



MEMORANDUM

To: Board of Commissioners Date: May 10, 2013

From: Melissa Sonsalla,
MTW Coordinator Subject: Authorize Home Forward to
Submit Amendment I to the
FY2014 Moving to Work Plan
Resolution 13-05-01

The Board of Commissioners is requested to authorize staff to submit Amendment I to the FY2014 Moving to Work Annual Plan.

ISSUE

Home Forward's FY2014 Moving to Work Annual Plan was approved by HUD on April 17, 2013. In order to manage the effects of funding cuts due to sequestration, Home Forward is proposing to change our rent reform calculation as described in the Plan, and increase the percentage of gross income used to determine total tenant payment. All other elements of our current rent reform activity would remain in place.

For seniors and people with disabilities, we propose increasing the total payment percentage from 27.5% of gross income, to 28.5% of gross income. Minimum rent for this group is \$0 and utility reimbursements will continue to be allowed.

For work-focused households, we propose the following:

- In years 1 and 2, we propose increasing the total tenant payment percentage from 27.5% of gross income, to 29.5% of gross income. In the first two years, work-focused households also have no minimum rent, and utility reimbursements are allowed.

- In years 3 and 4, the total tenant payment percentage will remain at 29.5%, and a \$100 minimum rent will be instituted. Utility allowances will be factored into assistance, but utility reimbursements will not be allowed. (The existing rent reform policy calculates the total tenant payment at 29% of gross income in years 3 and 4, so this represents a 0.5% increase).
- In years 5 and beyond, we are not proposing any changes to the existing rent reform policy. Rent is based on 31% of gross income or \$200 minimum rent, whichever is greater. Utility allowances will be factored in the assistance, but utility reimbursements will not be allowed.

These changes are expected to be effective no earlier than July 2013, and will yield a reduction of housing assistance expense of \$0.8 million and an increase in public housing rents of \$0.2 million for Home Forward's fiscal year 2014. These amounts, along with the additional savings now anticipated from the original rent reform plan and other administrative and personnel expense reductions will enable Home Forward to address the shortfall created by sequestration.

As required, we have made the proposed amendment available for public review and comments. The draft amendment was posted on the Home Forward website on April 9, 2013 and remained posted for 30 days. A public hearing was held before the Board of Commissioner on April 16, 2013. All public comment received is included in the attached amendment.

ATTACHMENTS

Amendment I to FY2014 Moving to Work Annual Plan



RESOLUTION 13-05-01

RESOLUTION 13-05-01 AUTHORIZES HOME FORWARD STAFF TO SUBMIT TO THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) AMENDMENT I TO THE FY2014 MOVING TO WORK (MTW) ANNUAL PLAN

WHEREAS, the Home Forward Board of Commissioners previously adopted and approved the FY2014 Moving to Work (MTW) Annual Plan which was approved by HUD on April 17, 2013; and

WHEREAS, Home Forward desires to amend its FY2014 MTW Annual Plan to reflect those modifications to our rent reform activity, as outlined in Amendment I to FY2014 MTW Plan; and

WHEREAS, on April 16, 2013, the Home Forward Board of Commissioners conducted a public hearing on the draft amendment to the FY2014 MTW Annual Plan; and

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of Home Forward that the Chair of Home Forward is authorized to enter into and execute Amendment I to the FY2014 MTW Annual Plan with the Department of Housing and Urban Development.

ADOPTED: MAY 10, 2013

Attest:

Home Forward:

Steven D. Rudman, Secretary

Harriet Cormack, Chair

Amendment I to FY2014 MTW Plan

DRAFT: MAY 3, 2013

Background: In FY2012, Home Forward proposed a large-scale reform of rent calculation methods, applicable to all MTW public housing and Section 8 households, including VASH voucher holders. The simplified method distinguishes between the populations of seniors / people with disabilities and “work-focused” households. The fundamental premise is that deductions are eliminated from the subsidy calculation and the total tenant payment is determined using a percentage of gross income. The full description of our rent reform activity, as previously approved by HUD and implemented, is attached to this amendment.

In early 2013, the federal government imposed sequestration: across-the-board reductions in federal funding. Since Home Forward receives around 75% of its funding each year from the US Department of Housing and Urban Development, these cuts have a significant impact on Home Forward and the community we serve. As a result of sequestration, Home Forward is faced with a funding reduction of \$5.3 million, the majority of which are program funds for Section 8 and public housing.

Based on extensive planning with our Board of Commissioners, Resident Advisory Committee and consultation with the larger community (see the attached description of our public planning process), Home Forward has agreed that we will do everything possible to avoid ending existing subsidy, which would force over 600 families into potential homelessness as a result of this funding loss. Instead, we propose to use our MTW flexibility to increase the percentages of gross income used to determine total tenant payment for both population groups. In other words, we intend to ask our residents and participants to contribute more towards their rent in order to help make up the funding gap. All other elements of Home Forward’s approved rent reform activity would remain in place.

AMENDMENT TO FY2014-O1: RENT REFORM

Home Forward is amending the following aspects of our approved and implemented rent reform activity:

For seniors and people with disabilities, the total tenant payment percentage will be increased from 27.5% of gross income, to 28.5% of gross income. Minimum rent for this group is \$0 and utility reimbursements will continue to be allowed.

For work-focused households, the progressive rent structure will be calculated as follows:

- **Years 1 and 2:** rent is based on 29.5% of gross income, with no minimum rent and utility reimbursements allowed.

- **Years 3 and 4:** rent is based on 29.5% of gross income or \$100 minimum rent, whichever is greater. Utility allowances will be factored in the assistance, but utility reimbursements will not be allowed.
- **Years 5 and 6, and biennially thereafter:** rent is based on 31% of gross income or \$200 minimum rent, whichever is greater. Utility allowances will be factored in the assistance, but utility reimbursements will not be allowed.

All other aspects of rent reform will remain as approved and implemented. An impact analysis of the changes and the full activity, incorporating the changes described above, are included in the following pages.

Transition period: Home Forward will notify residents and participants of the upcoming change to their rents through a mailing that will be sent out no later than June 28, 2013. Families with questions will be able to contact their property manager or case worker for more information or further explanation. Home Forward will transition all households to the new rent calculation beginning August 1, 2013.

Existing work-focused households will remain on the progressive rent schedule that began on April 1, 2012, or at their entry to the program if it was after April 1, 2012. In other words, these households will not be reset to Year 1 with this change in rent calculation.

PUBLIC PLANNING PROCESS

Home Forward engaged in an intensive communication process with our Board of Commissioners, our Resident Advisory Committee and the larger community in planning our actions in response to the funding cuts, as well as vetting the amendment to the rent reform activity.

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|----------------|---|
| March 6, 2013 | Board of Commissioners work session – Staff previewed the possible financial impacts of sequestration, introduced guiding principles for Home Forward’s response, and discussed potential options to address the shortfall. |
| March 12, 2013 | Community Partner meeting – Representatives from community partner agencies and organizations attended a meeting at Home Forward regarding sequestration. Staff presented the financial impacts and discussed potential options including raising the percentage of rent used to calculate resident income. |
| March 13, 2013 | Resident Advisory Committee meeting – Staff presented information about sequestration and the impacts to the agency. Staff and the committee discussed the possibility of raising the percentage or rent used to calculate resident income. |

- March 19, 2013 Board of Commissioners meeting and public hearing – At this meeting, Home Forward staff presented information on the funding cuts expected because of sequestration, as well as initial plans for changes that will impact staff and residents. Public attendees were invited to give comment.
- Four members of the Resident Advisory Committee presented comments. Committee members expressed appreciation for the focus on not losing existing households, and that staff were willing to share the burden of cuts.
- One resident said another increase in his rent would be very difficult because of his high medical expenses. He asked the Board to consider that there are residents who cannot handle another increase in rent.
- One resident said that while she understands that funding is limited, residents have very little say in their contract negotiations, and do not have the opportunity to change the lease at their whim the way the agency does.
- One commenter said programs offered by Home Forward are very important to many people, and encouraged the Board and staff to consider what can be done to make the agency more efficient and productive.
- One commenter member expressed support for the Rent Well program, and encouraged Home Forward to continue to support the program going forward.
- April 7 & 14, 2013 Public Notice was published in the Oregonian announcing the public hearing to be held on April 16, 2013.
- April 9, 2013 Draft Amendment was posted on Home Forward's website for public comment and input.
- April 16, 2013 Public hearing on the draft FY2014 MTW Plan Amendment was held at the April Board of Commissioners meeting.
- One commenter applauded the principle of not eliminating vouchers for current participants. He expressed appreciation for the clear presentation of the issue to the community, and for the opportunity for public input. He said he felt that Home Forward was on track for keeping rent increases as small as possible, and praised the work done to adapt to sequestration.
- April 23, 2013 Resident Advisory Committee – Staff presented the draft FY2014 MTW Plan Amendment and explained the increases in the percentage of income used to calculate rent.
- May 10 Board of Commissioners approval to submit the FY2014 MTW Plan Amendment to HUD.

RENT REFORM – IMPACT ANALYSIS

The following is an analysis of increasing the total tenant payment percentages for households in public housing and Section 8.

About the Households¹

	ALL Households	% of ALL Households	# of Work-Focused	% of Work-Focused	# of Seniors/PWD ²	% of Seniors/PWD
ALL Households	10,792	100%	4,211	100%	6,581	100%
Gross income < \$5000	1,512	14%	808	19%	704	11%
Zero income	860	8%	408	10%	452	7%
Receive utility reimbursement	1,010	9%	631	15%	379	6%
Households with children	4,275	40%	3,323	79%	952	14%
Single parents	3,413	32%	2,722	65%	691	10%
Female head of household	7,347	68%	3,497	83%	3,850	59%
Four or more dependents	741	7%	649	15%	92	1%
<u>Additional household information</u>						
Average household gross income	\$10,984	-	\$11,964	-	\$10,357	-
Households pay rent less than \$100	2,880	27%	1,689	40%	1,191	18%

¹Households may fall into multiple categories on this chart.

²People with disabilities

Household Impact: Rent Changes

All Household Rent Changes	Year 1		Year 3		Year 5	
	By Household	By Percentage	By Household	By Percentage	By Household	By Percentage
Rent increases	9,751	90%	10,164	94%	10,182	94%
No change in rent	1,041	10%	628	6%	610	6%
TOTAL HOUSEHOLDS	10,792	100%	10,792	100%	10,792	100%

All Household Rent Increase Increments	Year 1		Year 3		Year 5	
	By Household	By Percentage	By Household	By Percentage	By Household	By Percentage
\$1 to \$25	8,537	79%	7,422	69%	6,223	57%
\$26 to \$50	1,017	9%	1,245	12%	877	8%
\$51 to \$100	197	2%	815	7%	1,242	12%
\$101 to \$200	0	0%	529	5%	1,158	11%
> \$200	0	0%	153	1%	682	6%
TOTAL RENT INCREASES	9,751	90%	10,164	94%	10,182	94%

Household Impact: Shelter Burden¹

Populations	Shelter burdens		
	Year 1	Year 3	Year 5
All Households	28.8%	36.7%	44.4%
Work-Focused Households	29.3%	47.9%	67.5%
Senior/PWD Households	28.4%	28.4%	28.4%

Populations	Shelter burden changes vs baseline		
	Year 1	Year 3	Year 5
All Households	+1.0%	+8.9%	+16.6%
Work-Focused Households	+1.0%	+19.6%	+39.2%
Senior/PWD Households	+0.9%	+0.9%	+0.9%

¹For the purposes of rent reform, shelter burden is defined as rent + utility allowance (capped at payment standard) divided by gross income.

Household Impact: Work-focused Population

Work-Focused Household Rent Changes	Year 1		Year 3		Year 5	
	By Household	By Percentage	By Household	By Percentage	By Household	By Percentage
Rent increases	3,725	88%	4,138	98%	4,156	99%
No change in rent	486	12%	73	2%	55	1%
TOTAL HOUSEHOLDS	4,211	100%	4,211	100%	4,211	100%
Work-Focused Household Rent Increase Increments	Year 1		Year 3		Year 5	
	By Household	By Percentage	By Household	By Percentage	By Household	By Percentage
\$1 to \$25	2,550	60%	1,435	34%	236	6%
\$26 to \$50	978	23%	1,206	29%	838	20%
\$51 to \$100	197	5%	815	19%	1,242	29%
\$101 to \$200	0	0%	529	12%	1,158	28%
> \$200	0	0%	153	4%	682	16%
TOTAL RENT INCREASES	3,725	88%	4,138	98%	4,156	99%

Household Impact: Seniors/People with Disabilities Population

Seniors/People with Disabilities Household Rent Changes	Year 1		Year 3		Year 5	
	By Household	By Percentage	By Household	By Percentage	By Household	By Percentage
Rent increases	6,026	92%	6,026	92%	6,026	92%
No change in rent	555	8%	555	8%	555	8%
TOTAL HOUSEHOLDS	6,581	100%	6,581	100%	6,581	100%
Seniors/People with Disabilities Household Rent Increase Increments	Year 1		Year 3		Year 5	
	By Household	By Percentage	By Household	By Percentage	By Household	By Percentage
\$1 to \$25	5,964	91%	5,964	91%	5,964	91%
\$26 to \$50	62	1%	62	1%	62	1%
\$51 to \$100	0	0%	0	0%	0	0%
\$101 to \$200	0	0%	0	0%	0	0%
> \$200	0	0%	0	0%	0	0%
TOTAL RENT INCREASES	6,026	92%	6,026	92%	6,026	92%

Impact by Race: All Households

CURRENT RACE PROFILE: ALL HOUSEHOLDS							
	White	Black	Amer Ind	Asian	Pac Islander	Hispanic	Multi-Racial
# Households	5,673	3,241	225	465	59	727	402
% Households	52.6%	30.0%	2.1%	4.3%	0.5%	6.7%	3.7%
Shelter burden (current)	27.4%	27.4%	27.4%	27.4%	27.1%	25.8%	27.4%
Year 1 Impact by Race							
% No change in rent	10.5%	9.5%	9.7%	3.2%	6.8%	7.7%	9.5%
% Rent increase	89.5%	90.5%	90.3%	96.8%	93.2%	92.3%	90.5%
Shelter burden (expected)	28.6%	28.9%	28.8%	28.7%	29.1%	29.0%	28.9%
Year 3 Impact by Race							
% No change in rent	7.2%	4.4%	5.8%	2.2%	5.1%	4.5%	4.7%
% Rent increase	92.8%	95.6%	94.2%	97.8%	94.9%	95.3%	95.3%
Shelter burden (expected)	36.4%	35.6%	35.5%	30.2%	35.9%	36.3%	33.8%
Year 5 Impact by Race							
% No change in rent	7.0%	4.1%	5.3%	2.2%	5.1%	4.4%	4.7%
% Rent increase	93.0%	95.9%	94.7%	97.8%	94.9%	95.5%	95.3%
Shelter burden (expected)	43.1%	43.0%	41.5%	32.3%	42.4%	43.9%	41.4%

Overall Financial Impact

Overall Financial Impact	Year 1	Year 3	Year 5
Section 8 Housing Assistance Payment change ¹	- \$1,302,672	- \$2,627,208	- \$4,861,116
% Housing Assistance Payment change	- 2.26%	- 4.55%	- 8.42%
Public Housing rent change	\$353,004	\$913,692	\$1,583,988
% Public Housing rent change	6.44%	16.66%	28.89%

¹ Housing Assistance Payments are made to landlords by Section 8, so negative numbers show reduced Section 8 expenditures.

FY2014-O1: RENT REFORM

Identified Year 13, Implemented FY2012

The following incorporates the changes proposed by FY2014 Plan Amendment I.

Background: In FY2012, Home Forward proposed a large-scale reform of rent calculation methods, applicable to all MTW public housing and Section 8 households, as well as VASH voucher holders. The simplified method distinguishes between the populations of seniors/people with disabilities, and “work-focused” households.

For **seniors and people with disabilities**, the calculation method eliminates all deductions and the total tenant payment percentage will be 28.5% of gross income. This group will have triennial income re-certifications and the age defined as “senior” is lowered from 62 to 55. Households fall into this population category if the head, co-head or spouse listed on the lease is 55 or older, or is disabled under the current HUD definition already used by Home Forward. Minimum rent for this group is \$0 and utility reimbursements will continue to be allowed.

All households that do not fall into the population category above will be considered **work-focused households**. For this group, the calculation method eliminates all deductions and uses a progressive rent structure with biennial income re-certifications:

- **Years 1 and 2:** rent is based on 29.5% of gross income, with no minimum rent and utility reimbursements allowed.
- **Years 3 and 4:** rent is based on 29.5% of gross income or \$100 minimum rent, whichever is greater. Utility allowances will be factored in the assistance, but utility reimbursements will not be allowed.
- **Years 5 and 6, and biennially thereafter:** rent is based on 31% of gross income or \$200 minimum rent, whichever is greater. Utility allowances will be factored in the assistance, but utility reimbursements will not be allowed.

The following policies apply to all households:

- Zero-income households meet with their public housing site manager or Section 8 case manager every six months, so that staff can provide referrals to community service providers and check on progress towards obtaining an income source.
- The proration of subsidy for mixed-families is simplified so that a flat \$100 monthly reduction in assistance is applied to the household, regardless of the number of ineligible members.

MTW authorization:

Attachment C, Section B(3) – Definition of Elderly Family

Attachment D, Section B(2) – Rent Structure and Rent Reform

Statutory objective:

Reduce cost and achieve greater cost effectiveness in Federal expenditures

Give incentives to families with children where the head of household is working, is 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

- The ceiling rent for public housing is now automatically set to match Section 8 payment standards. There will be no flat-rent option.
- Home Forward will create a separate “release of information” form to supplement the HUD Form 9886, in order to obtain a release of information that covers the appropriate biennial or triennial review cycle.
- For Section 8 households where the gross rent of the unit exceeds the applicable payment standard, Home Forward will approve the tenancy at initial occupancy so long as the household share does not exceed 70 percent of the household’s gross income.
- When a Section 8 household is approved to move and the identified unit has a gross rent that exceeds the payment standard, Home Forward will use the existing income verification on file to test for affordability. Home Forward will not require a re-examination to verify income for this purpose, unless the family requests it.
- The earned income disallowance is eliminated.
- All Family Self-Sufficiency (FSS) participants will be included in the rent reform calculation. Previously, only public housing FSS participants were included in the rent reform calculation; Section 8 FSS participants remained on the traditional rent calculation. There are currently 191 Section 8 households participating in the HUD FSS program at Home Forward. An impact analysis for converting these households to rent reform is included in the Appendix.
- All income sources used to determine a household’s public housing rent or Section 8 assistance will be the same as currently defined by HUD, with the following exceptions:
 - The value of any asset or the value of any income derived from that asset will not be used in determining gross income (currently Home Forward includes income from assets valued over \$25,000).
 - All earned income of full-time students age 18 and over will be excluded from the rent calculation, unless they are the head, co-head, or spouse of the household (currently the first \$480 of earned income is counted annually for adult full-time students).
 - All adoption assistance payments will be excluded from the rent calculation (currently, only payments in excess of \$480 per adopted child are excluded from the rent calculation).
 - Households will have the option to not report income that is not used in the rent calculation, such as foster care payments. Currently, Home Forward requires that households provide this information in order to report it to HUD, but it has no bearing on their assistance and Home Forward does not use the information. The exceptions are the few times in Section 8 when a household wants this income considered to determine their ability to rent a unit where the family share of rent is above 30% of their income, but below 70%. In these situations where it is a benefit to the participant, Home Forward will accept the income reporting.
- Households may apply for a hardship review if their total monthly shelter costs exceed 50% of the total monthly income used to determine their rent subsidy. Section 8 participants who choose to rent housing where the total shelter costs exceed 50% of total monthly income at

the time of initial lease-up in that unit will not generally qualify for hardship review; however, all households have the right to request a hardship and exceptions may be made. A committee will consider each household's circumstances on a case-by-case basis. The committee will have a menu of remedies to reduce a qualifying household's rent burden.

Status Update: Home Forward's rent reform calculation went into effect for all public housing and Section 8 households as of April 1, 2012. Families were sent letters in early January 2012 to provide at least 60 days of notice prior to the rent change. Staff received some phone calls regarding the change, but the transition has gone smoothly. For households whose rent increased dramatically as a result of the rent reform calculation, there was a phase-in policy and a \$100 rent increase cap in effect for the first 12 months after implementation. These transitional adjustments will expire on April 1, 2013. In January 2013, households will be notified that the phase-in and increase caps are going to expire, and options to request ongoing hardship accommodations will be made available to them as part of this notification.

Use of MTW Authority: This activity uses Home Forward's rent reform authorizations to impact the statutory objective of achieving greater cost effectiveness of Federal expenditures. Eliminating deductions, simplifying the calculation, and moving to triennial reviews are all projected to save significant staff time in aggregate, as indicated in the benchmarks and metrics that follow.

Additionally, Home Forward exercises its authority to amend the definition of an elderly family to age 55. This supports the statutory objective of creating incentives for self-sufficiency by ensuring that households defined as work-focused can be reasonably expected to increase employment and earnings over time.

Outside Evaluators: Home Forward expects to use Seasholtz Consulting to assist in future analysis of rent reform impacts. Staff are working to define the scope of evaluation.