases in earned income. In 2008, residents under the new rent simplification policy had average gross income increases of 7.5%, and average household employment income increases of 11.7%. It is unclear whether the reported earned income increases were due to actual increased earnings or to increased reporting. Regardless, the increased incomes led to an increase in tenant contributions to rent, which resulted in a 4% increase in the PHA's income from rent two years. In 2008, CHA administered a survey in which over half of public housing residents reported that rent simplification helped them save money to use for other monthly expenses, as increased earnings no longer led to immediate increases in rent.

⁶³ "Performance Benchmarking of the Rent Simplification Initiative in the Cambridge Housing Authority's Moving to Work Program" Quadel Consulting Corporation, May 2007.

A second goal of CHA's rent policy was to streamline operations and reduce administrative burden. CHA staff expressed the opinion that the process of income, asset and rent calculations was overly complicated and labor-intensive, and they sought to use the flexibilities afforded by MTW to eliminate and simplify certain processes. For instance, to reduce the administrative burden of factoring minor assets into rent calculations while allowing residents to keep more of their holdings, CHA chose to disregard assets under \$50,000. CHA also found interim income calculations to be extremely time-consuming, but recognized that eliminating them entirely would negatively impact residents who experienced losses in income. As a solution, CHA limited interim income calculations to one per year for HCV residents and two per year for public housing residents.

In addition to measuring self-sufficiency outcomes, the Quadel study measured staff time saved as a result of the procedures. The study found that the average time to complete all measured activities for tenant recertification decreased by approximately 41 percent as a direct result of the rent reform. On the whole, rent simplification freed 41,236 staff minutes per year, which equates to roughly 687 staff hours or 85.9 business days. The table below shows the time saved as a result of rent simplification in both programs.

Administrative Savings from Rent Simplification⁶⁴

| | Pre-Rent Simplification | Post-Rent Simplification | Administrative Savings |
|-------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------|
| Public Housing Program | 1,699 recertifications x 25.64 minutes per recertification = 726 hours | 850 recertifications x 14.89 minutes per recertification = 211 hours | 30,906 minutes = 515.1 hours = 64.4 business days |
| Housing Choice Voucher Program | 2,120 recertifications x 25.64 minutes per recertification = 54,357 minutes | 2,218 recertifications x 19.85 minutes per recertification = 44,027 minutes | 10,330 minutes = 172.2 hours = 21.5 business days |
| TOTAL | 97,919 minutes 16,232 hours 204 days | 56,685 minutes 944 hours 118 days | 41,236 minutes = 687.3 hours = 85.9 business days |

CHA's rent reform experience demonstrated that streamlining efforts benefited the agency significantly in terms of administrative time savings; the benefits to resident earnings were less conclusive but promising.

Though CHA was encouraged by the outcomes of its rent reform policy, the original policy was modified as unforeseen issues arose. For instance, the rent table used for elderly and disabled families resulted in a higher rent burden than anticipated, and the table was modified accordingly. Hardship provisions were also clarified in response to specific resident circumstances. CHA chose to implement rent reform in public housing before adopting a voucher rent policy, allowing staff to assess the impacts

⁶⁴ FY 2007 Annual Report, Cambridge Housing Authority, 2008.

before expanding the policy agency-wide. The ability to adapt to these circumstances has helped CHA advance towards its goals while preventing residents from being inordinately burdened as a result of participating in a rent demonstration.

Housing Authority of Tulare County: Flat Rents with Time Limits

The MTW demonstration began in the midst of a national debate about placing time limits on government assistance. The landmark 1996 Personal Responsibility and Work Opportunity Reconciliation Act established work requirements and a 5-year time limit on Temporary Assistance for Needy Families (TANF) benefits, influencing a wave of contemporary domestic policy programs and legislation. Accordingly, MTW agencies were given the flexibility to implement occupancy policies like time limits and work requirements.

Several housing authorities chose to establish time limits based on various motivations, including promoting greater self-sufficiency, stretching and more equitably distributing scarce resources by allowing more families to access housing assistance, and adding an element of fairness to the housing assistance selection process.⁶⁵ However, many residents were unable to become self-sufficient in the time allotted, whether it was several months or several years. The San Antonio Housing Authority, for instance, quickly learned that 90 days was not enough time for the chronically unemployed to find work, and longer developmental periods were needed, while the San Diego Housing Commission found that many families were not ready for self-sufficiency even at the end of five years.⁶⁶ Many time limits were scaled back or eliminated accordingly, and many of the agencies who implemented time limits awarded hardship exceptions so liberally that they never actually terminated housing for any residents. The Philadelphia Housing Authority, for instance, indicated in their FY 11 Annual MTW Plan that they would not be terminating assistance to any families because of the economic recession and the particularly high unemployment rate in Philadelphia.

The Housing Authority of Tulare County (HATC) has gone further than any other MTW agencies in implementing time limits. HATC sought to reflect its community's viewpoint that assisted housing is "temporary," and implemented a policy in which HATC non-elderly, non-disabled households become ineligible for assistance after five years or upon reaching 120% of area median income. The time limits were paired with a system of flat rents and subsidies based on unit size. HATC provides a temporary hardship provision that gives residents extensions on assistance until the hardship can be addressed. HATC does not provide case management services or direct supportive services, but does provide referrals to community service providers as well as financial services classes for residents. The goals of this arrangement included:

- Aligning with the new five-year limit on welfare assistance under TANF,
- Discouraging underreporting of income,
- Allowing residents to keep more of their earnings, and
- Giving more families access to assisted housing (the waiting list is currently close to 18,000 families).

HATC implemented its reforms in 1999 and began timing out residents in 2004; as of March 2010, HATC had terminated assistance for 1,434 families and has only received 73 hardship extension

⁶⁵ Study of Rents and Rent Flexibility: Analysis Report, Abt Associates, Inc., 2010

⁶⁶ Moving to Work Briefing, PWC Consulting, 2002.

requests, 51 of which were approved.⁶⁷ As of 2008, 69% of the families who reached the five year time limit successfully transitioned off of public housing assistance while 31% reapplied to HATC.⁶⁸

HATC believes that this “carrot and stick approach” has allowed residents to increase their earnings without being penalized, and HATC has found that many families have used the earnings towards expenses like more reliable transportation and repairing bad credit scores. HATC reports that the residents participating in the MTW flat rent system have reported higher earnings than the HATC residents who remain on an income-based rent system,⁶⁹ and HATC has seen instances of reported incomes surging and families purchasing homes in the private rental market with no assistance from HATC.

An adverse consequence of HATC’s system is that the flat rent structure has increased rent burden on residents. Under pre-MTW regulation, none of Tulare County’s public housing residents and less than 3 percent of its voucher holders had rent burdens that exceeded 50 percent of income, but under the MTW system 7 percent of public housing residents and 11 percent of voucher holders contribute what classifies as an excessive rent burden – over 50 percent of their incomes in rent.⁷⁰

On the whole, HATC staff believe that the flat rent/time limited assistance model works well in Tulare County because of the low cost of living, which makes it easier to find reasonably priced units and to transition from assisted housing to paying market rents. They do not believe the system would work well in an area with high housing costs, in which even residents who experienced substantial increases in income would still find difficulty transitioning to the private rental market.

Lincoln Housing Authority: 27% Total Tenant Payment with Minimum Rent and Minimum Earned Income

In developing its rent model, the Lincoln Housing Authority (LHA) sought to simplify rent calculations while demonstrating to residents that housing assistance is not a permanent entitlement. In 2008, LHA implemented a rent policy in which rent, or total tenant payment (TTP), is based on 27% of gross income with no adjustments. LHA paired this policy with a minimum rent, with the tenant paying the higher of \$25 or the 27% TTP minus a utility allowance. The requirement does not apply to households in which the head of household is elderly or disabled, and a hardship policy alleviates any steep increases in rent. While some agencies develop a hardship policy to be used only sparingly, three percent of voucher holders and near thirteen percent of public housing residents are under LHA’s hardship provision.

LHA also includes a minimum amount of earned income when calculating a household’s income, whether or not the residents are employed, which serves as a de facto work requirement. The amount is based on 25 hours per week of employment at the federal minimum wage for households with one working adult, and 40 hours per week for households with two. Exceptions are made for the elderly, disabled, students and caretakers, as well as those with illness or participants of approved self-

67 Housing Authority of the County of Tulare. “Quarterly Moving to Work Statistics.” April 8, 2010. <http://www.hatc.net/Pdf/QuarterlyMTWStatistics.pdf>.

68 Promising Practices Report for the Housing Authority of the County of Tulare. U.S. Department of Housing and Urban Development. 2008.

69 HATC began enrolling families in the MTW flat-rent/fixed-subsidy program in 1999. While all new tenants were required to enroll in the MTW program, existing tenants had the option to remain on the income-based program.

70 Study of Rents and Rent Flexibility: Analysis Report, Abt Associates, Inc., 2010.

sufficiency programs. However, LHA also requires residents to wait 90 days between decreases in income and decreases in rent, in hopes of encouraging residents to seek alternate employment immediately.

LHA staff believe that the pressure from the earned income requirement helps encourage families to be proactive about finding employment, but that this can only be replicated in communities with abundant employment opportunities and adequate services to residents secure employment. As of 2009, LHA indicated that more than 100 families have either successfully found employment or have made significant steps to seek employment since the implementation of the Minimum Earned Income requirement, and only four tenants had been terminated as a result of failure to pay. LHA also reported on a group of 28 public housing families who were paying the minimum rent in March 2009, and found that by May 2010, 20 were no longer paying the minimum rent. Sixteen families had increased their incomes above the level at which they would pay the minimum rent, and the other four had moved out of public housing.⁷¹

LHA staff also report that the TTP was positively received by tenants because of the simplicity of the calculation, which benefited housing authority staff as well. Residents can make better informed decisions about finances when they understand how their rent will be calculated, and voucher holders in particular can make more informed decisions when selecting units if they know how much subsidy they will receive. However, while LHA staff felt that MTW worked well for residents who had made a commitment to self-sufficiency, they felt it was less effective for those who were comfortable receiving public assistance. The latter group was able to find loopholes to avoid rent increases, such as abusing medical exemptions in order to avoid the work requirement.⁷²

In addition to the self-sufficiency outcomes, LHA studied the effects of its rent calculation method by comparing caseloads among staff with caseloads that included both MTW and non-MTW families. The study found that calculating rent according to the 27 % TTP instead of the traditional rent determination method took an average of 30 percent less time than the traditional rent calculation method.

Existing Research

Widely varying alternative rent models have yielded promising results towards the goals of encouraging self-sufficiency and reducing administrative burden. The approaches of the Cambridge, Tulare County and Lincoln Housing Authorities offer a glimpse of the range of possibilities, and the experiences of other MTW PHAs further confirm the conclusion that alternative rent reforms may be more effective at encouraging self-sufficiency than the current rent model. However, while these approaches have local successes with implementation, the outcomes on families and the housing authorities are not well understood, and more research is needed before recommending a model to be applied to all PHAs. The following research lends further insight to the questions raised in the MTW demonstration.

⁷¹ FY 2009 Annual Report, Lincoln Housing Authority, 2010.

⁷² Moving to Work Briefing, PWC Consulting, 2002.

*Abt Study of Rents and Rent Flexibility*⁷³

A 2010 rent study conducted by Abt Associates, Inc. examined the flat and stepped rent structures imposed at several MTW PHAs (including Cambridge and Tulare County). Though these agencies did not use a controlled study methodology, the study found that the residents' employment rates at these sites far exceeded the average for PHAs. The Abt study concludes that non-income based rents would have a greater impact than income-based rents on increasing work effort, reducing underreporting of income and reducing administrative burden. The study suggested that a hybrid model – one that pairs a non-income based rent with incentives for higher-income households to leave public assistance – may be most promising. The study also confirms the positive impacts of rent reform on reducing an agency's administrative burden, providing results which, unlike self-sufficiency outcomes, are unambiguous and can be isolated to the specific reforms.

*Urban Institute Evaluation of MTW*⁷⁴

The 2004 Urban Institute evaluation of MTW found that almost all agencies experimenting with rent reform saw increases in employment among their residents, though the conclusiveness of the evidence was often questionable. Several MTW PHAs reported that residents were maintaining employment longer and working longer hours, and fewer were quitting jobs in order to reduce rent amounts. The study did not find, however, a relationship between these benefits and the type of rent reform implemented – whether it was an incentive or a punitive measure, a whole-scale rent reform or a set of smaller reforms. The only initiative that all of the agencies with positive results shared were that they had eliminated interim rent calculations between recertifications, which may reduce incentives for residents to quit their jobs or underreport income in order to secure a reduction in rent.

Jobs-Plus Community Revitalization Initiative for Public Housing Families

The Jobs-Plus Community Revitalization Initiative for Public Housing Families, a demonstration program that coincided with the early years of MTW and occupied several of the original authorized slots in the MTW demonstration, provides some of the most conclusive evidence of the impacts of rent reform on residents. The demonstration was implemented with a rigorous evaluation strategy and a third-party evaluator to administer the study.

Jobs-Plus sought to help residents find employment, increase incomes, and improve quality of life at selected distressed developments in five cities, two of which (Baltimore and Seattle) are current MTW agencies. The demonstration ran from 1998 to 2003 with three main components:

- **Employment-related services:** Providing instruction in job search skills, education, training and assistance with child care and transportation.
- **Financial incentives to work:** Implementing public housing rent rules at the participating site that allowed residents to keep more of their earnings.
- **Community support for work:** Fostering work-related information-sharing, peer support and mutual aid among residents in order to create a culture more conducive to employment.

⁷³ Study of Rents and Rent Flexibility: Analysis Report, Abt Associates, Inc., 2010

⁷⁴ "Testing Public Housing Deregulation: A Summary Assessment of HUD's 'Moving to Work' Demonstration," Martin Abravanel, Robin Smith, Margery Turner, Elizabeth Cove, Laura Harris and Carlos Manjarrez, The Urban Institute, 2004. http://www.urban.org/UploadedPDF/311009_TestingPublicHousingDeregulation.pdf.

At each agency in the demonstration, one development was randomly selected for implementation of Jobs-Plus, with a similar development established as a control group. Data on residents was collected from government agencies for up to six years prior and six years after Jobs-Plus was launched in 1998. MDRC completed a study of the program at its conclusion in 2005.⁷⁵ Significant findings include:

- Jobs-Plus programs markedly increased the earnings of residents compared to the control group when the program was fully implemented. At all five⁷⁶ sites combined, residents in Jobs-Plus sites had earnings that were an average of 6.2 percent higher than those at the control sites. At the three sites that had more fully-implemented programs, Jobs-Plus had an average earnings effect of 14 percent per year, and nearly 20 percent in the fourth year. There were increases in employment as well, but they were not as consistent as the increases in earnings.
- Jobs-Plus had positive earnings effects on a wide range of residents, with a particularly large effect on immigrant men.
- The increases in earnings did not lead to substantial changes in quality of life at the developments.

The participating agencies cited many challenges to implementation that in some cases significantly delayed the start of the program. Challenges included:

- Enlisting stakeholder support and fostering collaboration.
- Securing appropriate staffing to administer multiple new programs simultaneously.
- Adapting services to the local mix and circumstances of families.
- Convincing residents of the potential for success within the programs.
- Competing with other federal initiatives (like the HOPE VI Community Revitalization Initiative) at some sites, which made it difficult to isolate the effects of Jobs-Plus.

The study concluded that the Jobs-Plus model, if properly implemented, holds the potential to work in a variety of settings; the sites implementing the program covered large and smaller cities with differing housing and labor markets. The study also suggested that critical components to success would be sustained commitment to the program from PHA management and staff, and involving resident representatives in planning and operating the program. However, it is difficult to determine which component of the Jobs-Plus program – whether the supportive services or the rent structure – contributed to the increases in earnings.

Policy Applications

Explore Ways to Streamline and Simplify the Rent Calculation Process

The experiences of MTW PHAs have demonstrated that streamlining the rent calculation process may help alleviate administrative burden on housing authorities and residents without adversely impacting residents:

⁷⁵ Promoting Work in Public Housing: The Effectiveness of Jobs Plus. Bloom, Howard, James Riccio and Nandita Verma, MDRC: 2005.

⁷⁶ Seattle was not included in the final evaluation results because the site selected as a control received HOPE VI funds during the demonstration.

- **Reducing recertification frequency for fixed-income households.** For elderly and disabled households living on fixed incomes, the only annual adjustment to income is typically the cost of living adjustment, which can be easily calculated by the PHA without administering the entire recertification process. MTW agencies have found that recertifying these households every two or three years, with only an automated cost of living adjustment in interim years, substantially reduces administrative burden.

HUD has already issued related guidance by requiring use of the Enterprise Income Verification (EIV) system in all assisted housing programs (including MTW). EIV has saved hundreds of thousands of federal dollars by increasing the accuracy and efficiency of income and rent determinations and reducing incidents of under- and unreported household income. Reducing recertifications for fixed-income households would allow PHAs to further realize the benefits of automating income recertifications where possible.

- **Eliminating or simplifying the earned income deduction.** The current disregard policy⁷⁷ has imposed a significant administrative and financial burden on agencies that attempt to implement it. MTW agencies have found that income exclusion policies that encourage self-sufficiency can be simplified while keeping the original goals in-tact in order to prevent unnecessary burden on the PHA and residents.
- **Ignoring some or all of asset income.** Asset income refers to non-earned income, such as interest, dividends, or income derived from other investments. These sums are small, if they exist at all, and are extremely difficult to verify in a timely and cost effective way. The exclusion or limitation of asset income in tenant rent calculations allows agencies to save considerable time and labor costs without significantly altering the amount of rental income they receive from residents.
- **Replacing medical and child care deductions with a standard deduction.** These deductions require extensive documentation and verification, which is time-consuming and labor-intensive for PHAs and residents, and often provide only minimal savings for the tenant. A standard deduction set at a sufficient level and coupled with a hardship policy potentially reduces or eliminates the need for obtaining this documentation.

Further Explore Alternative Approaches to Rent Calculation

MTW has shown that alternative rent structures may have positive self-sufficiency outcomes for residents. However, changing the system without adequate research could have widespread unintended consequences that may negatively impact residents. While MTW agencies have begun experimenting with alternative rent policies, their evaluations lack a controlled study design to isolate the effects of the rent reforms. Moreover, when MTW was implemented, a strong economy and the new TANF program, with time limits, work requirements and other self-sufficiency incentives, created an environment conducive to employment. These conditions may be responsible for many of the positive employment outcomes for the residents in MTW programs, and the impacts of employment incentives in a more troubled economy remain to be seen.

Because the rent reforms implemented under MTW vary greatly and were not implemented with a

⁷⁷ 24 CFR 960.255

controlled experimental methodology, further exploration is needed to determine which aspects of these rent reforms can be readily applied to all PHAs. Research suggests that a hybrid rent structure, which combines streamlining efforts with a form of flat rent and a form of income-based rent, may be most promising. These models have the potential to better encourage self-sufficiency in residents and produce much-needed cost-savings in the administration of public housing and Housing Choice Voucher programs. The Cambridge Housing Authority's tiered rents approach, in which a flat rent is set at 30 percent of adjusted income at the lower end of each of several income bands, is an example of this model.

The HUD Office of Policy Development and Research is planning to conduct a randomized controlled experiment to test hybrid approaches, which will help lend more concrete evidence to the debate surrounding rent reform. Any potential rent model should attempt to encourage self-sufficiency and accurate reporting of income, but also ensure that tenants are not unduly burdened.

Even with further research, however, it may be difficult to determine one single rent structure that functions effectively in all housing authorities. Providing housing authorities with a limited menu of rent flexibilities, such as flat rents, tiered rents, percent-of-income rents or a combination thereof, all with protections to limit resident burden, could allow PHAs to better adapt their rent structures to their communities.

Self-sufficiency, Supportive Services and Service-Enriched Housing

All public housing authorities are authorized to provide or facilitate various social services that encourage residents to become less dependent on rental assistance, using funding provided through several HUD programs and in cooperation with local providers. However, since the PHA's primary role is to administer housing subsidy, there are limited resources available to PHAs to provide direct services.

MTW allows PHAs to structure more comprehensive approaches to encouraging self-sufficiency among residents, leveraging local resources and building stronger partnerships without using additional federal funds. In addition to implementing innovative self-sufficiency programs, many MTW agencies have taken steps to encourage self-sufficiency among groups outside of their traditionally served populations by providing service-enriched housing for homeless and other special-needs populations.

Providing Resident Services Outside of MTW

The PHA's role in providing services is typically limited for PHAs outside of the MTW designation. Two PIH programs are primarily responsible for facilitating services for residents – the Family Self-sufficiency (FSS) program and the Resident Opportunity and Self-Sufficiency (ROSS) program. The public housing operating fund also allows for the use of public housing units for resident services, resident organization offices, and related activities, such as self-sufficiency and anti-crime initiatives,⁷⁸ and for use of operating funds to fund program coordinators and other costs in accordance with HUD's self-sufficiency programs.⁷⁹ The HOPE VI program funds Community and Supportive Services (CSS) technical assistant providers to help coordinate resident and case management services at all HOPE VI sites, but the services are limited to these developments.

Most resident services funding provided by HUD, including ROSS, FSS and HOPE VI CSS, do not pay for services directly, but instead to hire service coordinators who manage self-sufficiency activities within the PHA or to refer residents to other nonprofit groups or local government in the area. The service coordinators ensure that residents have access to local services and manage the relationships between the PHA and these providers, but the provision of direct services is limited by the scope and funding of these programs. These services in isolation are not sufficient to meet the needs of many participating families.

Encouraging Self-Sufficiency in MTW

As specified in the MTW statute, MTW PHAs are tasked with devising programs, policies, and activities that would encourage greater self-sufficiency in their residents, and MTW PHAs have at their disposal flexibilities that allow them to provide more services to more families. Perhaps the most important flexibility is the ability to combine federal funds, which allows MTW PHAs to 'create' funding by streamlining administrative activities and using the resources previously needed for administratively burdensome requirements towards the provision of services. As a result, MTW PHAs

⁷⁸ CFR 990.145(a)(2)

⁷⁹ CFR 990.190(a)

have been able to think holistically about how to enable their residents to reduce and eventually eliminate their need for rental assistance.

With merged funds and streamlined activities, there is also more flexibility to stretch beyond traditional program administration. PHAs can be stronger partners to community organizations with MTW because of the leveraging potential that funding flexibility provides and because MTW agencies can provide housing units or vouchers for a partner to manage as service-enriched housing. MTW agencies are also permitted to partner with community organizations to deliver services in ways that including partnering with non-profit and for-profit entities in ways that “reflect the implementation of less restrictive regulatory requirements.”⁸⁰ Because MTW allows PHAs to work more closely with local service providers, the provision of services under MTW has become better tailored to the community and made better use of local and PHA resources.

The benefits of this holistic approach are confirmed by the outcomes of the Jobs-Plus demonstration, which ran from 1998 through 2003. Jobs-Plus attempted to deliver an “employment and training program within public housing developments to all working-age, nondisabled residents”⁸¹ in six selected PHAs; two of these PHAs (Baltimore and Seattle) are MTW agencies as well. The demonstration paired supportive services with a rent structure to encourage self-sufficiency, and the results of the semi-controlled study found that the holistic Jobs-Plus approach resulted in an increase in resident participants’ average annual earnings by 6.2 percent.⁸²

MTW PHAs can enact programs similar to FSS and ROSS, but because of their flexibilities, these PHAs do not necessarily have to administer their self-sufficiency programs and policies under these program regulations.⁸³ Often, the FSS and ROSS programs have served as a general model for MTW self-sufficiency measures, but MTW PHAs have largely taken steps outside of the bounds of these programs to engender self-sufficiency through a combination of service provision, rent rule policy changes, work and self-sufficiency program participation requirements, and time limits.⁸⁴

Massachusetts Department of Housing and Community Development – Self-Sufficiency Voucher Pilot Program

The Massachusetts Department of Housing and Community Development (MADHCD) implemented as part of its original MTW program two boutique voucher programs that paired housing with supportive services. MADHCD uses its MTW flexibility to provide shallow rental subsidies to two non-profit providers who administer the subsidies along with services catered towards the eligible populations. Residents are required to have been working for at least three months in order to be eligible, must continue to work while they receive the subsidy, and are subject to time limits on their assistance. In return, MADHCD and its non-profit partners provide case management services, budgeting and other financial literacy training, and a ‘supports budget’ that each family could access for approved self-sufficiency activities. Families in this program have the option of depositing any of the rental stipend not used towards rent into an escrow account. MADHCD found that as the program

⁸⁰ Standard MTW Agreement, Attachment C, Section (B)(2)

⁸¹ “Promoting Work in Public Housing: The Effectiveness of Jobs-Plus,” MDRC, 2005.

⁸² *Ibid.*

⁸³ If an MTW agency receives any funds for the provision of services or other special purposes, the terms of participation attached to the funding source override MTW flexibilities where conflicts exist.

⁸⁴ Any funds for supportive services received through a competition must be used in accordance with the guidelines outlined in the competition NOFA, regardless of MTW designation.

went on, families were using less of their stipend towards rent and more towards the escrow account, and were thus better positioned to remain self-sufficient upon graduation from the program.

Oakland Housing Authority: Prison Reentry and Family Unification Housing

The Oakland Housing Authority (OHA) used MTW flexibilities related to administering transitional and conditional housing, providing funds directly to third-party partners and combining MTW funds to fill specific unmet need in the community. As part of OHA's MOMS Program, OHA provides housing assistance for mothers returning from prison to reunite with their children. In partnership with OHA, the local sheriff's department provides supportive services to facilitate prisoner reentry and family unification. Without MTW, OHA would be limited in its capacity to provide the service-enriched for this special-needs population, while the sheriff's department would be limited in its capacity to provide housing.

Philadelphia Housing Authority: Partnerships and the Family Economic Development Action Plan

Voucher holders at the Philadelphia Housing Authority (PHA) are subject to a seven-year time limit on their assistance. Though PHA suspended enforcement of the time limits in FY 2011 because of the economic recession, PHA already has in place a self-sufficiency requirement an extensive network of supportive services to help ensure that residents can transition off of housing assistance in the time allotted. All voucher holders must participate in self-sufficiency activities, the extent of which is dependent on their income and employment status, with more intensive efforts geared towards families who receive Temporary Assistance for Needy Families (TANF) or have zero income.

To support residents in achieving their self-sufficiency goals, PHA enlisted the help and partnerships of local nonprofit and governmental organizations to assist residents, accomplished through direct services and referrals to a network of PHA community partners with proven track records in employment, training and the provision of outcome-oriented supported services. Using its MTW funding flexibility, PHA administers a Family Self-Sufficiency office where residents can access employment, training and supportive service programs such as Pre-Apprenticeship Training, homeownership counseling and Section 3 jobs. There are five community-based offices located throughout the city to provide resources and case support for residents, as well as a Community Partner office for residents to receive similar support.⁸⁵

Supportive and Transitional Housing

For high-risk populations, such as chronically homeless persons and families, the needs are often too great to be met only by a PHA providing rental assistance. Programs to assist homeless persons are mostly provided through other governmental or nonprofit entities which are unable to provide continued housing assistance once a family 'moves through' the immediate need of temporary shelter.

When homelessness began to enter the national policy consciousness in the 1980s, most housing or services for the homeless took the form of emergency shelters, but it became clear through years of practice that the emergency shelter system did not enable homeless persons to leave permanently their

⁸⁵ FY 2011 Annual Plan, Philadelphia Housing Authority, 2010.

homeless status.⁸⁶ PHAs, on the other hand, provide housing assistance to residents who are able to meet the terms of a lease for at least twelve months; many chronically homeless individuals are unable to do so.

Transitional housing has become a solution to assist homeless families along the full continuum from homelessness to self-sufficiency. Transitional housing works to counter reentry into homelessness by providing a service enriched living environment tailored to these homeless populations. Entrants often have a number of health and mental issues, such as substance abuse, HIV/AIDS status, criminal records, disabilities, and no experience of working for pay.⁸⁷

Through greater financial flexibility and opportunities to form community partnerships, MTW PHAs can further expand the traditional realm of assistance and services provided into helping chronically homeless individuals/families, a population that traditionally needs intense service interventions in order to successfully acclimate to living in mainstream society/housing. MTW agencies are also permitted to “develop and adopt new short-term transitional housing programs... with supportive services in one or more buildings in collaboration with local community-based organizations and government agencies.”⁸⁸ While non-MTW agencies can institute a homeless preference for admissions, they are unable to provide the long-term service-enriched housing that many homeless families require in order to become self-sufficient.

King County Housing Authority: Self-sufficiency and Serving Homeless Persons

The King County Housing Authority (KCHA) has been a leader in leveraging community resources to provide supportive services and service-enriched housing that fills unmet needs in its community.

Through MTW program flexibility, KCHA has been able to expand beyond the traditional role of a PHA and has begun to “strengthen its role as the safety net for homeless and special needs populations.”⁸⁹ This is accomplished in part through new partnerships with “local public and behavioral health care systems” that ensure “chronically homeless and mentally-ill households have access to permanent, supportive service-enriched housing in which they can stabilize and grow.”⁹⁰

These populations do not traditionally meet the admissions requirements for traditional rental assistance programs like public housing or HCV and “often have a demand for supportive services that are not available at standard apartment complexes.”⁹¹ To counter this imbalance, KCHA began linking its vouchers to housing units (project-basing formerly tenant-based HCV vouchers) to provide a space where these services may be fully implemented. Because of MTW flexibilities, KCHA did not have to proceed through a competitive process to select the units, nor did the units have to be reviewed by HUD.

KCHA operates several programs intended for these purposes, but two prominent examples are the Sound Families Program and the South King County Housing First Pilot. The Sound Families

⁸⁶ Characteristics of Transitional Housing for Homeless Families, Martha R. Burt, The Urban Institute, 2006.

⁸⁷ *Ibid.*

⁸⁸ Standard MTW Agreement, Attachment C, Section B(4).

⁸⁹ FY 2010 MTW Annual Plan, King County Housing Authority, 2010.

⁹⁰ *Ibid.*

⁹¹ Promising Practices Report for the King County Housing Authority, U.S. Department of Housing and Urban Development, 2008.

Program, supported by a large grant from the Bill & Melinda Gates Foundation, is intended to help families who may not otherwise be eligible for traditional housing assistance. Combined with the flexibilities afforded under MTW for the KCHA, the Sound Families Program enables the placement of families into project-based voucher units where they “receive targeted support and training.”⁹² Once the families graduate from the program, they are given a tenant-based voucher, allowing them to move to a unit of their choosing. As of November 2007, there were 177 units enrolled in this program; families are assisted with activities such as grocery shopping and house cleaning, medication management, transportation to appointments, and tenancy support.

The South King County Housing First Pilot operates in a similar way, but KCHA has partnered with the King County Department of Community and Human Services and the United Way to assist in this program. Twenty-five units were allocated to implement the ‘housing first’ approach to serving homeless families, which “is premised on the belief that vulnerable and at-risk homeless families are more responsive to interventions and social services support after they are in their own housing, rather than while living in temporary/transitional facilities or housing programs.”⁹³ KCHA funding is combined with other local funding to run the facility; KCHA is only tasked with performing a rent reasonableness assessment of the units.

Policy Applications

Although resident services are provided through optional programs available to all PHAs, MTW flexibilities allow PHAs to design and implement programs that better fit their residents and the surrounding community. These programs have shown to be feasible in terms of functioning; although clear, definitive evidence regarding their effectiveness is not currently attainable, it is clear that these MTW PHAs have developed holistic self-sufficiency programs to serve special needs and high-risk populations such as homeless families, immigrants, and other groups that may not be as responsive to the traditional rental assistance model, without the provision of services.

MTW agencies have shown that the ability to combine funds and to go beyond traditional models of resident services can allow PHAs to more effectively encourage self-sufficiency by:

- ***Building stronger partnerships with other community organizations.*** As a result of their funding flexibility and leveraging ability, MTW PHAs have an enhanced ability to collaborate with local community partners to formulate precise, tailored self-sufficiency programs that most effectively serve their local needs. MTW agencies can leverage their funding flexibility to supplement housing authority resources with community resources, ultimately providing more comprehensive services for residents.
- ***Developing local self-sufficiency programs.*** Although the current HUD self-sufficiency programs have shown signs of success, they are limited in funding and scope and provide a uniform approach to serving many distinct communities. MTW PHAs have developed ways to better incentivize self-sufficiency in residents by tailoring their self-sufficiency activities to their individual communities.

92 Promising Practices Report for the King County Housing Authority, U.S. Department of Housing and Urban Development, 2008.

93 “The Problem: Ending and Preventing Family Homelessness,” Beyond Shelter.
http://www.beyondshelter.org/aaa_initiatives/ending_homelessness.shtml.

- ***Providing service-enriched housing.*** MTW agencies have used project-based assistance in partnership with local community organizations to provide service-enriched housing for homeless or other high-risk individuals and families. Current traditional public housing program restrictions dictate that residents must sign a permanent lease and can only be terminated for cause, which inevitably excludes homeless residents who would ideally transition out of public housing and may not be financially able to agree to a lease. By project-basing assistance and leasing to a local community organization, MTW PHAs are able to serve homeless or other high-risk individuals and families, greatly expanding their role in the community and local affordable housing market.

While pairing housing assistance with supportive services may help housing authorities serve more family types (e.g, homeless and special needs families) and reduce the need for public assistance by helping residents become self-sufficient, it is important to recognize trade-offs between providing services and providing housing assistance. Without additional funding sources, the funds directed towards the provision of services may in some cases require a housing authority to serve fewer families. If the ability to develop locally tailored self sufficiency programs is extended to all housing authorities, it is worth considering whether the funds for these programs should be kept separate from those used to provide housing subsidies. The ability of public housing authorities to partner with community organizations is especially important in this consideration, as leveraging community funds can allow housing authorities to provide more services to residents while still maintaining the same level of rental subsidies.

V. Selecting for Success in MTW

MTW agencies develop local initiatives that meet community needs while supporting national goals, it is difficult to define success in MTW in a way that captures the broad array of MTW activities. Each MTW agency defines its objectives for each activity, and thus its own related measures of success. Definitions of 'success' include providing more services, serving more residents, moving more residents off of public assistance, giving more families access to housing, developing sustainable communities and transforming housing stock. While MTW agencies can be assessed by their progress towards the three statutory objectives – generating cost efficiencies, encouraging self-sufficiency, and increasing housing choices – it is still difficult to select specific outcome measures by which all MTW activities can be measured in cross-site comparisons.

Though it may be difficult to measure the outcomes of specific activities, there is abundant descriptive and qualitative evidence regarding the implementation of MTW at different PHAs. From this information, it is possible to infer characteristics of PHAs that may make them more successful in MTW. This section thus examines 'success' in MTW not as it pertains to specific policies or reforms, but the traits of MTW agencies that have made them successful in implementing MTW, the obstacles that have limited their success, and the ensuing recommended selection criteria for new MTW agencies.

Characteristics of Successful PHAs

The criteria listed below do not assess 'successful' PHAs by measures like resident incomes or number of residents served, but by the characteristics of the PHAs that allowed for implementation of robust, creative and sweeping changes under MTW – those who can be said to have used MTW to its fullest potential. The criteria for success thus focus on the ability to make significant changes and to report on their outcomes in a way that is instructive to HUD and the housing industry.

Resident, Community and Stakeholder Support

MTW PHAs unanimously cite resident, community and stakeholder support as necessary to implement major and often controversial reforms. Successful MTW PHAs demonstrate a commitment to soliciting input from these groups at the outset of the policy planning process, and continue to solicit feedback on an ongoing basis.

- The Cambridge Housing Authority (CHA) remarks that they have a unique environment “with lots of advocates and lots of smart folks,” a byproduct of a large number of institutions of higher learning, an abundance of legal aid and a politically active community. As a result, CHA has one of the most open and exhaustive public processes of any MTW agency in order to maintain community and resident support for their programs, and CHA explains in each of its MTW Plans which comments were raised throughout the public process and how each was addressed. Though residents and other stakeholders often disagree with CHA on specific policies, CHA staff believes that their transparency helps

generate constructive dialogue, which in turn informs CHA's decisions and improves the quality of their programs.

- Similarly, staff at the Seattle Housing Authority (SHA) explain that “Seattle is very much a process city – it doesn’t make a difference what you do, as long as you share your ideas with everybody first. If you have the greatest idea in the world and didn’t share it, everyone’s against you.” With this in mind, SHA staff formed an advisory committee including legal aid, resident association members, advocacy groups and all key department heads of the agency prior to implementation of MTW. SHA found the committee to be very helpful in combating the initial suspicion regarding MTW, and recommend that “for those considering controversial ideas, bring in stakeholders and get not just their support, but their ownership.”
- The Minneapolis Public Housing Authority (MPHA) also administers an extensive public process. A resident advisory board has developed and distributed hundreds of surveys to residents, which it uses to develop its priorities. The public process for MPHA's most recent MTW Plan included 30 MTW Plan meetings involving over 500 participants and staff. Like CHA, MPHA includes comments as well as responses in their Annual MTW Plans, showing the responsiveness of the agency to resident suggestions. MPHA keeps residents involved in its operations on an ongoing basis through 41 resident councils, two family-based resident councils, resident participation funds, a resident advisory board, and two resident board member positions on MPHA's board of directors.
- The San Antonio Housing Authority (SAHA) originally implemented a very limited MTW program, with reforms applied to only three developments in its portfolio. Stakeholder engagement was lacking, though, and partnership programs decreased after the third year. SAHA ended its original MTW program, but now under new leadership is expanding MTW to its entire portfolio and making considerable accompanying outreach efforts. SAHA staff have conducted resident meetings in all public housing developments and held numerous MTW stakeholder meetings. SAHA has also established an MTW advisory committee, which includes leaders of public, social service and non-profit agencies and provides monthly feedback to SAHA from an outsider's perspective. SAHA reports that involving resident leaders has helped SAHA dispel myths and rumors about MTW and gives MTW a voice and face in the community, and SAHA is now embarking on implementation knowing that its community is engaged in its MTW efforts.

The MTW agencies that have exceeded the requirements for the public process have found that the ability to gauge the temperature of the community impacts an agency's ability to make significant reforms, but also has added benefits for the agencies. The Portage Metropolitan Housing Authority, for instance, reported that MTW has helped improve communication between staff, program partners, landlords and MTW families.⁹⁴ Many agencies have also found that the ongoing brainstorming and feedback improves the quality of their ideas and eventually policies.

⁹⁴ Moving to Work Briefing, PWC Consulting, 2002.

Responsiveness to Community Needs

MTW PHAs have a wide array of flexibilities at their disposal, and are able to use them most effectively when they can articulate their local needs and how MTW would help achieve those goals.

For instance, in Tulare County, California, a competitive affordable housing market with long waiting lists prompted the Housing Authority of Tulare County (HATC) to implement time limits. In Cambridge, Massachusetts, a tight housing market with a dwindling supply of affordable housing led the Cambridge Housing Authority (CHA) to project-base more of its voucher share in order to secure more affordable units. These agencies have built their MTW programs around the flexibilities that allow them to address unmet needs in their communities.

Strong Leadership and Committed Staff

Though difficult to measure, visionary leadership and staff committed to the mission of MTW is often cited as essential to implementing changes. Because MTW touches so many aspects of an agency's operations, it is crucial to have the mission of the organization, especially as it relates to MTW, communicated to the staff at all levels of implementation. Staff involved in shaping the new processes in some cases gave staff a "strong sense of accountability" and a "renewed sense of purpose" because of their sense of ownership, rather than an obligation to simply follow Federal rules.⁹⁵

Staff at the Keene Housing Authority (KHA), for example, cite Executive Director Curt Hiebert's leadership as a critical component of their success. His leadership capacity, they explain, is not just a motivating force within the organization, but in the community at large, which helps build community partnerships and to earn support for KHA programs. Mr. Hiebert encourages KHA staff to sit on community boards and participate in other community events, and considers himself and other KHA staff an important part of educating the community and residents about KHA's MTW program. Several of the principal staff involved in administering MTW have been with KHA since it joined MTW in 1999, and KHA has been one of the most innovative and aggressive MTW agencies, in large part because of devoted and engaged staff.

Innovation and Openness to Change

Successful MTW agencies demonstrate a willingness to make substantial changes to agency operations. HUD is able to learn the most from agencies that continually push the envelope, and evolve their MTW programs over time as new community needs arise. These dynamic MTW programs help inform the discussion of how MTW works in practice in the long-term.

- Leadership at the Cambridge Housing Authority (CHA), which is known for pushing the envelope even within MTW, explain that it takes "curiosity" to experiment with existing rules. Greg Russ, Executive Director of CHA, specifies that MTW requires a sense that "you've lived in the status quo, you've seen its defects and you have energy to make some change." CHA has

95 "Testing Public Housing Deregulation: A Summary Assessment of HUD's 'Moving to Work' Demonstration," Martin Abravanel, Robin Smith, Margery Turner, Elizabeth Cove, Laura Harris and Carlos Manjarrez, The Urban Institute, 2004. http://www.urban.org/UploadedPDF/311009_TestingPublicHousingDeregulation.pdf.

continually evolved its MTW program since inception, and takes pride in leading the way in testing new HUD policy priorities.

- Staff at the Seattle Housing Authority (SHA) at the time that MTW was implemented explain that, while staff recognized the enormous potential of MTW, “it was disorienting for a lot of people to go outside of HUD rules. It took 6 months for the agency to figure out what they would do with MTW.” SHA staff convened an exhaustive series of brainstorming meetings before eventually proposing a sweeping set of MTW reforms.

It can be difficult for agencies that have been operating in the same way for decades to reconceptualize their operations. The agencies that have made the most of MTW are the ones that, despite initial trepidation, have been willing to fundamentally change the way that their agencies provide and administer services.

Evaluation Capacity

Many MTW agencies can describe anecdotally and descriptively the way that MTW has changed their organization, but the most successful have been able to identify and effectively report on outcome measures that help inform policy decisions.

Several have secured third-party evaluators to ensure rigorous monitoring of key MTW initiatives without monopolizing staff time and effort. The Cambridge and Atlanta Housing Authorities, for instance, have been supported in their evaluation by consulting corporations, while the Housing Authority of the County of San Bernardino is supported by a university.

- The Atlanta Housing Authority (AHA) began demolishing distressed public housing and replacing it with mixed-income communities in 1994. AHA paired with EuQuant to examine impacts on relocated families between 1995 and 2007, four years of which were years that AHA was part of the MTW demonstration. The study used a longitudinal comparison for families relocated as part of the revitalization effort versus families living in public housing that was not revitalized. This study is notable in that it helps to isolate the impacts of reforms at one of the largest MTW PHAs.
- The Cambridge Housing Authority (CHA) partnered with Quadel Consulting Corporation to conduct a benchmarking study to assess the outcomes of CHA's rent simplification procedures in 2007.⁹⁶ The study examined both resident outcomes and agency outcomes, looking to measures like resident earnings and income as well as CHA staff time saved as a result of the new procedures, offering a somewhat holistic description of the impacts of a major MTW reform.
- The Housing Authority of the County of San Bernardino (HACSB) partners with the Loma Linda University School of Social Work to develop detailed assessments of the families participating in a work requirement pilot program. HACSB also compiles quarterly tracking reports, in which they exceed HUD reporting requirements and assess their progress for each of their evaluation measures, modifying the goals if necessary. Each activity has an “activity

⁹⁶ Performance Benchmarking of the Rent Simplification Initiative in the Cambridge Housing Authority's Moving to Work Program, Quadel Consulting Corporation May 2007.

owner,” who is not responsible for carrying out the activity, but is responsible for monitoring its progress and assessing it against its evaluation metrics.

Some of the newer agencies, such as HACSB and others admitted in 2008 and 2009, have the strongest initial evaluation components to their programs. Unlike the earlier MTW agencies, the newer agencies have begun their MTW programs with more stringent reporting requirements in place. A key difference is that they are required and well-positioned to develop strong baseline measures, which some of the earlier agencies are only now beginning to develop for activities implemented years ago.

Obstacles to Implementation

MTW reforms are often controversial by nature, as they change long-established policies procedures in ways that impact residents and communities. Even reforms designed with worthy goals in mind can have adverse impacts and unforeseen consequences. As such, implementing MTW can be difficult, and the following obstacles represent some of the most common barriers to success.

Lack of resident, community and local stakeholder support

Resident and community opposition can make implementation of MTW reforms difficult or impossible. When MTW was first introduced, many residents initially viewed MTW with suspicion, which in some cases limited their willingness to make use of services provided under MTW or to participate in voluntary MTW programs and, in some cases, limited the agency's ability to implement an activity at all. In particular, rent reform changes that were difficult to explain or not well explained to residents made some residents feel “tricked” into participating in MTW.⁹⁷

The Vancouver Housing Authority (VHA), for instance, originally included a 5-year time limit as part of its MTW rent reform, and also proposed a rent structure that would be based on number of family members instead of income. Aspects of both programs received significant opposition from local legal aid organizations and from residents. VHA was unable to implement their original reform and subsequently revisited its policies, using a stakeholder group to help shape the initiatives.

Unrealistic Goals

An overly ambitious implementation schedule can make implementation of MTW difficult or impossible. Enthusiasm for MTW reforms is often unmatched with agency capacity to implement these reforms, and implementation of MTW has often been slower than expected when agencies attempted to change many programmatic and administrative policies at once while attempting to report on and evaluate outcomes. Extensive preliminary planning is universally deemed necessary for successful implementation of MTW.

97 “Testing Public Housing Deregulation: A Summary Assessment of HUD’s ‘Moving to Work’ Demonstration,” Martin Abравanel, Robin Smith, Margery Turner, Elizabeth Cove, Laura Harris and Carlos Manjarrez, The Urban Institute, 2004. http://www.urban.org/UploadedPDF/311009_TestingPublicHousingDeregulation.pdf.

Deep Systemic Management Issues

Several PHAs with serious issues that kept them from high performance were admitted into MTW, and in some cases, MTW was a tremendous asset in addressing those issues. The Chicago Housing Authority (CHA), for instance, could not have transformed its stock and completed its Plan for Transformation without combining funds in order to leverage capital for extensive improvements, and CHA has now successfully emerged from a long-standing judicial receivership. However, some deep systemic issues could not be addressed with MTW, and these issues often complicated MTW agencies' ability to implement a robust MTW program. Ongoing legal entanglements, poor management and financial controls, and open IG or audit findings have all constrained MTW PHAs in ways that limit their ability to make sweeping and creative changes. Some MTW agencies admitted in this fashion have also had issues complying with MTW reporting requirements as well as other HUD requirements.

Limited Vision or Staff Capacity

Several MTW PHAs have staffing issues, such as high turnover with key staff, which limit the vision and buy-in of the team to continue policies forward. The capability of key staff and communication between staff is often crucial in administering a program as complex as MTW. The Lincoln Housing Authority (LHA), for instance, found that many of the staff involved in the initial planning for MTW were not involved in implementation because of high turnover, and support for the program suffered. Although the issue has since been resolved, further implementation planning, LHA believes, could have been somewhat preventative and allowed for a smoother transition to MTW.⁹⁸ Another MTW PHA found that staff involved in administering the programs does not understand their MTW Agreement, which made consistent and complete implementation difficult.

Difficulty Evaluating Activities

Monitoring and evaluating activities often requires establishing new systems and management procedures and can be extremely time-consuming, especially at the outset. At the PHAs in Lincoln, Keene, Lawrence, Portage, Greene Metropolitan and other small PHAs, the cost savings that resulted from MTW were sometimes eliminated by the burden of having senior and policy staff heavily involved in evaluating MTW. At the Greene Metropolitan Housing Authority, for instance, staff reported that they became so involved with monitoring and evaluating the MTW program that the administration of the program may have suffered.⁹⁹

Some of the earlier MTW agencies also face difficulty evaluating their MTW programs because they lacked a rigorous evaluation component at the outset of their demonstrations. At the time, such a component was not required of agencies. The Massachusetts Department of Housing and Community Development, for instance, acknowledges that the agency did not plan for a rigorous evaluation of their MTW pilot program. While they know the number of participants who have graduated from the program, they lack accompanying data on outcomes for the residents. Others, like the Seattle Housing Authority, have been implementing robust MTW programs for so long without being subject to rigorous evaluation that the staff has difficulty retroactively evaluating the agency's activities.

⁹⁸ Moving to Work Briefing, PWC Consulting, 2002.

⁹⁹ *Ibid.*

Criteria for Consideration when Selecting MTW Agencies

MTW provides unprecedented insight into alternative methods of providing housing assistance, and increasing the MTW demonstration size increases HUD's ability to learn about the impacts of MTW flexibilities in different communities. By prolonging the demonstration and doubling the number of participating agencies, the housing industry stands to learn even more from this unique resource. Expanding MTW up to twice its current size (or roughly 60 agencies) would allow HUD to use MTW to inform different policy issues as they emerge and to understand how MTW flexibilities would impact a more representative range of housing authorities. Each agency admitted would also need a term of participation of at least ten years in order to fully implement a robust MTW program.

If Congress chooses to enact a further expansion of the demonstration, it will need to carefully consider eligibility criteria for agencies to be included in the demonstration. It may be especially beneficial to add new MTW agencies at this point in the demonstration's evolution, now that the lessons learned from the early years of MTW can inform the future of the demonstration, and it is possible to admit new agencies that are more similar to what HUD recognizes as the "successful" MTW agencies. More rigorous evaluation requirements are also in place, providing an opportunity to learn even more from new agencies.

High Performance

Achieving high performer status in HUD reporting systems and complying with other HUD requirements are predictors of ability to succeed in MTW. Because the success of MTW depends on the ability of MTW agencies to report on their activities and outcomes, it is important that any agency selected is already in good standing with HUD on this regard. MTW PHAs should be familiar with and compliant with current regulations prior to seeking relief from these regulations. In particular, MTW agencies should have stringent financial controls so as to effectively report on combined funds. Suggestions include:

- A reporting rate in the Inventory Management System-Public and Indian Housing Information Center (IMS-PIC) of at least 95% of households in both the public housing and Housing Choice Voucher programs;
- All required submissions into the Voucher Management System (VMS) must have been submitted and up-to-date;
- All required submissions for the preceding three fiscal years into the Financial Assessment Sub-System (FASS-PH), Financial Data Schedule (FDS) must have been submitted;
- An absence of unaddressed findings¹⁰⁰ from IG audits, IPA audits, FHCO reviews, Tier I or II reviews, RIM reviews, American Reinvestment and Recovery Act (ARRA) monitoring, litigation, or from any other on-site or remote reviews;
- Capital Fund Program (CFP) grants awarded in the past three years have been obligated and expended in accordance with the requirements of Section 9(j) of the 1937 Act, if applicable;

¹⁰⁰ Unaddressed findings are findings not resolved to the satisfaction of HUD, are not under a corrective action plan agreed to by HUD, or are in a corrective action plan which in HUD's sole judgment the PHA is not compliant.

- A PHA must be in compliance with the use of Enterprise Income Verification (EIV) for tenant income verifications, reexaminations, and recertifications as required by the December 29, 2009 Final Rule;
- American Recovery and Reinvestment Act (ARRA) grants, if applicable, have been obligated and expended in accordance with that Act's requirements, including all reporting requirements.

While MTW can help some PHAs address the issues that prevented them from achieving High Performer status, in some cases admitting these PHAs compromises the ability of MTW to inform industry. MTW adds a monitoring, evaluation and reporting burden to these agencies, which are often already facing challenges addressing their systemic issues and may not be able to devote full attention to the demonstration aspects of MTW.

Evaluation Strategy and Capability

The demonstrative ability of MTW has been limited since the program's inception because of the lack of a built-in evaluation methodology. Steps have been taken over time to improve the outcome measures for MTW, including the more rigorous reporting requirements in the Standard Agreement, so that MTW has improved its demonstrative capacity. Admitting new agencies into the demonstration presents an opportunity to make the evaluation component even stronger. All three of the new agencies admitted to the demonstration in 2009 had strong evaluation components; two had commitments from local universities to evaluate their programs. It is recommended that incoming agencies have committed third-party evaluators or propose a rigorous program design, and demonstrate willingness to cooperate with HUD on future evaluations.

MTW agencies already must agree to design and implement an alternate rent strategy via MTW. As part of the design, HUD suggests that applicants must institute a random assignment process for participants to treatment and control groups, in order to rigorously analyze the effects of such a rent policy change. While additional technical support funds would be needed in order to properly manage the experiment and reimburse the PHA for their expenses, requiring incoming MTW agencies to implement a controlled rent study would present an unprecedented opportunity to learn conclusively about the outcomes of rent reforms – one of the initial goals in developing MTW.

Demonstrated Innovation

Though non-MTW PHAs have much less flexibility available to them, than MTW PHAs there are a number of HUD programs that they can access that demonstrate an interest in going beyond requirements to better serve their communities. Programs available to all PHAs, which demonstrate innovative thinking and the capacity to implement changes within regulations, include, but are not limited to:

- Family Self-Sufficiency Program
- Section 8 or Section 32 Homeownership Programs
- Energy Efficiency Investments
- Mixed-Finance Development, including HOPE VI
- Resident Opportunity and Self-Sufficiency (ROSS) Grants
- Capital Fund Financing Program

Agencies seeking to join the MTW demonstration should be able to explain which HUD programs they have pursued to better adapt to their communities, and what they have been able to accomplish with these opportunities.

Local Support

An incoming MTW agency should be able to demonstrate evidence of resident, community, local stakeholder and local political support. This includes:

- Involving these groups in the initial MTW planning process. The Orlando Housing Authority, which was admitted to MTW in the FY 2009 competition, held over 40 meetings with residents and local groups at different times, locations and locations, and at all stages of the process, including initial brainstorming and reviewing drafts of the application.
- Strong community partnerships are essential to allowing MTW PHAs to leverage their resources and make the fullest use of their flexibility. Looking for evidence of past experience of leveraging community resources and demonstrating commitments going forward will help ensure that MTW agencies selected will be able to have the most robust programs and make the most of each HUD dollar received.

Having support already in place endures that agencies will be ready to begin implementing their MTW programs soon after selection, without sacrificing the quality of the MTW program or the housing authority's ongoing operations.

Identification of Community Needs

Potential MTW PHAs should be able to articulate specific local community needs and how MTW would contribute to their goals. Many agencies are interested in MTW for its administrative flexibilities alone. While the ability to streamline can certainly provide tremendous benefits for some agencies, MTW designation may be more appropriate for agencies that are also interested in using MTW to fill unmet needs of the low-income residents in the community. Incoming MTW agencies should outline how their vision fits into their community and agency needs, supported by evidence from community and resident meetings.

Balanced Distribution of MTW PHAs

Because MTW is a demonstration, there is a value to ensuring a representative distribution of housing authorities in the program. It is impossible to draw conclusions about whether the size or location of an MTW agency is a factor that contributes to its success in implementing MTW, but may contribute to the MTW demonstration's ability to better inform industry if a more even distribution of PHAs are participating.

PHA Size: There is a high number of large housing authorities participating in MTW. The MTW demonstration includes only 33 out of over 3,000 public housing authorities nationwide, but serves near 13 percent of the nation's public housing and Housing Choice Voucher residents.

While some argue that MTW can have the greatest impact at a large agency, adding more small agencies may better represent the nationwide distribution of PHAs.

Geography: The original MTW agencies were selected with the goal of representing a diversity of localities, populations and housing markets, but as the program has evolved agencies have become somewhat clustered in the West, Northwest and Northeast. Some have advocated adding more MTW agencies in the South, Southwest and Midwest. There are competing views to the point, however, as some PHA staff see large benefits to 'regionalizing' MTW flexibilities and being able to work more congruently with nearby MTW PHAs.

While size and geography may help create a more balanced distribution of MTW PHAs, these factors may be far less important than the qualifications, capability and vision of the agency. While these characteristics can be useful in narrowing down a pool of highly qualified aspiring MTW PHAs, the ultimate selection criteria should focus on agency capacity to administer existing programs and potential to contribute to MTW.

VI. Conclusion

MTW is currently the only HUD program through which public housing authorities can wholly transform their operations, programs and housing. The broad flexibility to waive statute and regulations allows these agencies to better serve and house their residents and broader communities while streamlining their internal operations. Though there are limitations to evaluating the outcomes of MTW because of weak initial reporting requirements and a lack of a research design, the ability to learn from these changes is unprecedented.

This report identifies a number of MTW flexibilities that could be adopted nationally, based on their demonstrated impact. With more research and evaluation, other flexibilities will likely show promise. Roughly ten years into the demonstration, it is also possible to shape the demonstration in coming years to better illustrate how various policies impact residents, communities and housing authorities.

Admitting new PHAs to MTW with the use of strategic selection criteria and program implementation can help demonstrate the impacts of MTW on a broader scale, with the ultimate objective of applying the most successful approaches nationwide. However, program expansion should only proceed if the newly admitted PHAs structure their programs for high quality evaluations that permit lessons learned to be generalized beyond the single PHA experience. Altering the scope of the demonstration for new participants by mandating controlled studies and other more rigorous evaluation methodologies would lend insight into a variety of areas of interest. For example, by selecting agencies committed to testing a particular rent reform or other innovation in combination with a rigorous evaluation, the addition of new agencies can help HUD learn about specific areas of interest as they arise. Moreover, by requiring improved data collection methods and evaluation strategies from the outset, incoming MTW agencies will be better positioned to significantly strengthen the existing body of data on MTW.

The finite nature of the demonstration makes some MTW agencies hesitant to fully utilize their funding flexibility, develop new reporting systems to capture their MTW activities, risk political capital to make significant changes, or change the organizational structure of the agency to better fit their redesigned programs. Ensuring that each participating agency has adequate time to implement a robust MTW program will further assist policy-makers in understanding the impacts of MTW flexibilities.

Regardless of whether the size, length or scope of the demonstration change in coming years, MTW should be taken into account when considering substantial changes to housing policy. The goals surrounding the formation of MTW in 1996 are still HUD's goals today, as evidenced in HUD's FY 2010 – 2015 Strategic Plan. MTW can provide insight into achieving HUD's Strategic Plan goals of meeting the need for quality affordable rental homes, utilizing housing as a platform to improve quality of life and transforming the way HUD does business.

Recent legislative initiatives like the Preservation, Enhancement and Transformation of Rental Assistance (PETRA) Act or the Section Eight Voucher Reform Act (SEVRA), both of which would make substantial changes to the existing regulatory framework, can also be informed by the MTW housing authorities who have already undertaken transformations similar to those proposed. The pending third-party evaluation of MTW will clarify the impacts of MTW to date and lend further insight to these debates.

MTW was designed as a temporary response to the ongoing need for a sustainable public housing platform. While the nation's public housing system faced a number of challenges, more information was needed before making sweeping changes. MTW was predicated on the belief that giving public housing authorities more flexibility would allow them to make more efficient use of federal funds, better incentivize self-sufficiency in residents, and provide more housing choices for low-income families. The experiences of MTW agencies have supported this theory. At the same time, the need for comprehensive reform has only grown. While MTW can continue to inform the housing industry about the outcomes of various approaches, a more extensive overhaul of the public housing laws would allow all public housing authorities to experience the benefits available to MTW agencies.

Appendix A: List of Participating MTW Agencies

- Alaska Housing Finance Corporation, AK
- Atlanta Housing Authority, GA
- Housing Authority of the Baltimore City, MD
- Cambridge Housing Authority, MA
- Housing Authority of Champaign County, IL
- Charlotte Housing Authority, NC
- Chicago Housing Authority, IL
- Delaware State Housing Authority, DE
- District of Columbia Housing Authority, DC
- Keene Housing Authority, NH
- King County Housing Authority, WA
- Lawrence-Douglas County Housing Authority, KS
- Lincoln Housing Authority, NE
- Louisville Metro Housing Authority, KY
- Massachusetts Department of Housing and Community Development, MA
- Minneapolis Public Housing Authority, MN
- Housing Authority of the City of New Haven, CT
- Oakland Housing Authority, CA
- Orlando Housing Authority, FL
- Philadelphia Housing Authority, PA
- Housing Authority of the City of Pittsburgh, PA
- Portage Metropolitan Housing Authority, OH
- Housing Authority of Portland, OR
- San Antonio Housing Authority, TX
- Housing Authority of the County of San Bernardino, CA
- San Diego Housing Commission, CA
- Housing Authority of the County of San Mateo, CA
- Housing Authority of the County of Santa Clara / Housing Authority of the City of San Jose, CA¹⁰¹
- Seattle Housing Authority, WA
- Tacoma Housing Authority, WA
- Housing Authority of Tulare County, CA
- Vancouver Housing Authority, WA

¹⁰¹ The Housing Authority of the County of Santa Clara and the Housing Authority of the City of San Jose operate as a single entity.

Appendix B: HUD Program Data and Methodology

As a demonstration program, MTW has a number of unique reporting requirements designed to capture information on the impacts of MTW flexibilities. MTW agencies are required to develop agency-specific performance goals and measure annual progress toward MTW statutory objectives, which places an additional reporting requirement on agencies as a result of their participation in MTW. However, while MTW agencies are required to submit more information on outcomes, they are also exempt from reporting into certain HUD systems which may no longer be applicable because of systemic changes enacted through the MTW demonstration. For instance, MTW agencies are exempt from HUD's Public Housing Assessment System (PHAS) and/or Section 8 Management Assessment Program (SEMAP)

In addition to existing research and literature related to MTW, this report makes use of the following program data sources, the benefits and limitations of which are noted below.

Annual MTW Plans and Reports

MTW agencies are required to submit Annual MTW Plans and Reports, which focus on the aspects of their operations that are uniquely of the MTW program, in lieu of the non-MTW Agency Plan required by Section 5A of the U.S. Housing Act of 1937. This is a similar process to the Annual PHA Plans and PHA Reports submitted by non-MTW PHAs.

In order to implement a new MTW initiative, an MTW agency must submit a proposal for the initiative within their Annual MTW Plan to HUD for approval. The initiative proposal must include a description of evaluation metrics, authorizations and a description of the projected stated impact. The metrics are intended to show how implementing each individual MTW authorization helps achieve at least one of the three statutory objectives. Each Plan also lists all MTW activities previously approved and whether any changes have been made to the activity. Plans and Reports must go through a thirty-day public process and be approved by the agency's Board of Directors before they are submitted to HUD.

MTW agencies then report on the outcomes of their MTW activities as they relate to the three statutory objectives in the Annual MTW Report. Agencies are expected to refer back to the performance goals set in the Plan for that year when tracking their progress on these activities. If needed, agencies are also expected to revise benchmarks for any activity which did not accomplish its stated goal.

The Plans and Reports give the agencies an opportunity to articulate their broader MTW agency goals and to summarize housing authority operating and financial information already submitted into other HUD systems. Many MTW agencies use these documents not just as a way to submit required information to HUD, but to communicate with their communities and stakeholders. As such, many Plans and Reports present rich detail on the housing authorities' goals, progress and operations. Thus, these Plans and Reports provide a valuable source of information to track the trajectory and success of MTW initiatives within the agency.

Many MTW agencies have developed innovative and creative ways to measure their MTW initiatives' performance and the progression toward the three statutory goals. However, there are several

limitations to the data found in the Annual MTW Plans and Reports:

- MTW agencies were not required to provide details on the outcomes of MTW activities until the Standard Agreement between the PHA and HUD was executed. As a result, data from MTW Plans and Reports drafted prior to 2008/2009 have less consistency in the quality of data and evaluation metrics.
- Some smaller agencies were not required to submit Annual MTW Reports at all until after they signed the Standard Agreement. Agencies are now required to report on all MTW activities dating back to the beginning of the demonstration, but because some agencies were not collecting this information from the outset, they have trouble reporting on outcomes of initiatives years after implementation. The lack of high-quality baseline data on MTW agencies' operations prior to implementing MTW makes the effects of MTW difficult to assess. Because baseline data is not of high-quality, pre- and post-MTW effects are not reliable.
- Throughout the MTW demonstration, agencies have defined their success individually and locally, such that measures of success vary greatly between agencies. Without a standard measure of success, it is difficult to compare and generalize outcomes between agencies.
- Because most MTW agencies have implemented multiple MTW activities at once, it is difficult to isolate the effect of a single authorization. Though MTW agencies can, for instance, track employment and earnings data on residents over time, it is often difficult to assess which MTW activities, if any, contributed to any changes.

HUD Reporting Systems

While MTW agencies are exempt from some HUD reporting requirements, agencies are still required to submit data on the number and types of families served, housing inventory characteristics and other housing authority operating and management information to the Information Management System – Public Housing Information Center (IMS-PIC) system, so that their data can be compared over time and between housing authorities. In past years, several agencies did not report on families served outside of the traditional public housing and voucher programs. HUD has developed a new PIC-MTW module for MTW agencies, and MTW agencies can now more accurately report on families served through MTW that do not fit into the traditional categories of families served (such as transitional housing units or tax credit properties). MTW agencies are now transitioning these families into the PIC module so that all data regarding families served by MTW agencies will be captured in PIC.

Other HUD reporting systems, such as the Financial Data Schedule (FDS), which is a database of approved audited financial statements, and the Voucher Management System (VMS), which is a database of financial obligations for the Housing Choice Voucher program, were not used in this report.

Promising Practices Reports

HUD has a collection of Promising Practices Reports on the notable progress towards the MTW program objectives for the majority of MTW agencies, drafted internally and based on interviews with housing authority and HUD staff, Annual MTW Plans and Reports and other program data. Although the data in these reports are largely anecdotal and were mostly compiled in 2008, prior to when MTW agencies had developed more rigorous outcome measures, these reports present valuable snapshots of the MTW activities whose success was most evident to housing authority staff and HUD.

MTW Conference Reports

In 2008 and 2009, MTW PHA staff and HUD staff involved in administering MTW participated in Annual MTW Conferences. The conference sessions covered a wide range of topics, including technical programmatic requirements, agency initiatives and developing strategies. HUD's contract support staff takes notes on the presentations and the subsequent discussions; staff then compiles all notes, handouts and other instructional material in a Conference Report. Both the presentation handouts and the transcription of the dialogue from the sessions help supplement the material found in other sources; this information provides a valuable 'on the ground' resource for both MTW practitioners and HUD program staff

The 2010 MTW Conference was held from June 2-4. While the Conference Report is not yet available, the presentation materials, notes from Conference sessions and discussions with Conference participants are used throughout this report.

Site Visit Reports

MTW coordinators and Field Office representatives conduct annual site visits to each MTW agency to discuss the agency's vision, ongoing and proposed activities, evaluation of activities and challenges that the agency has encountered in implementing its MTW program. Technical support contract staff accompanies HUD staff on these visits and compiles site visit reports that provide details on the discussion that takes place. These reports typically do not contain any data, but provide a qualitative assessment of progress, outcomes and challenges in the implementation of MTW.

Interviews with HUD and PHA Staff

For this study, interviews were conducted with current and former HUD staff, current and former HUD technical support contract staff and MTW PHA agency staff involved in administering the MTW demonstration. Questions focused on benefits and challenges associated with MTW, defining success in MTW and characteristics of successful MTW agencies.

Appendix C: MTW Authorizing Legislation

April 25, 1996

CONGRESSIONAL RECORD—HOUSE

H3917

the public housing agency to cease additional spending in connection with the development, except to the extent that additional spending is necessary to ensure decent, safe, and sanitary housing until the Secretary determines or approves an appropriate course of action with respect to such development under this section.

(b) CONVERSION TO TENANT-BASED ASSISTANCE.—

(1) The Secretary shall make authority available to a public housing agency to provide tenant-based assistance pursuant to section 8 to families residing in any development that is removed from the inventory of the public housing agency and the annual contributions contract pursuant to subsection (b).

(2) Each conversion plan under subsection (c) shall—

(A) require the agency to notify families residing in the development, consistent with any guidelines issued by the Secretary governing such notifications, that the development shall be removed from the inventory of the public housing agency and the families shall receive tenant-based or project-based assistance, and to provide any necessary counseling for families; and

(B) ensure that all tenants affected by a demonstration under this section that a development shall be removed from the inventory of a public housing agency shall be offered tenant-based or project-based assistance and shall be relocated, as necessary, to other decent, safe, sanitary, and affordable housing which is, to the maximum extent practicable, housing of their choice.

(c) IN GENERAL.—

(1) The Secretary may require a public housing agency to provide such information as the Secretary considers necessary for the administration of this section.

(2) As used in this section, the term "development" shall refer to a project or projects, or to portions of a project or projects, as appropriate.

(3) Section 18 of the United States Housing Act of 1937 shall not apply to the demolition of developments removed from the inventory of the public housing agency under this section.

STREAMLINING SECTION 8 TENANT-BASED ASSISTANCE

SEC. 203. (a) "TAKE-ONE, TAKE-ALL."—Section 8(f) of the United States Housing Act of 1937 is hereby repealed.

(b) EXEMPTION FROM NOTICE REQUIREMENTS FOR THE CERTIFICATE AND VOUCHER PROGRAMS.—Section 8(c) of such Act is amended—

(1) in paragraph (b), by inserting after "section" the following "(other than a contract for assistance under the certificate or voucher program)"; and

(2) in the first sentence of paragraph (b), by striking "(but not less than 30 days in the case of housing certificates or vouchers under subsection (b) or (a))" and inserting ", other than a contract under the certificate or voucher program."

(c) ENDLESS LEASE.—Section 8(d)(1)(B) of such Act is amended—

(1) in clause (ii), by inserting "during the term of the lease," after "(ii)"; and

(2) in clause (iii), by striking "provide that" and inserting "during the term of the lease."

(d) APPLICABILITY.—The provisions of this section shall be effective for fiscal year 1996 only.

PUBLIC HOUSING/SECTION 8 MOVING TO WORK DEMONSTRATION

SEC. 204. (a) PURPOSE.—The purpose of this demonstration is to give public housing agencies and the Secretary of Housing and Urban Development 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 where the head of household is working, seeking work, or is preparing for work by participating in job training, educational programs, or pro-

grams that assist people to obtain employment and become economically self-sufficient; and increase housing choices for low-income families.

(b) PROGRAM AUTHORITY.—The Secretary of Housing and Urban Development shall conduct a demonstration program under this section beginning in fiscal year 1996 under which up to 30 public housing agencies (including Indian housing authorities) administering the public or Indian housing program and the section 8 housing assistance payments program may be selected by the Secretary to participate. The Secretary shall provide training and technical assistance during the demonstration and conduct detailed evaluations of up to 15 such agencies in an effort to identify replicable program models promoting the purpose of the demonstration. Under the demonstration, notwithstanding any provision of the United States Housing Act of 1937 except as provided in subsection (c), an agency may combine operating assistance provided under section 9 of the United States Housing Act of 1937, modernization assistance provided under section 14 of such Act, and assistance provided under section 8 of such Act for the certificate and voucher programs, to provide housing assistance for low-income families, as defined in section 3(b)(2) of the United States Housing Act of 1937, and services to facilitate the transition to work on such terms and conditions as the agency may propose and the Secretary may approve.

(c) APPLICATION.—An application to participate in the demonstration—

(1) shall request authority to combine assistance under sections 8, 9, and 14 of the United States Housing Act of 1937;

(2) shall be submitted only after the public housing agency provides for citizen participation through a public hearing and, if appropriate, other means;

(3) shall include a plan developed by the agency that takes into account comments from the public hearing and any other public comments on the proposed program, and comments from current and prospective residents who would be affected, and that includes criteria for—

(A) families to be assisted, which shall require that at least 75 percent of the families assisted by participating demonstration public housing authorities shall be very low-income families, as defined in section 3(b)(2) of the United States Housing Act of 1937;

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

(C) continuing to assist substantially the same total number of eligible low-income families as would have been served had the amounts not been combined;

(D) maintaining a comparable mix of families (by family size) as would have been provided had the amounts not been used under the demonstration; and

(E) assuring that housing assisted under the demonstration program meets housing quality standards established or approved by the Secretary; and

(4) may request assistance for training and technical assistance to assist with design of the demonstration and to participate in a detailed evaluation.

(d) SELECTION.—In selecting among applications, the Secretary shall take into account the potential of each agency to plan and carry out a program under the demonstration, the relative performance by an agency under the public housing management assessment program under section 8(i) of the United States Housing Act of 1937, and other appropriate factors as determined by the Secretary.

(e) APPLICABILITY OF 1937 ACT PROVISIONS.—

(1) Section 18 of the United States Housing Act of 1937 shall continue to apply to public

housing notwithstanding any use of the housing

under this demonstration.

(2) Section 12 of such Act shall apply to housing assisted under the demonstration, other than housing assisted solely due to occupancy by families receiving tenant-based assistance.

(f) EFFECT ON SECTION 8, OPERATING SUBSIDIES, AND COMPREHENSIVE GRANT PROGRAM ALLOCATIONS.—The amount of assistance received under section 8, section 9, or pursuant to section 14 by a public housing agency participating in the demonstration under this part shall not be diminished by its participation.

(g) RECORDS, REPORTS, AND AUDITS.—

(1) KEEPING OF RECORDS.—Each agency shall keep such records as the Secretary may prescribe as reasonably necessary to disclose the amounts and the disposition of amounts under this demonstration, to ensure compliance with the requirements of this section, and to measure performance.

(2) REPORTS.—Each agency shall submit to the Secretary a report, or series of reports, in a form and at a time specified by the Secretary. Each report shall—

(A) document the use of funds made available under this section;

(B) provide such data as the Secretary may request to assist the Secretary in assessing the demonstration; and

(C) describe and analyze the effect of assisted activities in addressing the objectives of this part.

(3) ACCESS TO DOCUMENTS BY THE SECRETARY.—The Secretary shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to assistance in connection with, and the requirements of, this section.

(4) ACCESS TO DOCUMENTS BY THE COMPTROLLER GENERAL.—The Comptroller General of the United States, or any of the duly authorized representatives of the Comptroller General, shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to assistance in connection with, and the requirements of, this section.

(5) EVALUATION AND REPORT.—

(1) CONSULTATION WITH PHA AND FAMILY REPRESENTATIVES.—In making assessments throughout the demonstration, the Secretary shall consult with representatives of public housing agencies and residents.

(2) REPORT TO CONGRESS.—Not later than 180 days after the end of the third year of the demonstration, the Secretary shall submit to the Congress a report evaluating the program carried out under the demonstration. The report shall also include findings and recommendations for any appropriate legislative action.

(f) FUNDING FOR TECHNICAL ASSISTANCE AND EVALUATION.—From amounts appropriated for assistance under section 14 of the United States Housing Act of 1937 for fiscal years 1996, 1997, and 1998, the Secretary may use up to a total of \$5,000,000—

(1) to provide, directly or by contract, training and technical assistance—

(A) to public housing agencies that express an interest to apply for training and technical assistance pursuant to subsection (c)(4), to assist them in designing programs to be proposed for the demonstration; and

(B) to up to 10 agencies selected to receive training and technical assistance pursuant to subsection (c)(4), to assist them in implementing the approved program; and

(2) to conduct detailed evaluations of the activities of the public housing agencies under paragraph (1)(B), directly or by contract.

EXTENSION OF MULTIFAMILY HOUSING FINANCE PROGRAM

SEC. 205. (a) The first sentence of section

542(b)(5) of the Housing and Community Development Act of 1992 (12 U.S.C. 1797 note) is amended by striking "on not more than 15,000



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Testimony of Kristina Cook, CAE
House Financial Services Subcommittee on Insurance, Housing and Community
Opportunity
"The Section 8 Savings Act of 2011: Proposals to Promote Economic Independence for
Assisted Families"
October 13, 2011

Thank you, Chairwoman Biggert and Ranking Member Gutierrez for permitting me to submit this statement on behalf of the National Affordable Housing Management Association (NAHMA). NAHMA is a trade association which represents multifamily property managers and owners whose mission is to provide quality affordable rental housing. NAHMA is also the voice in Washington for 20 regional affordable housing management associations nationwide.

NAHMA strongly supports the Section 8 Housing Choice Voucher Program. This versatile program is helping to stabilize the lives of millions of families by providing them access to affordable housing of their choice. Overall, it has been a highly successful public-private partnership. NAHMA looks forward to working with this Subcommittee to make further improvements to the Section 8 Housing Choice Voucher program, as well as the project-based Section 8 programs administered by the Department of Housing and Urban Development's Office of Housing.

NAHMA supports a number of the elements in the Section Eight Savings Act (SESA) which will make the voucher and project-based Section 8 programs more user-friendly for rental housing providers, current residents and applicants for assistance. Nevertheless, we have concerns about unintended consequences which are likely to result from new language in this discussion draft. NAHMA believes these concerns can be resolved, and we stand ready to work with the Subcommittee to address these issues.

My testimony will focus on the sections of the SESA draft which are most important to NAHMA's property managers and owners.

Inspections

The streamlined inspection process proposed in SESA would remove a major obstacle for voucher holders in tight rental markets. Before a Section 8 voucher holder can rent a specific apartment, the administering agency must first inspect the unit to confirm that it complies with HUD-prescribed Housing Quality Standards (HQS). The resulting delays in lease-ups cause apartments to remain vacant. The financial implications of such delays are enough to deter many owners from participating in the program, especially in low-vacancy markets.

SESA proposes common-sense reforms to the inspection requirements that will help expedite the lease-up process for voucher holders. NAHMA strongly supports provisions in SESA which would:

- Permit housing agencies to approve lease-ups in properties which passed inspections under a program with standards as least as stringent as the HQS, such as the HOME or the Low Income Housing Tax Credit (LIHTC) program;
 - Streamlining this process will provide the residents with much needed housing sooner, and the owners are not losing income due to delayed move-ins;
 - Moreover, this reform will help the voucher program work better with other federal rental assistance programs;
- Allow minor repairs to be made after the tenant moves into the apartment; and
- Give public housing agencies (PHAs) the discretion to inspect units occupied by voucher holders every other year, rather than annually, for the term of the HAP contract.

Unfortunately, the new Section 102 limits the availability of these important inspection reforms only to PHAs which are "participating in and carrying out" a self sufficiency and rental assistance counseling support program. While NAHMA strongly supports the inspection reforms on their own merits, we oppose making them conditional on a PHA's decision to participate in a self sufficiency and rental assistance counseling support program. As written, if a PHA cannot or will not participate, the bill inadvertently penalizes owners and voucher holders in the PHA's jurisdiction by denying them the benefits of streamlined inspections even though they had no control over the PHA's decision. The effect of this conditional applicability will allow the same delays in lease-ups which discourage owners' participation in the voucher program to continue in markets covered by a non-participating PHA. Similarly, as a result of delayed unit inspections, voucher holders may continue to experience difficulty renting an apartment in low vacancy markets through no fault of their own.

These inspection reforms have enjoyed strong bipartisan support without such conditional applicability in several previous Section 8 reform bills. They are much needed in order to create greater efficiency in the

housing choice voucher program for PHAs, owners and voucher holders. NAHMA respectfully requests that the conditional applicability of the inspection reforms be removed from SESA.

Rent Reform and Income Reviews

Section 103 of the bill simplifies the requirements used to calculate rents and to determine income eligibility for rental assistance for PHAs who participate in a self sufficiency and rental assistance counseling support program. Previous versions of Section 8 reform bills extended the rent and income simplification broadly, and included the project-based Section 8 program.

NAHMA has been especially supportive of provisions which would replace the annual income certification requirement for families on fixed incomes with a requirement to review their incomes at least once every three years. NAHMA believes this change will greatly assist elderly and disabled households whose income and sources of income do not vary much from year- to- year.

For these reasons, NAHMA respectfully requests that the conditional applicability of the rent reform and income reviews, which limits the benefit only to PHAs who carry out family self sufficiency programs, be removed from SESA. The language from the June SESA discussion draft is preferable because it ensures fixed-income households in privately-owned project-based Section 8 properties will also benefit from the common-sense policy simplifications in this bill.

Targeting Assistance to Low Income Families

NAHMA supports the changes in Section 202 of SESA which will allow owners and PHAs to expand their income targeting for public housing, vouchers and project-based Section 8 assistance to families whose incomes do not exceed the higher of the poverty line or 30 percent of area median income.

Study Regarding Occupancy of Assisted Housing by Both Elderly Persons and Persons with Disabilities

Section 209 requires HUD to study the impact of providing public and assisted housing projects designated for occupancy both by elderly persons and persons with disabilities (including disabled persons recovering from substance abuse) "on the effectiveness of providing an appropriate living environment for such elderly persons."

NAHMA strongly supports funding for both senior housing and disabled housing programs. However, we would caution the Subcommittee that the needs of frail elderly residents who are "aging in place" vary greatly from those of non-elderly disabled residents.

In fact, Congress recognized the unique challenges in serving both populations when it created the Supportive Housing for Persons with Disabilities program as Section 811 of the Cranston-Gonzalez National Affordable Housing Act of 1990. The Act specifically states,

The purpose of this section is to enable persons with disabilities to live with dignity and independence within their communities by expanding the supply of supportive housing that—

- (1) is designed to accommodate the special needs of such persons; and
- (2) provides supportive services that address the individual health, mental health, and other needs of such persons.

The 1990 legislation carved-out the Section 811 program from the Supportive Housing for the Elderly program (Section 202 of the Housing Act of 1959), which had previously served both elderly and non-elderly disabled residents.

Project-based Vouchers

Project-based vouchers are an important tool in expanding the supply of affordable housing, particularly when used with the tax credit program. These vouchers allow owners to build affordability into their properties.

NAHMA supports changes in Section 204 which extend the maximum allowable housing assistance payment (HAP) contract term between the Public Housing Agency and owner from 15 to 20 years. In our members' experience, lenders prefer 20-year rental assistance contracts to short-term contracts. The long-term HAP contracts help developers to secure more favorable underwriting terms.

Fair Market Rent

HUD's FY 2012 budget sought to eliminate the statutory requirement for the Department to publish Fair Market Rents (FMRs) on October 1. NAHMA is pleased that Section 205 of SESA preserves this mandate and ensures that interested stakeholders and members of the public will continue to have a meaningful opportunity to comment on FMRs.

Timely, predictable publication of the FMRs is essential because FMRs are necessary to calculate the income limits used to determine rents in Low Income Housing Tax Credit properties. Furthermore, HUD has proposed a number of substantial regulatory changes to the methodology for calculating FMRs. These changes will affect the Section 8 voucher program and other rental assistance programs. In this context, NAHMA believes it is inappropriate to implement major statutory FMR changes that have unknown ramifications across housing programs until HUD stabilizes the regulatory changes it is implementing to this important indicator.

Limited English Proficiency

NAHMA supports Section 301 of the SESA draft, which authorizes a process allowing HUD to better serve persons with limited English proficiency by providing technical assistance to recipients of Federal funds.

HUD's limited English proficiency guidance became effective on March 7, 2007. The guidance states that recipients of HUD funding, including affordable rental housing providers, have an obligation to provide translated documents and oral interpretation services to persons who have difficulty communicating and reading in the English language. Originally, HUD provided no additional funding for affordable housing providers to offset the costs of providing language services. Another major concern with the guidance was HUD's failure to identify a specific list of documents housing providers would be expected to translate.

Section 301 of SESA is LEP authorization language which is similar to a proposal crafted by representatives of affordable housing providers, civil rights advocates and HUD staff. In the summer of 2007, a coalition of multifamily housing representatives and civil rights advocates proposed LEP authorization language. The original proposal sought to address the cost and vagueness concerns raised by housing providers, and provide greater assistance to residents and applicants with limited English proficiency to ensure they would have meaningful access to HUD programs. In late 2010, HUD staff requested a number of changes to the proposal. Discussions followed, and HUD multifamily representatives and civil rights advocates came to a consensus. Section 301 preserved most of the essential components of the 2010 agreement. NAHMA is especially interested in the provisions which:

- Create a task force of industry and civil rights stakeholders to identify vital documents (to include both official HUD forms and unofficial property documents);
- Require HUD to translate the vital documents within six months; and
- Create a HUD-administered 1-800 hotline to assist with oral interpretation needs.

Since the LEP authorization language was first proposed, HUD has received modest appropriations to provide LEP technical assistance to recipients of federal funds. The Department has used this funding to create a considerable number of translated forms, notices and fact sheets used to support its programs. The translations are available on the Fair Housing and Equal Opportunity website, http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/promotingfh/lep.

We commend HUD's progress in making translated documents available, but we strongly believe the authorization language is still necessary. First, it reaffirms Congress' commitment to provide consistency in the level of service for individuals with LEP. The result of eliminating funding for LEP services would be to leave properties to their own limited resources in providing language assistance, which would lead to an inconsistent level of service and inconsistent quality of translations for individuals with LEP. Secondly, through the Task Force created in the bill, the language establishes an ongoing, collaborative process for stakeholders and civil rights advocates work with HUD to identify documents to be translated. These documents would include official HUD forms, unofficial property-level documents or other vital documents. Ongoing review of documents by the Task Force will be essential to ensuring that previous translations are updated as necessary (especially when there are changes to the English-language versions), and new documents are translated as needed. Once documents are identified by the Task Force, HUD would have a six-month deadline for providing translated documents. We believe this deadline is important to ensure that property owners and other recipients of HUD funds have timely access to the translations necessary to serve individuals with limited English proficiency. Finally, SESA provides an essential safe-harbor for oral interpretation services. Although HUD's LEP guidance provided a safe-harbor to help determine when written translations were necessary, no such guidance was provided for oral interpretation. This bill authorizes a HUD-administered interpretation service hotline to supplement resources available in the community.

Although NAHMA prefers the LEP authorization found in the previous discussion draft of SESA, which was released in June, we appreciate that the vast majority of the LEP language was retained in Section 301. NAHMA applauds the Subcommittee's willingness to move forward with consideration of this important initiative.

Mark-to-Market Reauthorization

NAHMA is pleased that Section 302 of SESA extends HUD's authority to restructure mortgages under the Mark-to-Market program. The Multifamily Assisted Housing Reform and Affordability Act (MAHRA) of 1997 requires HUD to hold project-based Section 8 rents to market levels. This part of the statute is permanent. However, MAHRA also gave HUD authority to restructure the debt on FHA-insured properties with expiring Section 8 contracts in order to recapitalize the property and allow it to operate successfully with lower rents.

SESA extends HUD's authority to restructure the mortgages to October 1, 2015. This extension preserves an incentive for properties to continue participating in the project-based Section 8 program under market-based rents.

Conclusion

Much of the SESA discussion draft focuses on incentivizing PHAs' participation in family self sufficiency programs. NAHMA commends PHAs who are offering programs to help their residents move toward this worthy goal. However, it is important to recognize many Section 8 residents in Housing Choice Voucher and Project-Based Section 8 programs simply do not earn enough income to pay market rent, even though they are working. In fact, statistics released from HUD's Office of Policy Development and Research indicate that only 4 percent of residents in the Project Based Section 8 program, and only 11 percent of voucher renters claim welfare as their primary source of income. Likewise, more than half of Project-Based Section 8 residents are elderly households. We ask the Subcommittee to be mindful of such demographics as it considers ways to improve and promote self sufficiency programs for residents assisted through HUD's affordable housing programs.

Please see Appendix A for more demographic information about families receiving assistance through the Housing Choice Voucher and Project Based Section 8 programs.

Thank you again for providing NAHMA the opportunity to comment on the draft SESA legislation.

Appendix A

Data from HUD's Office of Policy Development and Research

A Picture of Subsidized Households - 2008

| Program | People Per Unit | House Hold Income | % Wage Majority Income | % Welfare Majority Income | % Other Majority Income | % Below 50 AMI | % Below 30 AMI | % Disabled Age Below 62 | % Disabled Age 62+ | % Disabled All | % Below Age 24 HoH | % Age 25-50 HoH | % Age 51-61 HoH | % Age 62+ HoH | % Age 85+ HoH |
|---------------------------------------------------------|-----------------|-------------------|------------------------|---------------------------|-------------------------|----------------|----------------|-------------------------|--------------------|----------------|--------------------|-----------------|-----------------|---------------|---------------|
| Vouchers | 2.5 | 13.1 | 32 | 11 | 53 | 96 | 75 | 32 | 59 | 18 | 8 | 56 | 17 | 18 | 2 |
| Project Based Sec. 8 New Construction/Substantial Rehab | 1.6 | 11.4 | 15 | 4 | 78 | 96 | 75 | 38 | 14 | 17 | 9 | 25 | 13 | 53 | 9 |

Key:

Number of people per unit: Average size of household

Household income: Average total household income per year, shown in thousands

% Wage Majority Income: % of households where the majority of household income is derived from wages and/or business

% Welfare Majority Income: % of households where the majority of household income is derived from welfare (TANF, General Assistance, or Public Assistance)

% Other Majority Income: % of households where the majority of household income is derived from some other source (other than wage and welfare)

% Below 50 AMI: % of very low income households (with income below 50% of local area median family income)

% Below 30 AMI: % of extremely low income households (with income below 30% of local area median family income)

% Disabled Age Below 62: % of households below age 62 where either household head or spouse (or cohead) has a disability

% Disabled Age 62+: % of households age 62 or older where either household head or spouse (or cohead) has a disability

% Disabled All: % of all persons in household with a disability

% Below Age 24 HoH: % households where head or spouse (whoever is older). Is less than 24 years old

% Age 25-50 HoH: % households where head or spouse (whoever is older) is 25 to 50 years old

% Age 51-61 HoH: % households where head or spouse (whoever is older) is 51 to 61 years old

% Age 62+ HoH: % households where head or spouse (whoever is older) is 62+ years old

% Age 85+ HoH: % households where head or spouse (whoever is older) is 85+ years old

For more information, please see [Picture of Subsidized Households Home Page](http://www.huduser.org/portal/picture2008/index.html) at www.huduser.org/portal/picture2008/index.html.



October 13, 2011

The Honorable Judy Biggert
 Chair, House Insurance, Housing & Community Opportunity Subcommittee
 2129 Rayburn House Office Building
 Washington, DC 20515

Dear Madam Chair:

The National Multi Housing Council (NMHC) and the National Apartment Association (NAA) applaud your leadership for holding a hearing on the Section 8 program and offer our support for many of the concepts contained in the "Section 8 Savings Act of 2011" (SESA) discussion draft. Professional apartment owners, in partnership with housing administrators, have made great strides in helping low-income families find quality affordable rental housing through the Section 8 program – a partnership that helps the community as a whole. NMHC/NAA support the Section 8 program as a means to engage private housing providers in making affordable rental housing available to families who need it.

NMHC and NAA represent the nation's leading apartment firms. Our combined memberships are engaged in all aspects of the industry, including ownership, development, management and finance. NMHC represents the principal officers of the industry's largest and most prominent firms. NAA is the largest national federation of state and local apartment associations, with 170 state and local affiliates comprised of more than 50,000 members. Together we represent approximately six million apartment homes.

NMHC/NAA strongly support the Section 8 housing choice voucher program, which has long served as America's primary rental subsidy program. The program, which provides subsidized rents for low-income families in private rental housing, can be one of the most effective means of addressing the need for affordable housing. It allows families to choose their housing and helps reduce the concentration of poverty.

However, the program has been plagued with inefficiencies and onerous bureaucratic requirements that increase the cost to rent to a Section 8 voucher holder and discourage private owners from accepting Section 8 vouchers. Owners who participate in the program must sign a three-way lease with the resident and the housing authority, and they are subject to (often cumbersome) program restrictions such as repetitive unit inspections, resident eligibility certification and other regulatory paperwork. The inspection provisions alone may hold the unit vacant for weeks taking control of the unit away from the owner and reducing rental income. With multiple units awaiting inspection, this is a material disincentive for participating in the program.

The program has also been plagued with a flawed and volatile funding system, which has undermined private sector confidence in the program. With the 112th Congress focused on austerity measures and deficit reduction, insufficient funding is expected to be worse in the near-term budget cycles. With that in mind, it is imperative that Congress streamline the program to utilize available resources.

Recognizing the regulatory burden the program places on private owners, Congress specifically made participation in the program voluntary. However, at the state and federal levels, efforts have been undertaken to prohibit private owners from refusing to rent to individuals because they hold a Section 8 voucher. While superficially appealing, such mandates are ultimately self-defeating because they greatly diminish private investment in affordable housing and reduce the supply. Increased participation should occur because the program has been reformed, and renting to a Section 8 voucher holder (from the owner's perspective) is comparable to renting to an unsubsidized renter.

If the housing needs of America's low- and moderate-income families are going to be met, it is imperative that we improve the Section 8 program and preserve its voluntary nature.

The "Section 8 Savings Act of 2011" promotes several positive reforms to the Section 8 program, including ensuring that Fair Market Rents continue to be announced by a date certain, as well as allowing for public comment. We are also pleased that the bill addresses the limited English proficiency (LEP) issue. It is critical that if the Department of Housing and Urban Development (HUD) requires the translation of "vital" and other documents, the agency provide the translations and access to oral translations. The LEP provision in the measure ensures that individuals with limited English proficiency have access to accurate documents and that the provision of these documents and services is cost effective. Finally, we are supportive of the extending the Mark to Market program.

Although SESA includes many improvements to the Section 8 program, we do have certain concerns about the bill as currently drafted. First and foremost, the property inspection language in Section 101 would potentially exclude professionally managed buildings in the private sector from fully participating in the program. Property inspection requirements required under current law are already time consuming and expensive. Notably, changes proposed in the June draft of the SESA legislation would have eliminated multiple inspections of units that have already been inspected for FHA financing or participation in the Low-Income Housing Tax Credit and other assisted housing programs. Unfortunately, the current SESA draft would reverse the positive changes made in June by tying the inspection process to the PHA participation in a government program. We strongly recommend that the Subcommittee eliminate this requirement by allowing the streamlined inspection process to occur for every PHA. In addition, it is important to note that previous versions of Section 8 reform legislation were estimated to save the government nearly \$1 billion.

Lawmakers should take action to help the Section 8 program truly meet the affordable housing needs of the nation's citizens. Thank you for your commitment to housing; we look forward to working with you to forge a solution.

Sincerely yours,



Douglas M. Bibby
President
National Multi Housing Council



Douglas S. Culkun, CAE
President
National Apartment Association

cc: Luis V. Gutierrez, Ranking Member
House Financial Services Subcommittee on Insurance, Housing and Community Opportunity



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Honorable Judy Biggert
House Financial Services Subcommittee on
Insurance, Housing and Community Opportunity
2159 Rayburn House Office Building
Washington, D.C. 20515

October 12, 2011

Dear Chairwoman Biggert:

PHADA wishes to express its strong support for the expansion and permanent authorization of the Moving to Work Demonstration program (MTW) as proposed by Rep. Miller. In recent years some consensus has developed concerning expansion of the program. Recent authorization bills have expanded MTW by approximately 10 percent per year, several legislative proposals have included expansion of the program, and the Department of Housing and Urban Development's recent MTW Report to Congress advocated expansion of the program. Program and funding flexibility as offered by MTW has become critical to agencies in the current budget environment that may last for some time to come.

Mr. Miller's proposal authorizes the program on a permanent basis and allows the department to expand MTW in a reasonable way consistent with standards and procedures it sets. PHADA believes that the proposal will open MTW participation to diverse agencies interested in offering housing assistance in their communities, which hope to serve the broad purposes of MTW, and which are interested in crafting assistance programs responsive to local community needs and preferences. PHADA hopes that the Subcommittee supports such an authorization and expansion of MTW.

Thank you for your attention and support.

Sincerely,

Timothy G. Kaiser
Executive Director



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Honorable Judy Biggert
House Financial Services Subcommittee on
Insurance, Housing and Community Opportunity
2159 Rayburn House Office Building
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October 12, 2011

Dear Chairwoman Biggert:

PHADA wishes to bring some matters concerning the Moving to Work Demonstration (MTW) to your attention, particularly as they relate to recent criticisms of the program based on faulty, incomplete or inconsistent assessments by the Center on Budget and Policy Priorities (CBPP). Based on assessments by the Urban Institute, the Department of Housing and Urban Development and independent studies sponsored by MTW agencies, PHADA believes that the demonstration has been one of the most fruitful sources of innovation and growth for deeply assisted housing programs during the 13 year history of the program. The program has facilitated growth in the local stock of assisted housing in some MTW communities. It has enabled some agencies to reconfigure large stocks of obsolete public housing that were dangerous and damaging to residents and to communities surrounding those obsolete properties. MTW has enabled some agencies to expand the number of eligible households served by federal housing assistance, to deliver that assistance more effectively and efficiently, to improve the economic independence of non elderly or disabled program participants, and to deliver assistance and services to participants in ways that conform most closely to their local communities' policy preferences.

- CBPP asserts that MTW agencies spend 63 percent more per assisted household than other agencies.

BUT:

1. The assertion is based on a faulty understatement of the number of households that MTW agencies assist, resulting in an overestimate of the cost per household. CBPP has chosen not to count units serving eligible families, such as units in LIHTC

properties and HOME supported units, understating assistance provided by MTW agencies by thousands of units.

- a. LIHTC properties will include at least 20 percent of units serving families at 50 percent of AMI or 40 percent of units serving families at 60 percent of AMI. Many states' LIHTC selection criteria offer bonuses for serving higher proportions of low income or very low income households in LIHTC properties. The Center has ignored these units available to low income and very low income households.
 - b. MTW agencies must serve 75 percent very low income households (with incomes below 50 percent of area median income) by statute.
 - c. Ninety percent of units supported by local HOME programs must serve households at 60 percent of area median income. These families may also contribute to compliance with the MTW targeting standard.
 - d. MTW targeting requirements are more stringent than those of the public housing or Housing Choice Voucher programs. The latter cover income of participants at admission. The MTW standard covers all participants.
 - e. The Center acknowledges that agencies using fewer vouchers with Tenant Based Rental Assistance resources represent a minority of MTW agencies. These agencies should be assessed individually to determine whether their use of resources has been effective.
2. Chicago's MTW agreement authorized use of funds appropriated under Section 8 of the U.S. Housing Act of 1937 for Section 9 (public housing) purposes, including preserving and improving obsolete public housing stock.
 3. Use of Tenant Based Rental Assistance resources for development is not a permanent transfer of those resources from Section 8 to Section 9 purposes. When development is complete, funds can become available for tenant based rental assistance.
- CBPP's critique fails to consider the quality of the deeply assisted housing inventory in MTW communities.

BUT, examples of MTW agencies improving housing quality include:

1. The Atlanta Housing Authority has used its MTW flexibility to revitalize its entire stock of obsolete public housing and create a portfolio of modern, mixed income rental housing communities that serve significant numbers of households eligible for deeply assisted housing satisfying its obligations under MTW eligibility and targeting standards.

2. The Chicago Housing Authority has used its MTW flexibility in its Plan for Transformation that has replaced monolithic, obsolete public housing properties with modern, mixed income, mixed ownership communities that have helped deconcentrate poverty.
 3. The Charlotte Housing Authority has used its MTW flexibility to restructure its obsolete public housing inventory into over 40 smaller, modern, mixed income properties.
 4. The San Diego Housing Commission has used its MTW flexibility to restructure its public housing inventory into a larger inventory of project based assistance properties that will serve significantly more low income households. The Commission committed to expand its 1,366 units of assisted housing by 25 percent. In its most recent status update, the Commission indicates that it expects to expand that inventory by over 50 percent.
 5. Other MTW agencies (e.g. Pittsburgh, Portland, OR) have taken similar steps to reconfigure public housing to preserve, improve and expand the assisted housing inventory.
- While criticizing the MTW Demonstration program because agencies receive more funding per unit than non-MTW agencies, the Center has advocated for public housing preservation and improvement policies (e.g. HUD's Rental Assistance Demonstration (RAD)) that will raise the cost per unit of assisted housing.

In conclusion, PHADA believes that 13 years of experience with the MTW program has demonstrated that a much more flexible system for delivering federal housing assistance to eligible households produces innovations in service delivery, opportunities to preserve and significantly improve the quality of deeply assisted housing, and opportunities to expand that inventory. The benefits of policy and funding flexibility have not caused measurable harm to assisted households, have improved households' living environments and have expanded the availability of housing assistance in many MTW communities.

The Center on Budget and Policy Priorities recent critique of MTW has been methodologically flawed and has painted a narrow, distorted picture of the impact of the MTW program. As you consider Rep. Miller's proposal concerning MTW, PHADA urges you to assess the program realistically, without the unfortunate distortions the Center has introduced. MTW has offered a few local agencies the opportunity to operate locally responsive housing programs more efficiently and effectively, and PHADA believes those agencies have performed well and fulfilled their responsibilities under the program. The Department of Housing and Urban Development has identified a number of promising innovations developed by MTW agencies and has recommended expansion of the program. PHADA urges serious consideration of recommendations for

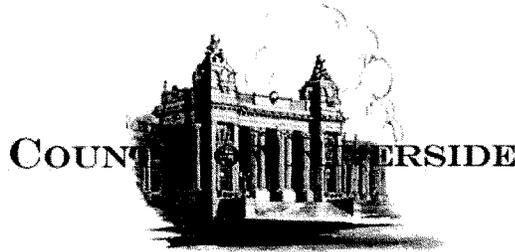
expansion of MTW disregarding distortions introduced by narrow, flawed analyses.

Thank you for your attention and for your support of the Moving to Work program.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy G. Kaiser". The signature is stylized with a large, sweeping initial "T" and "K".

Timothy G. Kaiser
Executive Director

**Board of Supervisors**

| | |
|-------------------|-------------------------------------------|
| District 1 | Bob Buster 951-955-1010 |
| District 2 | John F. Tavaglione 951-955-1020 |
| District 3 | Jeff Stone 951-955-1030 |
| District 4 | John Benoit 951-955-1040 |
| District 5 | Marion Ashley 951-955-1050 |

October 13, 2011

The Honorable Judy Biggert, Chair
 Subcommittee on Insurance, Housing and Community Opportunity
 Committee on Financial Services
 U.S. House of Representatives
 Washington, D.C. 20515

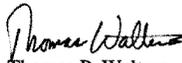
Dear Chairwoman Biggert:

I am writing on behalf of the Riverside County Board of Supervisors to express their support for the expansion of HUD's Moving to Work (MTW) program. The County's Public Housing Authority would greatly benefit from receiving a MTW designation.

The County Housing Authority is currently authorized to serve over 8,500 households through the Section 8 program and over 450 households through the Public Housing Program. In Riverside County, there are 54,000 households registered for the Section 8 waiting list and 79,000 households registered for the Public Housing waiting list. The economic downturn has prompted even more households to seek affordable housing units. Given current funding levels and program capacity, the only way for the Housing Authority to serve additional households is through program policy changes, which prompt working families to quickly transition to market rate housing. The MTW designation will enable the Housing Authority to implement such policies, which prioritize self-sufficiency and encourage short-term use of vouchers. For working families, affordable housing must be a stepping-stone not the end goal. Additionally, the MTW designation will align the Riverside County voucher program with local welfare-to-work goals, which have been successfully implemented by the Riverside County Department of Social Services and the Riverside Workforce Investment Board.

As your Committee continues its work on the *Section 8 Savings Act of 2011* or similar public housing legislation, the County urges you to ensure that the Moving to Work program is expanded to allow more local public housing agencies the flexibility to serve more households.

Sincerely yours,


 Thomas P. Walters
 Washington Representative

TPW:sbm

25 Massachusetts Avenue, N.W., Suite 570, Washington, D.C. 20001 202-737-7523

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National Low Income Housing Coalition written testimony

**Subcommittee on Insurance, Housing and Community Opportunity
House Committee on Financial Services
U.S. House of Representatives**

"The Section 8 Savings Act of 2011: Proposals to Promote Economic Independence for Assisted Families"

October 13, 2011

The National Low Income Housing Coalition (NLIHC) is pleased to submit comments on the revised discussion draft of the Section 8 Savings Act of 2011 (SESA) and the newly circulated Moving to Work Improvement, Expansion, and Permanency Act of 2011.

NLIHC is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes.

Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. NLIHC does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

Section 8 Savings Act of 2011

Minimum Rents

NLIHC opposes the a new provision in the second SESA discussion draft that would allow housing agencies to establish minimum monthly rents at the greater of \$75 or 12% of Fair Market Rent (FMR) for the public housing and voucher programs. The lowest income HUD-assisted households, particularly those in the highest-cost areas, would be faced with significant cost burdens by such an increase to minimum rents. We are equally concerned that the metric for determining rent would shift for many households from the Brooke standard to a percent of FMR. The Brooke standard is of tremendous importance to NLIHC. Shifting the calculation of a household's rent from a percent of a household's income, as Brooke provides to ensure affordability for each household, to a percent of an area's FMR, undermines the stability Brooke provides today to millions of HUD assisted households.

NLIHC tabulations of FY12 FMRs and HUD's 2008 *Picture of Subsidized Households* data find that 88% of people assisted by the housing choice voucher program, and 77% of households served by the public housing program, are in counties where 12% of the two bedroom FMR is greater than \$75. The lowest income households will shoulder the brunt of the burden of this new

minimum rent structure, which shift costs to those most unable to afford increased rents. While the statute does allow for certain hardship exemptions from the current authorized minimum rent, these hardship exemptions do not include housing cost burdens experienced as a result of unaffordable minimum rents. Our nation's federal housing safety net must be one that provides stable housing, regardless of the income level of the household assisted.

The new draft SESA bill would also allow private owners to set minimum rent amounts. Currently, the HUD Secretary has this authority and, through regulation, has set project-based minimum rents at \$25. In the draft SESA bill, owners could seek HUD approval to have minimum rents of the greater of \$75 or 12% of FMR. NLIHC looks forward to sharing our analysis of the potential for increased rent burdens triggered by this proposal.

NLIHC opposes this new section of the draft SESA bill and urges the Subcommittee to remove it as the bill moves forward.

Access to Reforms Contingent on Certain Programming

The latest discussion draft makes access to the bill's income determination and rent simplification provisions, as well as the bill's new inspection protocols, contingent upon a public housing agency carrying out a program that promotes economic self-sufficiency for families with children whose head of household is working, seeking work, or preparing for work by participating in job training, educational programs, or by other supporting services, including rental counseling.

NLIHC supports the goals of this new section of the draft SESA bill but we must also note that achieving "economic self-sufficiency" is extremely difficult during periods when unemployment is high, incomes are decreasing particularly for the lowest income households, and rents are rising. Due to the recession, HUD reports that public and assisted housing residents are using the housing assistance for longer periods of time as their ability to participate in the private, un-assisted rental market remains out of reach.

NLIHC is unsure what public housing agency resources could be dedicated to such commendable efforts. NLIHC understands that HUD is involved in a myriad of working groups with other departments and agencies. Perhaps these federal partnership conversations could produce commitments from a range of appropriate agencies to partner with housing agencies to achieve these goals.

NLIHC is concerned that conditioning access to the bill's key simplifications regarding rents, income determinations, and inspections on public housing agencies operating self-sufficiency programming would also exclude private owners and operators from taking advantage of these reforms. This would prohibit residents of privately owned, HUD-assisted housing from benefiting from these simplifications and would decrease the overall cost savings these reforms would generate because, in the new SESA draft, these reforms would not apply to project-based housing.

Many of the draft bill's rent simplification provisions serve double duty by also encouraging increased earned income. In the draft bill, interim income recertifications due to increased income would only occur when annual income increased by 10%. And, PHAs and owners could chose not to conduct any interim income recertifications during the last three months of a tenant's recertification period. The bill would also base rents at annual income recertifications on prior year income instead of on projected income, which is the current practice.

NLIHC believes that these provisions will benefit residents by allowing them to hold on to more of their increased earned income longer and make rent setting and income recertifications easier for PHAs and owners. NLIHC would not want to condition the ability of residents to benefit from these good provisions because their public housing agency did not, or could not, operate a new self-sufficiency program or their private owner was prohibited from operating one.

Provisions Still Not in SESA

While NLIHC had praised the first bill's inclusion of enhanced vouchers for tenants in properties with maturing mortgages, this provision has been removed in the second discussion draft. NLIHC hopes that this provision, which would apply only to tenants who would be eligible for enhanced vouchers if their owners had instead prepaid their contracts, can be added back into SESA.

In our June 23, testimony on the first discussion draft of SESA, NLIHC recommended a number of provisions be included in SESA. We are disappointed that none of the issues NLIHC encouraged including in SESA are in the second draft.

Among the **voucher funding provisions** NLIHC continues to urge the Subcommittee to include are: basing annual voucher funding allocations on leasing and cost data; voucher funding offset and reallocation policies; and, an advance funding mechanism. Voucher funding instability was the main force behind developing voucher reform legislation in the mid-2000's and NLIHC believes that SESA will be incomplete if it does not incorporate such provisions, which will bring stability and reliability to the voucher program.

NLIHC also continues to urge the Subcommittee to include **project-based voucher reforms** in SESA. The draft bill would extend maximum project-based voucher contract terms from 15 to 20 years. NLIHC seeks other provisions to allow housing agencies to base the existing 20% cap for project-basing on either the number of its vouchers or its voucher budget authority. NLIHC also continues to support authorization for an additional 5% of vouchers or voucher funds to be project-based in units housing homeless families, for supportive housing for persons with disabilities, or for units in tight rental markets.

NLIHC had also recommended a number of improvements to the draft bill's **rent policy demonstration**. These might include: meaningful resident participation in development and ongoing administration of any demonstration; interim and final evaluation components that include data gathering, both of which would monitor rent burdens; rent burdens becoming de

facto time limits; hardship provisions; how well the demonstration is meeting the goals in the discussion draft; authority for the HUD Secretary to stop or change a demonstration policy if it's been found to harm residents; ineligibility of troubled agencies to participate; and, limiting the demonstration to the smallest, specific number of families and for the shortest time frame necessary to test various rent structures.

NLIHC also continues to support including **manufactured housing** provisions into SESA. We continue to support the inclusion of language that would allow voucher assistance to cover the cost of purchasing a manufactured home, including any required insurance and property taxes and the monthly amount allowed for tenant-paid utilities, in addition to the already allowable use of voucher assistance to pay the monthly rent charged for the real property on which the manufactured home is located.

NLIHC also continues to urge the Subcommittee to include additional **admissions protections** as well. Protections from earlier versions of voucher reform bills would limit denials of assistance for criminal activity to violent and drug-related activity or a pattern of other criminal activity during a reasonable period before the admission date and where there is credible and objective evidence.

NLIHC also continues to support that **Fair Market Rents** and income limits be published by some dates certain each year.

Moving to Work Improvement, Expansion, and Permanency Act of 2011

NLIHC opposes this MTW Act of 2011. The bill would authorize a wholesale expansion of the controversial MTW demonstration program, which has never been fully evaluated. The discussion draft bill would require the HUD Secretary to establish an MTW program and then approve all but the most wayward of applications. The discussion draft includes no provisions to ensure that the lowest income households are served or that they are served in an affordable way. NLIHC urges the Subcommittee to require a thorough evaluation of the current MTW demonstration and to use this information to decide which pieces of MTW are worthy of replication and which others contribute to housing instability and to the inefficient use of scarce housing resources. As we described in detail in our June 23 testimony before the Subcommittee, the MTW demonstration is not worthy of expansion.

Thank you for considering our views.