



# *memorandum*

Abt Associates Inc.

**Date** January 8, 2004

**To** Jennifer Guthart Powers, Leigh van Rij

**From** Jennifer Turnham

**Subject** **MTW Monitoring Visit: Tulare County**

On December 8, 2003, Abt Associates staff conducted a site visit to Tulare County (CA). This was the fourth monitoring/evaluation visit to Tulare. The first visit was conducted in May 2000, approximately one year after Tulare began enrolling tenants in its MTW program, the second visit was conducted in September 2001, and the third visit was conducted in October 2002.

During the visit Abt staff met with HATC executive staff, intake staff, and financial staff. As a part of the visit, we obtained household data to analyze rent burden and targeting issues, and conducted a review of HATC's compliance with MTW requirements.<sup>1</sup>

This memo summarizes the findings of the site visit. The narrative is organized into three headings: summary of program status, monitoring issues, and program outlook.

## **1. Summary of Program Status**

Tulare's MTW program is intended to foster self-sufficiency and simplify program administration through two basic features:

- Flat rents for public housing (and a corresponding fixed subsidy in the Housing Choice Voucher Program) and
- A five-year time limit on assistance.

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<sup>1</sup> The review had two components: compliance with the general MTW requirements and compliance with MTW requirements specific to HATC's MTW agreement. The results of this review are documented in the monitoring tool spreadsheets, "HATC General MTW Monitoring" and "HATC Site Specific Monitoring." Copies of these spreadsheets were sent via e-mail to Carol Jurand at the San Francisco Field Office on December 10, 2003.

All new admissions are part of the MTW program (except elderly and disabled households, who are exempt). In addition, existing public housing tenants and voucher program participants have been given the option of converting to the MTW system.

HATC began enrolling tenants into its MTW program in spring of 1999. As of December 2003, 60 percent of HATC's public housing tenants and 57 percent of its voucher program households were participants in MTW. The table below shows the breakdown of program participation. Note that HATC's inventory includes 400 Welfare to Work (WtW) vouchers that HATC currently administers under regular voucher program rules. In June 2001, HATC requested that these vouchers be converted to MTW, but HUD did not approve the merger of this increment into the MTW pool.

**MTW Participation  
December 2003**

	<b>Public Housing</b>	
	Number	Percent
Moving to Work	419	60%
Income Based	212	30%
HUD Flat Rent	67	10%
<b>Total</b>	<b>698</b>	<b>100%</b>

	<b>Housing Choice Vouchers</b>	
	Number	Percent
Moving to Work	1,539	57%
Income Based	866	32%
Welfare to Work	303	11%
<b>Total</b>	<b>2,708</b>	<b>100%</b>

Overall, Tulare's MTW program appears to be going smoothly. Based on interviews conducted during the site visit, there appears to be continued, widespread support for the program as well as a general perception that the flat rent approach is superior to the traditional income-based rents. Our discussions with HATC staff focused on four main topics:

- a) Staff views of the MTW program;
- b) Policies and procedures for families reaching the five-year time limit;
- c) Homeownership options for MTW families; and
- d) Program outcomes to date.

Each of these topics is discussed below.

## A. Staff Views of the MTW Program

While on site, we held an informal focus group with nine clerks from HATC's central and satellite offices. Each of the clerks works directly with both MTW and non-MTW participants, conducting initial eligibility interviews and annual recertifications. Several of the clerks had met with us on previous site visits and were used to sharing their views on the program.

Overall, the clerks were very supportive of the MTW program. They reported that the biggest benefit of the flat rent/fixed subsidy system is the ability of families to save money as their incomes increase. Several clerks described individual families who had achieved great success through the program – increasing their employment, accruing savings, purchasing homes, and leaving housing assistance. According to the clerks, the families who have most benefited from the program are those who fully understood the advantages of the fixed rent and immediately began saving money.

Another advantage of MTW over traditional income-based programs is the elimination of interim recertifications. Clerks reported that families feel much more comfortable providing required information on household income because they know it will not change their rent or subsidy amount. The clerks also suggested that knowing the rent will not change significantly over the five years of the program allows families to plan their finances more efficiently and may contribute to greater residential stability.

A third benefit of the MTW program is that the flat subsidy in the voucher program allows MTW families to rent larger units, or units in better neighborhoods, than their counterparts on the income-based program. The clerks reported that landlords prefer the flat subsidy system and have been more receptive to MTW participants than traditional voucher participants. MTW families also have more flexibility to spend a higher share of their income on rent in order to access better neighborhoods. Although there is the danger that families will rent units beyond their means, several clerks argued that living in a higher quality unit provides an incentive for families to increase their income. In addition, living in a better neighborhood may improve the employment opportunities of adults and the educational and social experiences of children. Although the clerks counsel families at the start of the program on the dangers of spending too much on rent, ultimately it is up to the family and the landlord to determine what rent level is affordable and appropriate for their circumstances.

Although the five-year time limit is not perceived as an *advantage* of HATC's MTW program, the clerks expressed the unanimous view that it is a necessary component of the program. The main advantage of the time limit from the clerks' perspective is that it allows more families from the waiting list an opportunity to receive housing assistance. The clerks believe that with a fixed subsidy system, five years is enough time for most families to increase their employment and savings to a point where they can live without

housing assistance. The time limit is an incentive for families to “break the cycle” of dependence on assistance and the flat rent system gives them an opportunity to save.

Several clerks noted that as time limits approach for the first families enrolled into MTW, many families are concerned about losing the assistance. Some families have not taken the program seriously and have not attempted to save. They may have increased their income but have spent the extra money on a bigger apartment or new car, things which may have been necessary but do not contribute to their savings. However, the clerks also cited examples of families who despite their best intentions have had trouble moving toward self-sufficiency and for whom the end of assistance will be a painful transition. These families will likely reapply for housing assistance as soon as they reach the five-year time limit. The waiting list for the voucher program is about four years. For public housing the wait is somewhat shorter and varies significantly by development.

In order to assist more families in preparing for the transition off housing assistance, the clerks recently offered a workshop in banking, credit, and homeownership for MTW families entering their fifth year of the program. The clerks invited approximately 300 families to attend the workshop, which was offered in morning, afternoon, and evening sessions in several locations across the county. Only about 75 program participants attended the workshop, but those who did attend reported that it was highly valuable. In the future, HATC plans to offer the workshop to all MTW participants starting in their second year on the program.

Despite the hardship that the five-year time limit will undoubtedly cause for some families, the clerks were unswerving in their support for the program. In the focus group discussion, the clerks kept returning to the notion of fairness – “if families don’t want to take advantage of the five-year program, they need to make room for others on the waiting list.”

## **B. Policies and Procedures for Families Reaching the Five-Year Time Limit**

The first families enrolled into HATC’s MTW program will reach the five-year time limit on assistance in May 2004. The first families to reach the time limit will be public housing participants, since the agency began enrolling public housing participants into the program a few months before voucher participants. Public housing participants that reach the five-year limit will receive a letter notifying them that they have six months to move out of the unit before being evicted. Voucher participants will be terminated from the program as soon as they reach the five-year limit, unless their lease extends beyond that time in which case they will continue to receive assistance through the end of the lease period.

HATC has been tracking the number of families approaching the five-year time limit. As of November 2003, 50 public housing families and four voucher families were less than 12 months away from reaching the time limit. As described below, HATC is making

every effort to ensure that participants are aware of how much time they have on the program. The agency also has a hardship committee in place to address requests to remain on the program beyond the time limit. However, HATC is firmly committed to implementing the time limit policy.

All MTW participants receive regular notification of how many months they have left on the program. At the time of their annual certification, participants receive written and oral notification of their time remaining and sign a form certifying that they understand the time limit on the program. At this time, the clerks also discuss with participants their plans for reaching self-sufficiency and provide referrals to supportive service agencies as needed (contact information for these agencies is also provided with the notification letters). Participants may also telephone HATC's clerks at any time during the year to get an update on their time remaining on the program. In addition to the annual letter and recertification meeting, participants in their last year of the program receive written notification six months and two months before they reach the time limit. As discussed above, HATC offers optional budgeting and homeownership workshops for MTW participants approaching the program time limit.

Despite taking these steps to ensure that MTW participants are aware of and preparing for the end of their assistance, HATC anticipates that many participants will request an extension of the time limit on the basis of a hardship. As a result, HATC recently reconvened the four-person committee that designed and approved the agency's hardship policy for MTW. The committee members are from the community and are not affiliated with the housing authority. The committee consists of two local businesspeople, a person who works for a local workforce development organization, and an employee of the U.S. Department of Agriculture. This committee will meet on a quarterly basis or as needed to review hardship requests. The committee recently reviewed four requests to transfer out of MTW and into the income-based program and granted all four requests.

### **C. Homeownership Options for MTW Participants**

In order to increase the housing opportunities for families completing the MTW program and to provide a further incentive for families to increase their income, HATC would like to offer a voucher homeownership option in its MTW program. The homeownership program would be similar to HUD's standard voucher homeownership program except that MTW rules would apply to the form of the subsidy—that is, participants would receive a flat monthly subsidy to assist with mortgage payments, rather than a subsidy that varies with income. In addition, the five-year time limit would not apply to homeownership program participants, since families would be entitled to receive the monthly mortgage subsidy for as long as they are income eligible or for a maximum of 15 years on a 30-year mortgage, as is the case with the regular voucher homeownership program.

In August 2002, HATC submitted an amendment request to HUD to allow the homeownership option to be offered under MTW rules. HUD responded that HATC could only offer the program under MTW rules for the remainder of its demonstration period (approximately two years). At the end of the demonstration, HATC would have to transfer all program participants – including homeownership participants – to income-based programs. This is not feasible for the homeownership program because lenders will not agree to change the structure of the mortgage midway through the loan term. In order to participate in the program, lenders need to be assured that the housing authority will pay the fixed subsidy for the full term of assistance, which in most cases will be 15 years. Changing from a fixed to income-based subsidy midway through the mortgage term would also be highly disruptive to program participants, many of whom would face a much higher mortgage payment under an income-based system.

For these reasons, HATC has opted not to offer a voucher homeownership program under MTW rules for the remaining two years of its demonstration. The agency could offer the program under HUD's standard rules, with an income-based subsidy. However, HATC's leadership and staff believe strongly that housing subsidies that are *not* tied to income are more effective in promoting self-sufficiency than income-based subsidies and therefore do not want to return to the traditional system.

Offering homeownership opportunities to MTW participants who have completed the program and saved enough for a down payment is very important to HATC. As a result, the agency is working aggressively with its elected officials, notably Congressman Devin Nunes, to develop legislation to allow it to offer the homeownership program under MTW rules. In addition, HATC is considering submitting a formal request to HUD to extend its MTW demonstration beyond the current seven years as well as offer the voucher homeownership program under MTW rules.

#### **D. Program Outcomes to Date**

HATC's original goals for its MTW program were threefold: (1) to increase the self-sufficiency of families receiving housing assistance; (2) to increase the housing choices of families receiving housing assistance; and (3) to reduce the costs of providing housing assistance. Four and a half years into the demonstration, there is evidence to suggest that HATC's MTW program has met at least two of these three goals.

***Increased Self-Sufficiency***

Data collected between May 1999 and October 2003 suggests that in the aggregate, MTW program participants have experienced much higher increases in income than participants in HATC’s income based programs. As shown in the table below, non-elderly, non-disabled families enrolled into MTW directly from the waiting list (“new move-ins”) have experienced an average increase in family income of approximately 50 percent in both the public housing and voucher programs. In addition, 14 MTW families exceeded the program’s income limit of 120 percent of area median and have moved into unsubsidized housing prior to reaching the five-year time limit. By contrast, the non-elderly, non-disabled families on HATC’s income-based programs have increased their incomes by an average of 10 to 13 percent. Participants in HATC’s public housing flat rent program (operated separately from MTW) have had higher income growth (36 percent) than their income-based counterparts, but have not exceeded the growth rates posted by MTW participants. This suggests that the five-year time limit that is present in the MTW program but not the flat rent option may have an extra incentive effect.

<b>Aggregate Income Increase Between May 1999 and October 2003</b>		
<b>Non-Elderly, Non-Disabled Families</b>		
<b>Public Housing:</b>	Number of	Increase in Family
	Families	Income
Income-Based	83	10%
HUD Flat Rent Option	39	36%
MTW – Conversion*	148	36%
MTW – New Move-Ins**	157	49%
<b>Housing Choice Voucher Program:</b>	Number of	Increase in Family
	Families	Income
Income-Based	298	13%
Welfare to Work (Income-Based)	363	9%
MTW – Conversion*	665	50%
MTW – New Move-Ins**	547	51%
* Existing HATC tenants who opted to convert to MTW at the start of the demonstration.		
** Families enrolled into MTW from the waiting list.		

### ***Increased Housing Choice***

HATC has strong anecdotal evidence from housing inspectors, landlords, and eligibility clerks that MTW voucher participants are leasing units in a wider range of neighborhoods than their income based counterparts. For example, HATC's housing inspectors report that they are conducting inspections in neighborhoods they have never been to before because landlords are more receptive to MTW than to the traditional income-based program and because there is no limit on the percentage of income that MTW voucher participants can spend on rent. A formal analysis of the locations of MTW and income-based voucher participants would allow HATC to confirm the hypothesis that the MTW program has led to increased housing choice.

### ***Reduced Administrative Costs***

HATC has not realized significant cost savings since the start of the MTW demonstration. This is mainly because the agency has had to run multiple programs (both traditional income-based and MTW, as well as the Welfare to Work voucher program and HUD flat rent option) and therefore has not been able to test the true impact of converting to a flat rent/time limited system.

However, the MTW program has reportedly not had an adverse impact on the agency's cost structure. HATC continues to receive no operating subsidy in its public housing programs and has been able to add approximately 600 new vouchers without increasing the number of intake and eligibility staff. These staff report that MTW participants are much quicker to process than their income-based counterparts because there is no need to conduct interim recertifications and because MTW participants are much more forthcoming with information on household composition and income.

## **2. Monitoring Issues**

### **Amendments**

There have been three changes to the program thus far. HUD approved an amendment that allows HATC to replace its Family Self Sufficiency program with MTW. As a result, the FSS program has been phased out. Second, Tulare requested and received approval to institute a minimum rent of \$50 in its MTW voucher program. Third, HUD approved an amendment to extend HATC's MTW demonstration from five to seven years. This amendment authorizes the demonstration to continue through June 2006.

In August 2002 HATC requested an amendment to offer a voucher homeownership program under MTW rules. HUD did not approve this amendment so it has not taken effect.



## Rent and Hardship Policy

As required by their MTW agreement, HATC's initial MTW flat rents and fixed subsidies were approved by the Board of Commissioners following a review of the likely impact on tenant rent burdens. Since early 1999, HATC has made one adjustment to its public housing rents and two adjustments to its voucher program subsidies. In March 2001, HATC increased rents in the public housing program by approximately 10 percent for each bedroom size. (This is within the 10 percent *annual* rate of increase that HATC originally discussed in its MTW plan.) At the same time, the agency also increased the level of subsidy provided to participants in the MTW voucher program. In July 2003, HATC reduced the level of subsidy provided for five-bedroom vouchers because it found that the three families with vouchers of this size were paying less than 15 percent of their income in rent. Each of the rent and subsidy changes was reviewed by HATC's Board.

	<b>MTW Public Housing Flat Rents</b>					
BR size	0	1	2	3	4	5
Original		200	225	275	300	325
March 2001		220	245	300	330	355
October 2002		220	245	300	330	355
December 2003		220	245	300	330	355

	<b>MTW Voucher Program Flat Subsidies</b>					
BR size	0	1	2	3	4	5
Original		169	256	396	466	556
March 2001	215	220	320	500	570	675
October 2002	215	220	320	500	570	675
July 2003	215	220	320	500	570	600

HATC prepares annual analyses of the rent burden impact of its MTW participants and provides documentation of these analyses to HUD. As of December 2003, 86 percent of HATC's MTW families had rent burdens at or below 30 percent, 11 percent had rent burdens between 30 and 50 percent, and 3 percent had rent burdens over 50 percent. Rent burdens are only slightly higher for MTW families than for families in HATC's traditional income-based programs. The table below shows the distribution of rent burdens for non-elderly, non-disabled families in the public housing and voucher programs, comparing MTW and non-MTW participants.

**Rent Burdens of MTW and Non-MTW Families\***  
**December 2003**

	<b>Rent Burden</b>			
	<b>0-30%</b>	<b>31-50%</b>	<b>Above 50%</b>	<b>Total</b>
<b>Public Housing</b>				
MTW Families	80%	17%	4%	387
Non-MTW Families	94%	5%	1%	117
<b>Housing Choice Voucher Program</b>				
MTW Families	88%	10%	2%	1,522
Non-MTW Families	90%	7%	3%	547

\* Excludes elderly and disabled households, for whom MTW participation is not mandatory.

**Annual Plan**

As required by the MTW agreement, HATC has amended its Section 8 policy manual and public housing Admission and Occupancy policies to reflect rent and occupancy changes resulting from MTW. HATC's Annual PHA Plan for FY 2003 also incorporates changes resulting from MTW. HATC's FY 2003 Plan was approved in June 2003.

**TA and Grant Spending**

HATC never identified any TA needs to support its MTW program or used any TA funds. In addition, HATC has not spent any MTW grant funds since September 2001. HATC's grant spending totaled approximately \$93,000 out of a total MTW grant amount of \$125,000. Details of expenditures for specific, approved items were provided in the 2001 site visit report, dated September 27, 2001.

**3. Program Outlook**

HATC staff have been very pleased with the MTW demonstration thus far. Despite the burden of having to operate multiple programs, the agency believes that its demonstration has been able to show that a system of flat rents and time limits can lead to higher levels of employment and income, greater housing choice, and increased administrative efficiency. The agency has not been able to implement the program to its full potential by enrolling all non-elderly, non-disabled families into MTW and offering homeownership as a reward for successful program completion. However, within these constraints the agency believes the MTW program has been a success.

HATC staff are currently focused on helping program participants transition off the program before they reach the five year time limit. The first group of public housing residents will reach the time limit in May 2004 but will have a six-month period in which

to find alternate housing before being terminated. The voucher program is a few months behind the public housing program because HATC did not begin enrolling voucher participants into MTW until later in the summer of 1999. As a result, significant numbers of families will not begin reaching the time limits until the late summer and fall of 2004. The agency is expecting a number of hardship requests in the next few months and has convened an external hardship committee to rule on these cases.

With two years left in the demonstration, the agency has not yet focused on the possibility of having to transition back to the income-based system. Given the success of the program thus far, HATC will likely do everything in its power to try to extend the term of the demonstration, including working with elected officials to introduce special legislation and requesting that HUD consider a second extension. According to HATC's leadership, the psychological impact of the agency of ending the demonstration would be "devastating" because there is so much support for the flat rent/time limited approach. Transitioning back to an income-based system would also be disruptive to current and former program participants, as families terminated under MTW time limits will likely feel aggrieved when the time limit provision is lifted, while many families reaping the benefits of the flat rent system at the end of the demonstration will face higher rents when they are converted to the income-based system.