

**United States Department of Housing and Urban Development**

**Moving to Work Demonstration Program**

**Promising Practices Report for**

**KEENE HOUSING AUTHORITY (KHA)**

**February 2009**

## **INTRODUCTION**

Keene Housing Authority (KHA) joined the U.S. Department of Housing and Urban Development's (HUD) national Moving to Work (MTW) Demonstration Program in October 1999. The KHA MTW program focuses on the goal of promoting self-sufficiency through affordable housing, extensive case management, and employment stability.

KHA is located in Cheshire County in the southwest corner of New Hampshire, with an estimated population of 22,893, as estimated by the U.S. Census Bureau in 2007. The major industries providing employment opportunities include construction, manufacturing, retail trade, administrative support, educational services, health care and social services, and accommodation and food services.

KHA currently owns and manages 522 units of housing including 228 public housing units, 359 Housing Choice Voucher project-based units, and 50 Mainstream voucher units. Utilizing MTW flexibilities, KHA was able to develop innovation in housing policy through:

- Developing a step rent system for public housing;
- Developing a step subsidy system for Housing Choice Vouchers;
- Providing comprehensive resident supportive services to residents;
- Implementing a resident Safety Net Program; and
- Providing mortgage assistance and homeownership counseling to residents.

The high concentration of employment opportunities in Keene has resulted in an extremely tight housing market – with vacancy rates as low as 2% – and a dearth of affordable housing. The limited amount of public transportation exacerbates the affordable housing crunch – as sustaining housing outside of Keene becomes nearly impossible for households with unreliable transportation.

This report reviews the Keene Housing Authority's MTW program promising practices since its inception and discusses the agency's progress towards meeting MTW program objectives. The report is based on interviews with KHA staff and HUD MTW coordinators. The report also draws on reports and data on MTW participants collected by KHA, HUD, Abt Associates Inc., and Optimal Solutions Group, LLC over the course of the Demonstration.

The report is organized into the broad goals of the Moving to Work Demonstration Program: (1) implementing administrative simplicity and program cost reduction, (2) providing work incentives to encourage resident self-sufficiency, and (3) increasing housing choice and homeownership. Many of the KHA programs fall under multiple goals, but each will be highlighted in the most relevant section.

## **SELF-SUFICCIENCY**

The Keene Housing Authority (KHA) focuses on achieving self-sufficiency measures primarily through the comprehensive supportive services offered in the Resident Self-Reliance Program (RSR). All families subject to step rent calculations in both the public housing and Housing

Choice Voucher programs are required to participate in the RSR program. Furthermore, KHA prepares its residents for the private housing market through various educational workshops and training programs aimed at empowering them to be proactive participants in the rental process. KHA has also initiated the Safety Net Program into their overall step rent system to address families facing financial hardships.

Resident Self-Reliance Program (RSR)

The RSR program provides case management and comprehensive services to help families become economically self-reliant. Upon entry into either public housing or Housing Choice Voucher (HCV) programs, families are assigned to a Resident Service Coordinator (RSC). The RSC assists families in developing KHA defined core competencies such as financial management, employment, education, family planning, and self-development. More specifically, all participants in the program are to:

- Develop a financial plan;
- Participate in quarterly goal setting meetings;
- Participate in required skill development activities; and
- Make reasonable progress toward Individual Service and Training Plan (developed at the outset of the program and updated quarterly) goals.

The step rent system for both public housing and HCVs has experienced measurable success at KHA. Figure A below shows the income growth of MTW households, and Figure B shows the employment rate growth of MTW households.

**Figure A: Changes in Income**

	<u>Baseline 1999</u>	<u>2005 Combined</u>	<u>2006 Combined</u>	<u>2007 Combined</u>
No income	8%	2%	0%	9%
\$1,000 - \$9,999	23%	13%	14%	28%
\$10,000 - \$19,999	41%	28%	24%	32%
\$20,000 - \$29,000	26%	27%	35%	17%
\$30,000 +	2%	30%	27%	14%
Total	100%	100%	100%	100%
<b>Number of Households</b>	<b>78</b>	<b>169</b>	<b>150</b>	<b>134</b>

**Figure B: Changes in Employment**

	<u>Baseline 1999</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Employed Full Time	47%	67%	69%	66%
Employed Part Time	19%	16%	12%	20%
Unemployed	32%	14%	16%	12%
On Disability/ Worker's Comp	1%	3%	3%	2%
Total	100%	100%	100%	100%
<b>Number of Households</b>	<b>78</b>	<b>169</b>	<b>150</b>	<b>134</b>

## Safety Net Program

This program allows households experiencing temporary financial hardship to follow a payment arrangement, reduce rent (for public housing recipients) or increase subsidy amount (for HCV recipients), or work off a portion of their rent by working for KHA. The main purpose of this program is to respond to large layoffs in the community or other emergency situations that cause temporary financial hardships for families. This program is utilized by about 3-5% of the KHA tenants, and residents are not allowed on the Safety Net Program for more than 6 months.

The intention of the Safety Net Program is to provide financial assistance for residents that are unable to pay rent due to circumstances beyond their control, not to take the place of full-time employment for participants who are able to work. Therefore, hourly rental credit for tenants opting to work for KHA is set at \$5 per hour in order to encourage them to actively seek employment in the market.

## **ADMINISTRATIVE EFFICIENCY**

KHA implemented a step rent calculation system for both its public housing and Housing Choice Voucher (HCV) recipients to promote both resident self-sufficiency and housing authority administrative efficiency. The step rent systems for public housing and HCV programs were developed based on a resident survey conducted by KHA. Resident respondents indicated willingness to pay slightly higher rents if it meant that there would be less interference with their day-to-day lives from the housing authority. The streamlining of both housing assistance programs resulted in substantive increases in both income and employment rates as shown previously in Figure A and Figure B.

### Public Housing Step Rents<sup>1</sup>

Under the previous method of rent calculation, families experienced a rent increase whenever their income increased and offered no incentives for residents to obtain employment. The constant interim and annual recertifications were also administratively inefficient and resulted in greater burdens for KHA staff.

Under the Stepped Rent calculation scheme, families in public housing pay a rent based on bedroom size and the number of years they have lived in the unit. All non-elderly or non-disabled households are required to participate in the Stepped Rent program<sup>2</sup>. In the first year, residents pay a flat rate rent that is equal to \$125 or 30% of income, whichever is greater. The rent is gradually increased as outlined in Figure C until the family reaches the Step 3 of the system, or the fourth year into the MTW program. The system encourages residents to find and

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<sup>1</sup> For a variety of reasons unrelated to its MTW activities, KHA has determined that it is in the agency's best interest to dispose of the it's public housing units. KHA will continue to serve residents in these properties but the funding structure for that support will change from public housing to Section 8. Thus, although public housing step rents have proven a successful practice for KHA, this activity will end in the near future.

<sup>2</sup> Elderly and disabled households living in Public Housing may choose to have their rent calculated using the Stepped Rent or traditional income based method. Households electing the income based method of rent calculation will not pay higher than the current Faire Market Rent for their bedroom size.

keep jobs in order to afford the gradual rent increases. In the event of an unexpected income reduction, families are able to fall back on the hardship policy afforded by the Safety Net Program.

**Figure C: Public Housing Step Rent Calculation**



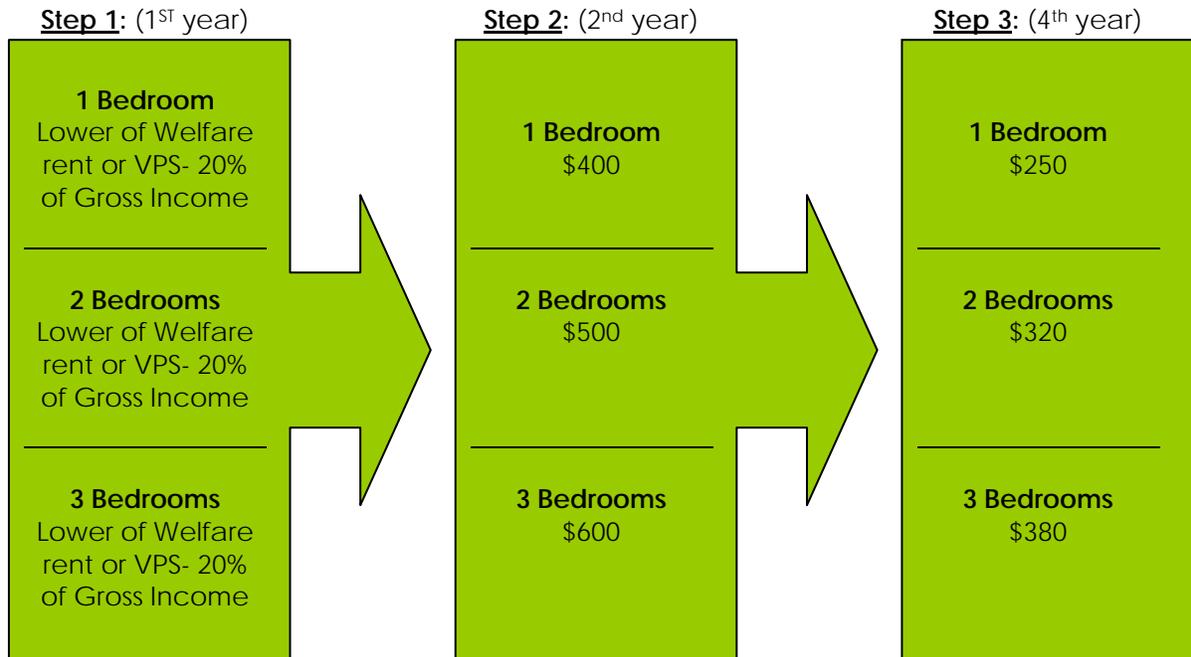
The Stepped Rent system has been a very effective tool in allowing families to generate savings from additional income and encouraging them to seek permanent and full-time employment. In addition, fraudulent paperwork associated with traditional income-based rent calculation procedures is reduced. Reduced paperwork and tenant reporting requirements in the annual recertification process has allowed KHA to redirect staff resources toward providing increased services for the benefit of the tenant.

Housing Assistance Coupon (HAC) Step Subsidy Program

Just as the Stepped Rent system gives incentives to families living in public housing units to become economically self-sufficient, the Housing Assistance Coupon (HAC) Step Subsidy Program was created to encourage recipients of voucher assistance to find and keep employment. The HAC Step Subsidy Program deviates from the traditional Housing Choice Voucher (HCV) system in two ways. First, the HAC Step Subsidy Program provides assistance to families making below 80% of Area Median Income (AMI), as opposed to the 50% AMI eligibility criteria in traditional HCVs. Second, the Step Subsidy program reduces the HAC over a five-year period, while traditional voucher programs directly tie voucher payments to changes in

income. The fixed subsidy decreases over the five-year period ensure that voucher recipients reap the benefits of any income increases. Figure D outlines the calculation of the HAC Subsidy.

**Figure D: Housing Assistance Coupon (HAC) Subsidy Calculation**



KHA also utilizes MTW flexibilities to distribute HACs directly to tenant bank accounts at the beginning of each month. As part of the KHA goal of preparing their tenants for the private market, KHA delegated tenants the responsibility of paying the entire monthly rent check to their landlords. For landlords that have received late payments in the past, KHA has implemented a process by which they can request direct housing assistance disbursements. KHA has indicated that in 2006, only 23% of families have made late-payments, indicating the program’s success in promoting self-sufficiency for a majority of the families.

Landlord Self-Certification

In order to increase administrative efficiency in the Housing Quality Standards (HQS) inspections, KHA has implemented a flexible system in which the both landlords and housing authority staff are able to complete HQS inspections. Tenants are educated in HQS standards so they can take initiative in identifying and reporting violations in their apartment. MTW flexibilities were used to waive quarterly inspection regulations. This program component not only saves money for the housing authority, it also saves landlords time and effort. KHA still remains responsible for conducting random quality control checks on 5% of all landlord inspected units and 5% of KHA inspected units. Quality control inspections have not revealed any violations in units inspected by landlords. However, only half of the landlords are taking advantage of this program as they view HQS inspections as a service to be provided by KHA.

## **HOUSING CHOICE AND HOMEOWNERSHIP**

KHA has expanded housing choices and facilitated paths to homeownership for its residents using MTW flexibilities. KHA's broad SPECTRUM initiative has increased the diversity of housing choices in Keene by combining the variability provided by the MTW demonstration and an array of other housing programs offered by the agency. KHA also has created a Section 8 homeownership program using MTW flexibilities, called the Heading for Home Program, aimed at providing financial and informational support to residents seeking to transition from assisted housing to owning a home.

### SPECTRUM Housing Choices

The SPECTRUM program is a broad initiative that seeks to widen the scope of housing choices and the target population of those housing options. The flexibilities afforded by the MTW demonstration have been a vital aspect of the SPECTRUM program. Namely, the waiver of a rent reasonableness rule allows voucher holders to bypass the 40% maximum income paid toward rent rule. KHA leaves the responsibility of negotiating rent to the voucher holder after providing training to each member of the household. This exemption allows voucher holders to account for location, size, amenities, and local market condition when determining rent eligibility. Similarly, Keene has broadened the provision of public housing units and Housing Assistance Coupons to families earning up to 80% of Area Median Income (AMI). Expanding housing choices to families earning between 50 and 80% AMI addresses the housing burden placed on lower-middle income residents in Keene's tight housing market.

### Heading for Home

In an effort to increase housing choices and encourage economic self sufficiency, KHA implemented the Heading for Home Program (H4H), which offers eligible participants the option of buying a home with mortgage payment assistance through the Section 8 Housing Assistance Coupon program. KHA recognizes the level of financial planning and responsibility that accompanies homeownership. Therefore, KHA has partnered with the Cheshire Housing Trust, a local homeownership counseling agency, which administers a homeownership training program that all H4H participants must complete. To date, 11 families have become homeowners through the H4H program.