



memorandum

Abt Associates Inc.

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From Victoria Main and Eliza Kean, Abt Associates Inc.

Subject MTW Monitoring Visit: Housing Authority of Tulare County

On December 8, 2004, Abt Associates staff conducted a site visit to the Housing Authority of Tulare County (HATC). This was the fifth MTW monitoring/evaluation visit to HATC. 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, the third visit was conducted in October 2002 and the fourth visit was in December 2003. In addition, Abt Associates conducted a Rental Integrity Monitoring (RIM) review in June 2004.

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. In addition, we reviewed a small sample of tenant/participant files to determine if errors cited during the RIM review had been corrected. Sonia Park, HATC's Field Office representative in the San Francisco Office, was invited to participate in the site visit but declined due to limited travel resources.

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

I. 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.

All new admissions are part of the MTW program (except elderly and disabled households, who are exempt unless they opt to participate). 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 2004, 62 percent of HATC’s public housing tenants and 59 percent of its Housing Choice Voucher (HCV) program households were participants in MTW. The table below shows the breakdown of program participation. Note that HATC’s inventory still includes more than 200 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 2004**

	Public Housing	
	Number	Percent
Moving to Work	432	62%
Income Based	209	30%
HUD Flat Rent	59	8%
Total	700	100%

	Housing Choice Vouchers	
	Number	Percent
Moving to Work	1,463	59%
Income Based	804	33%
Welfare to Work	204	8%
Total	2,471	100%

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 combined with term limits 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. Five-year time limits;

- C. Rental Integrity Monitoring review;
- 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 eight clerks from HATC's central and satellite offices. Each of the clerks works directly with both MTW and non-MTW families, conducting initial eligibility interviews and annual recertifications. Some of the clerks serve both public housing and HCV families and had a range of experience from over 25 years to less than one year. 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, adding another adult to the household (with no penalty) and leaving housing assistance. Clerks who previously worked under the statutory rent calculation formula described how clients used to become discouraged when income based rents were increased when the family income increased.

Another 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. As in the past, 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. The clerks expressed concern that there continues to be a danger that families will rent units beyond their means, and several clerks indicated that they are concerned about families becoming rent burdened following their term limits. They continually counsel families on the need to be prepared for the end of their subsidy, including ensuring that they will be able to afford their units.

The clerks noted that the five-year time limit is an essential component to the program and that with a long waiting list, the time limits are the only fair way to operate the program. We discussed the length of the time limit and generally staff believed that if a family wanted to become self sufficient, it should be able to achieve some level of self-sufficiency in that timeframe, regardless of the financial situation they are in at the beginning of MTW.

Clerks indicated that most families accept the time limits as just being a component of the program, unaware that it is different from the statutory program. Only those families that are multi-generational participants appear to want no time limits.

As families begin to cycle off the program, the clerks expressed concern that too many families lack the skills needed to plan for the future. To many of the families, five years sounds like a long time; when the reality of the time limits hits, they may be unprepared. We discussed HATC's role in preparing the families by offering supportive services, referrals and training. Thus far, HATC has run one financial planning class and will run another one this year. The class was conducted numerous times over about a one-month period throughout the jurisdiction in both English and Spanish. Staff was very disappointed however, when very few families attended the training.

In addition to the financial planning class, the clerks are always available to assist any family that requests help in obtaining services or attempting to become self-sufficient. One issue expressed by the clerks was that, while they may have listings of services, they do not fully understand the full nature of the services offered by individual organizations. HATC agreed to hold a meeting with the staff to ensure that staff members have the knowledge required to assist families.

One issue that has arisen recently is that, in a tighter housing market, the owners are becoming more selective. Some owners will only rent to HCV participants that have the full five year time limit remaining, thus making it difficult for families with fewer years remaining to move. Even with the more selective owners, new voucher holders are having a difficult time leasing due to the tightness of the market.

Administratively, the clerks indicated that they believe the MTW program is much less burdensome to manage. (However, as noted below, actual savings have not been realized because multiple programs continue to be operated by HATC.) Because so little information is required from families, generally tenant files can contain all of the information for the five years in which the family is a participant or resident. HATC processes no interims (other than adding/subtracting family members), which greatly reduces the workload. Because the program is simple, there are not complex income and deduction rules to explain or, for the HCV program, explanations of the "40 percent" rule. Families know what their rent will be, thus decreasing the stress of the annual reexamination. The reexamination process has become more of a celebration of the success a family is having rather than an antagonistic meeting.

The MTW forms and documents have been written in plain English and families appear to understand them, according to the clerks. The forms and documents have evolved over time and staff believes they have documents that are helpful to the family.

The clerks indicated that they believe that income under the program has increased for two reasons. The first is that many families take the time limits seriously and understand that they must become self sufficient within the five year time period. The second is that there is no disincentive to reporting additional income or additional family members. Staff stated that under the income based formula, there was a constant battle to have a family report all income or to acknowledge that another person with income (in particular, boyfriends) was living in the unit. This tension no longer exists, since the presence of additional income has no impact on the rent. HATC is going to attempt to determine how family composition has changed since the beginning of the program to determine if there are more two person headed households in the MTW families.

On the negative side, the clerks indicated that the public housing time limits create additional work in turning units over. However, they noted that maintenance staff does not appear to be overloaded as more families move out due to expiration of their time limits. Additionally, for both public housing and the HCV program, new applicants must be processed and screened for admission. For the HCV program, utilization has decreased, in part due to families being timed out.

One suggestion made by the clerks for the HCV program was a modification to the Administrative Plan to permit double security deposits by owners. Some owners in the area have begun to charge double security deposits for non-HCV tenants that have less than perfect records, such as poor credit reports or poor landlord references. Currently that is not permitted under HATC's HCV program and some HCV participants have not been able to rent units because of this. We discussed the process needed for HATC to implement this provision, although some clerks expressed concern for families to successfully produce enough cash at the time of leasing to pay a double deposit.

B. Five-Year Time Limits

The first families enrolled into HATC's MTW program reached the five-year time limit on assistance in 2004. Public housing participants that reach the five-year limit are issued a letter notifying them that they have six months to move out of the unit before being evicted. Voucher participants are 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 will not permit families to move during the final year, so the family cannot "extend" the time limit beyond the five years.)

Thus far, all public housing families that have been given a six-month notification have moved out before the expiration of the six-month period. HATC has not had to instigate any evictions for public housing families. For the HCV program, 138 families have been timed out. These families reached their time limits and their subsidies were discontinued.

HATC has attempted to obtain additional information on what has happened to these families (i.e., remained in place, moved to a less expensive unit, homeownership, etc.) but has received very little response to questionnaires.

Some MTW families have requested an extension of the time limit on the basis of a hardship. The number of families requesting a hardship has been relatively small. A four-person committee consisting of individuals from the community with no affiliation with HATC review hardship requests and determine if families can remain on the program. According to staff, the committee has been consistent in its decisions and its decisions favor the intent of the MTW program. For example, one single elderly HCV participant joined MTW because she would not be able to rent the unit in which she was already living due to the 40 percent rule. Under MTW she was able to rent the unit and, due to her advanced age, she believed that she would “not be around” in five years. Now, five years later she is quite healthy and facing termination from the program. She requested and was granted approval to convert to the income-based program.

C. Rental Integrity Monitoring Review

In June 2004, Abt Associates conducted a RIM review of HATC. The findings in the public housing and HCV programs are summarized below:

Public Housing

- Finding 1: Lack of documentation of income and/or deductions
- Finding 2: Lack of documentation of tenant eligibility
- Concern 1: Lack of a 30-day notice of rent increase
- Concern 2: Incorrect flat rent schedule
- Observation 1: Admissions and Continued Occupancy Policy requires updating

Housing Choice Voucher

- Finding 1: Lack of verification of participant eligibility and consent authorization
- Finding 2: Lack of documentation of income and/or deductions
- Finding 3: Lack of verification of income and/or deductions
- Finding 4: Incorrect utility allowance schedule
- Concern 1: Improper inspection and rent reasonableness of HATC owned property
- Concern 2: Administrative Plan requires updating

During the MTW monitoring site visit, we re-reviewed a small sample of five files to verify that the errors cited previously had been corrected. In all cases, the errors had been addressed.

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. Five 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 November 2004 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 the public housing and approximately 65 percent in the voucher program. By contrast, the non-elderly, non-disabled families on HATC's income-based programs have increased their incomes by an average of 9 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.

**Aggregate Income Increase Between May 1999 and November 2004
Non-Elderly, Non-Disabled Families**

Public Housing:	Number of Families	Increase in Family Income
Income-Based	70	9%
HUD Flat Rent Option	36	56%
MTW – Conversion*	139	44%
MTW – New Move-Ins**	139	58%
Housing Choice Voucher Program:	Number of Families	Increase in Family Income
Income-Based	237	9%
Welfare to Work (Income-Based)	188	5%
MTW – Conversion*	627	67%
MTW – New Move-Ins**	449	61%

* Existing HATC tenants who opted to convert to MTW at the start of the demonstration.

** Families enrolled into MTW from the waiting list.

This includes all families that have had at least one reexamination. For flat rent families, reexaminations are conducted every three years. Exempt and non-wage income is not included.

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 continue to 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. Additionally, with the market in a tightening mode, it is unclear if the MTW program will have any impact on continuing access to new neighborhoods and deconcentration.

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, the Welfare to Work voucher program, HUD flat rent option as well as tax credit, development programs and serving as the City of

Visalia's fair housing organization) and therefore has not been able to test the true impact of converting to a flat rent/time-limited system. However, even if HATC (and other authorities) was permitted to operate this program permanently, unless all families, including elderly and disabled families, were placed on a fixed rent system, significant savings would not be realized.

However, the MTW program has reportedly not had an adverse impact on the agency's budget. 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.

II. Monitoring Issues

Amendments

There have been three changes to the HATC MTW 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 HATC's MTW 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.

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 two adjustments 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. In 2004 the MTW public housing flat rents increased by approximately

10 percent for each bedroom size. The MTW public housing flat rent is calculated based on the amount of rent needed to continue HATC's ability to function without operating subsidy. Each of the rent and subsidy changes was reviewed and approved by HATC's Board.

	MTW Public Housing Flat Rents					
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
December 2004		240	270	330	360	390

	MTW Voucher Program Flat Subsidies					
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
December 2004	215	220	320	500	570	600

HATC prepares annual analyses of the rent burden impact on its MTW participants and provides documentation of these analyses to HUD. As of December 2004, 83 percent of HATC's MTW families (both public housing and HCV) had rent burdens at or below 30 percent, 13 percent had rent burdens between 30 and 50 percent, and 4 percent had rent burdens over 50 percent. 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 2004

	Rent Burden			
	0-30%	31-50%	Above 50%	Total
Public Housing				
MTW Families	81%	18%	1%	342
Non-MTW Families**	99%	<1%	<1%	251
Housing Choice Voucher Program				
MTW Families	84%	12%	4%	1,350
Non-MTW Families	87%	13%	<1%	979

*Excludes elderly and disabled households, for whom MTW participation is not mandatory. Also excludes households with non-citizens, who pay a pro-rated rent.

**It should be noted that HATC was found to have set its non-MTW flat rents incorrectly. The rent burden for non-MTW families will increase once the statutory requirement for flat rent calculations is implemented.

Annual Plan

As required by the MTW agreement, HATC has amended its Section 8 Administrative Plan and public housing Admission and Continued Occupancy policies to reflect rent and occupancy changes resulting from MTW. Further changes have been made to the policies as a result of the RIM review, to align the policies with regulations. HATC's Annual PHA Plan for FY 2004 also incorporates changes resulting from MTW.

Technical Assistance and Grant Spending

HATC never identified any technical assistance needs to support its MTW program or used any technical assistance 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.

III. 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.

Now that the first families have been timed-out, HATC staff is currently focused on general program operations. After a period of over-leasing in the voucher program, the agency now finds itself under utilized (90 percent utilization) and staff is working diligently to increase utilization.¹ In addition, HATC has increased its quality control to address the RIM findings.

HATC also is focusing on obtaining a long extension or permanent approval of its MTW program. HATC is working cooperatively with other agencies to achieve a legislative solution if HUD will not approve a longer extension. Since the program appears to be functioning well for the community, HATC continues to believe that community leaders would be “devastated” if the program ended.

¹ Staff indicated that the reasons for low utilization are three-fold: Families being timed out in addition to normal turnover; market tightening; and owners becoming more selective.