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**THE EXPERIENCES OF PUBLIC HOUSING AGENCIES  
THAT ESTABLISHED TIME LIMITS POLICIES  
UNDER THE MTW DEMONSTRATION**

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**APPLIED REAL ESTATE ANALYSIS, INC.**

AND

**THE URBAN INSTITUTE**

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## EXECUTIVE SUMMARY

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In 1996 Congress enacted Moving to Work (MTW), a U.S. Department of Housing and Urban Development (HUD) public housing deregulation demonstration.<sup>1</sup> MTW permits a small number of local and state housing agencies to request, and HUD to grant, waivers of federal statutes or regulations pertaining to the Public Housing and Housing Choice Voucher (HCV) programs.<sup>2</sup> The waivers let the agencies adopt policies or develop programs or procedures that differ from what is allowed and practiced at most housing agencies. Of the 27 active participants in MTW, 13 had imposed time limits on various program benefits, including housing assistance, prior to 2007.<sup>3</sup> For agencies not participating in the MTW demonstration, time limits on housing assistance are not permissible. Normally, housing assistance recipients can keep their Public Housing and HCV benefits as long as they remain income-eligible and abide by program requirements.

Whether time limits should be imposed on housing assistance is a controversial and consequential policy question. Some observers maintain that non-time limited assistance ensures that low-income recipients are not deprived of affordable housing. Others, however, contend that having no time limits undermines housing assistance recipients' progression toward self-sufficiency. Also, because demand for public housing units and vouchers exceeds supply, when households retain benefits for long periods of time the total number of eligible households served is smaller than would be the case if the assistance were time-limited; hence, the interests of those receiving assistance are juxtaposed with those of equally eligible households not receiving it.

This report documents the experiences of the MTW agencies that experimented with time limits on benefits related to housing assistance.<sup>4</sup>

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<sup>1</sup> Section 204 of the Omnibus Consolidated Receptions and Appropriations Act of 1996, Pub. L. 104-134, 110 Stat. 1321 (April 26, 1996).

<sup>2</sup> The first agencies did not begin participating until 1999. Since that time, 38 of the nation's approximately 3,400 public housing agencies have been associated with the MTW demonstration. However, five of them participated in a separate Jobs-Plus demonstration that utilized HUD's MTW authority, with only one of the five later converting to the main MTW demonstration. Six agencies that were approved for participation dropped out of MTW before or immediately after signing MTW agreements with HUD and, therefore, never actively participated; one has been "in negotiation" with HUD regarding participation since 2000; and three completed their participation by mid-2006, when fieldwork for this report was undertaken. Therefore, 27 agencies have actively participated in the main MTW demonstration over its history and, of these, 24 were still active as of mid-2006.

<sup>3</sup> Although MTW agencies constitute only a tiny subset of the nation's public housing agencies, those that adopted time limits vary considerably with respect to agency sizes, structures, and performance histories, as well the sizes of the jurisdictions they serve, the number of households they assist, their geographic locations, and the character of the housing markets in which they are located. Likewise, the number of households affected by time limits ranges from 21 to 14,500 among the agencies. Such diversity is valuable for observing how different types of time-limits policies work in disparate settings. However, it is a constraint for purposes of comparing or aggregating policy experiences: there are many differences and limited examples to draw upon.

<sup>4</sup> MTW experimentation has not been ideal from a research or evaluation perspective, as explained in Abravanel *et al.*, *Testing Public Housing Deregulation: A Summary Assessment of HUD's "Moving to Work" Demonstration* (Washington, DC: The Urban Institute, 2004), pp. 4-6. As an experiment in deregulation, MTW is more suited to learning what policies

## WHAT KINDS OF TIME LIMITS POLICIES WERE ADOPTED?

As would be expected in a demonstration involving decentralized policymaking, the agencies that adopted time limits focused on a variety of programmatic benefits and established distinct requirements based on local considerations. Eight agencies imposed time limits on housing assistance per se, while five imposed them on other program benefits. Within these categories, each developed its own rules.

The terms and conditions of the five agencies that time-limited some aspect of their programs other than housing assistance are summarized below:

Greene County (OH) Housing Authority	Established a stepped-rent system and limited the amount of time households would be subject to it to five years, after which they would still be eligible to receive housing assistance under the standard percent-of-income rent system. <sup>5</sup> The initiative ended in March 2004.
Lincoln (NE) Housing Authority	Planned a three-year limit on the amount of time public housing families could be at an established ceiling rent, <sup>6</sup> but never implemented the policy.
Minneapolis (MN) Housing Authority	Used HCV funds to subsidize mortgage assistance for a maximum of five years in a special homeownership program, which was ultimately phased out and converted to HUD's Section 8 Homeownership program.
Portage County (OH) Housing Authority	Provided selected residents an opportunity to live in desirable scattered-site public housing units as encouragement to become more self-sufficient and imposed a five-year limit on the time they could remain in those units. The policy was rescinded in 2006.
San Antonio (TX) Housing Authority	Designed a program to encourage employment by providing residents in selected developments with intensive supportive services, giving them three months to become employed. Those not employed within that time were dropped from the MTW program but could retain housing assistance.

The terms and conditions of the eight agencies that placed time limits on the receipt of housing assistance are as follows:

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and practices agencies adopt when rulemaking is decentralized than to learning about the effects of those rules—including time limit policies. Indeed, in most instances, agencies did not design time limit policies to facilitate rigorous tests of their effects and data appropriate for evaluating results are generally not available.

<sup>5</sup> The standard system that applies to the Public Housing and HCV programs bases rent payments on household income, not on the size, location or amenities of the housing unit. Originating with the December 24, 1969, Brooke Amendment [Pub. L. No. 91-152, 83 Stat. 379] to the United States Housing Act of 1937, public housing residents and HCV recipients do not pay more than a set percentage (currently 30 percent) of their adjusted households incomes for rent. Stepped rents are not tied to income but set by the housing agency, and they increase at predetermined intervals.

<sup>6</sup> This is the maximum amount of rent that can be charged, irrespective of household income or other considerations.

Delaware State Housing Authority	Limited all of its non-elderly and non-disabled public housing residents and HCV recipients to five years of housing assistance, but also instituted a “safety net” feature to protect persons who would be excessively burdened in the private market.
Keene (NH) Housing Authority	Limited all of its non-elderly and non-disabled voucher recipients, but not its public housing residents, to five years of housing assistance, although there is the possibility of an extension for one or two years.
Massachusetts Department of Housing and Community Development	Established a special three-year limited assistance program for selected households that were either transitioning from welfare, homeless, or near homeless and were not previously receiving housing assistance.
Philadelphia (PA) Housing Authority	Limited all of its non-elderly and non-disabled HCV holders, but not its public housing residents, to seven years of assistance.
San Diego (CA) Housing Authority	Developed a small program providing concentrated case management and supportive services to selected public housing residents and HCV recipients for a five-year time period, after which housing assistance was scheduled to end. The program was later terminated, however, and participants were allowed to join the standard public housing and HCV programs.
San Mateo County (CA) Housing Authority	Provided vouchers to selected households that were not currently receiving housing assistance but had recently become unemployed and suffered temporary reversals in their finances, as well as persons in substance abuse programs. The program has a six-year limit.
Tulare County (CA) Housing Authority	Offered existing public housing residents and HCV recipients the choice to retain non-time-limited assistance or the opportunity to participate in the agency’s flat rent program for a period of five years, after which all assistance is discontinued. All new non-elderly, non-disabled public housing residents and voucher holders are subject to a five-year limit.
Vancouver (WA) Housing Authority	Limited all of its non-elderly and non-disabled public housing residents and HCV recipients to five years of housing assistance. The program was rescinded in its fifth year.

The fact that these agencies decided to adopt time limits provides an opportunity to learn about their rationales for doing so, how they dealt with key program design issues, what companion policies or programmatic changes they made in conjunction with time limits, and their experiences with such policies—as of mid-2006 when field work for this study was done. Given the importance of the issue of time-limiting housing assistance (as opposed to other program aspects), the eight agencies that opted to do so are the focus of this summary; the report, however, covers all 13 agencies.<sup>7</sup>

### **WHY WERE DIFFERENT APPROACHES ADOPTED?**

No housing agency required that benefits to elderly or disabled households be time-limited. Aside from that common policy, each agency approached time limits differently. Three of them imposed limits on all family households in the public housing or HCV program; two time-limited only HCV households; and three applied time limits to households that had not

<sup>7</sup> As indicated, two of the agencies that time-limited housing assistance (San Diego and Vancouver) subsequently rescinded their time-limits policies, while Philadelphia has only recently begun to implement its policy. After the study was completed, Keene also terminated its time limit program.



previously been receiving public housing or HCV assistance. Of the five agencies that time-limited public housing or HCV households or both, four imposed limits on their preexisting and future housing assistance recipients while one gave preexisting recipients the choice of opting into time-limited assistance or retaining non-time-limited assistance. The enticement to convert involved an alternative rent scheme that generally lowered rent payments.

In deciding to establish time limits policies, the agencies were motivated by one or more of the following objectives:

- ***Promoting greater self-sufficiency.*** Time limits on housing benefits were intended to spur increased workforce participation. Agency planners reasoned that when families recognized their assistance would end at a specific time, they would need to prepare to secure private market housing and, therefore, take the appropriate steps to become more self-sufficient.
- ***Stretching and more equitably distributing scarce resources.*** Housing assistance is a scarce commodity for which many more families are eligible than can be served. Agency planners reasoned that since some recipients retained their assistance for long periods while others who were equally eligible did not receive it at all or had to wait many years to get it, time-limiting assistance was a more equitable way of distributing the resource. It opened up service to a greater portion of the eligible population.
- ***Adding an element of fairness to the housing assistance selection process.*** Where agencies selected households to participate in special programs on other than a “first-come, first-served” basis, officials reasoned it was appropriate for them to get time-limited assistance in exchange for receiving assistance ahead of others.

Beyond these purposes, the following considerations also came into play in agency decision making:

- ***The welfare reform model.*** The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was passed in the same year that MTW was enacted, and some agency planners wanted to bring housing assistance into line with welfare assistance so as not to undermine the latter. The five-year maximum limit allowable under the Temporary Assistance for Needy Families (TANF) component of welfare reform, therefore, served as a benchmark for some agency officials.
- ***Community opinion and potential community reaction.*** At least two MTW agencies did not even consider time-limiting assistance because they believed doing so would have evoked strong negative reaction from critical community constituencies, including those that also opposed welfare reform time limits.<sup>8</sup> In other instances, however, agency

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<sup>8</sup> According to personnel at the San Antonio PHA, the agency originally considered imposing a time limit on housing assistance but concluded that local advocacy groups would strongly object. According to PHA officials and local stakeholders in another MTW community, agency planners did not contemplate time limits because they knew community advocates would reject the idea and, consequently, not support the agency’s application to participate in MTW (Abravanel *et al.*, p. 24).

officials were aware either that there was no opposition within their communities, the opposition would not prevail, or important constituencies were supportive of time-limiting housing benefits.

- ***Local housing and job market conditions.*** Especially in those places where job markets were strong and/or housing markets were relatively soft, agency planners reasoned that recipients who were time-limited out of assistance would be able to find sufficient work and affordable housing without excessive hardship. Where markets were not so favorable, however, planners tried to factor that into their time limits considerations.
- ***MTW demonstration constraints.*** MTW imposed certain constraints on agency rulemaking—including the fact that the demonstration itself was time-limited and required agencies to revert to standard policies and practices when their participation ended. While some officials paid little attention to this fact, presuming that either national housing legislation would be modified in the interim to allow them to continue their altered policies or that their policies would be impossible to reverse, others were especially sensitive to the demonstration’s constraints as they developed their time limit policies.

The interplay among the above considerations can be seen in the decisions agency officials made regarding the terms of their time limits—which ranged from three to seven years, with five years being the most frequent.

- ***Three years.*** The Massachusetts Department of Housing and Community Development established a program under MTW to promote the self-sufficiency of households who were transitioning from welfare or were homeless or near homeless. They chose a three-year time limit not because they considered three years to be an appropriate amount of time for moving such households to self-sufficiency but because they calculated it would take one year to develop a new program and one year to close it down, leaving three years for the program’s operation within the five-year period of their MTW agreement with HUD. The Delaware State Housing Authority also initially imposed a three-year time limit, basing their decision not on MTW constraints, but on their observation that three years was the average amount of time public housing and HCV recipients normally received assistance. Subsequently, the agency expanded the limit to five years, based on feedback from its clients.
- ***Five years.*** The Tulare County and Keene PHAs chose five-year terms to parallel the TANF program, and the Vancouver and San Diego PHAs did so to correspond to the original terms of their MTW demonstration agreements with HUD.<sup>9</sup>
- ***Six years.*** The San Mateo County PHA selected a six-year limit to correspond to the six-year term of its MTW demonstration agreement with HUD.

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<sup>9</sup> In the case of San Diego, time-limiting assistance was considered a fairness issue with respect to the way program participants were selected; in exchange for jumping to the front of the wait list, participants agreed to limit the term of their assistance.

- ***Seven years.*** The Philadelphia PHA adopted a seven-year limit based on the reasoning that time limits should reflect how long it takes for particular types of households to become self-sufficient. Agency officials presumed that their HCV recipients would have to make substantial life changes to succeed in the private housing market and that it would likely take about seven years to accomplish this.

Although housing agency personnel generally considered three years to be too short a time period for many households to become self-sufficient, there was no consensus across agencies as to exactly how much time was both long enough to encourage family self-sufficiency and minimize hardships, yet short enough to stimulate turnover and increase the number of households receiving assistance.

Similarly, agency officials had different ideas on how to deal with cases of hardship that might result from the establishment of a time limit, whatever its terms. Four of the eight agencies implemented policies to deal with hardships. They differed as to whether recipients had to request consideration or if hardship reviews would be done across the board—and whether agency staff or others would do such reviews.

- ***Hardship reviews done for all households, by agency staff.*** As households served by the Delaware State Housing Authority approached their fifth year, agency staff routinely determined if they would be able to secure unsubsidized housing at less than 40 percent of their incomes. If not, these households would fall within the agency’s safety net and be permitted to retain their housing assistance—although they would lose the balance of their escrow accounts and have to repay any money previously borrowed from those accounts. Those whose assistance was terminated could reapply for housing assistance at the bottom of the agency’s waiting list.
- ***Hardship reviews done at a household’s request, by agency staff.*** Keene’s HCV recipients nearing their five-year time limit who were in compliance with program rules could request an extension of their housing assistance for up to two years. The agency’s Tenant-Based Assistance Manager would review the requests and denials could be appealed to the agency’s Programs and Services Manager. Those whose assistance was terminated could reapply for housing assistance at the bottom of the agency’s waiting list. At the San Mateo County PHA, staff reviewed hardship requests on a case-by-case basis to determine if households were unable to achieve economic independence because of conditions beyond their control—primarily involving disabilities. Because their MTW households did not have housing assistance prior to the time-limited program (most were not even on a waiting list), the agency set its hardship standard relatively high.
- ***Hardship reviews done at a household’s request, by others.*** Tulare County PHA households could request a time limit exemption, which was then considered by a committee appointed by the PHA’s board. It consisted of five community members who were not connected to the agency.

None of the remaining four agencies implemented hardship policies; although the San Diego PHA would likely have done so had it continued its time limit program. Likewise, a hardship policy was developed by the Vancouver PHA, but it became moot when the agency

suspended its time limit policy. Prior to that, some stakeholders criticized Vancouver’s proposed policy as being subjective and vague. The Massachusetts Department of Housing and Community Development did not institute a hardship policy; when participation ended, program “graduates” could seek other forms of housing assistance if available. Indeed, staff members encouraged some of them to sign up for as many subsidized housing waiting lists as possible while they were in the program as protection against future hardship. Finally, the Philadelphia PHA had only recently begun its time limit policy when research for this report was conducted and had yet to articulate a hardship policy.

## **WHAT COMPANION POLICIES WERE ADOPTED ALONG WITH TIME LIMITS?**

Agency officials generally expected that the effects of time limits on housing assistance recipients would be sufficiently positive to outweigh the potential negative consequences of terminating benefits. They anticipated that recipients would make more rapid progress toward self-sufficiency than they would under non-time-limited assistance. This, in turn, was expected to result in good post-assistance housing outcomes. Officials also reasoned that such outcomes would more likely occur where time limits were imposed in conjunction with changed rent rules and/or modified supportive services or Family Self-Sufficiency (FSS) type programs. However, while some agencies had documentation indicating that their time limits and related MTW policies were part of an integrated scheme to promote self-sufficiency, others depicted a more eclectic approach to their policy development—suggesting that time limits, rent rules, and services policies were not necessarily well thought through at origin. Indeed, implementation posed challenges to some agencies that forced them to modify or cancel one or another aspect of their plans.

All agencies that imposed time limits on housing assistance made some types of changes to their rent rules. These were motivated not only by self-sufficiency objectives but sometimes by other substantive or administrative purposes as well.

- ***Rent rules motivated by self-sufficiency objectives.*** Rent reform was often instituted in an effort to promote employment and encourage progress toward self-sufficiency. Normally, rent payments made by public housing and HCV households are based on a percentage of adjusted household income such that when income increases, rent payments increase as well. Reasoning that this system creates disincentives for work, four agencies decoupled rents and rent subsidies from incomes and instead established either flat rents or subsidies (in San Diego and Tulare), stepped rents (in Keene), or set payments (in Massachusetts). Other agencies retained the percentage-of-income system but modified it in various ways, such as by increasing or decreasing the percentage of income charged for rent or amending the formula used to adjust income (for example, by excluding or disregarding some portion of earned-income increases). The latter was intended to encourage increased income either by not raising rent payments as much as the percentage formula would require or by transferring raised rent payments to escrow savings accounts for subsequent use by the household. In addition, some agencies only calculated income-based rents annually (every two years in Philadelphia) instead of immediately following changes in income; or they imposed ceiling rents along with other changes.

- ***Rent rules motivated by other purposes.*** Some agencies modified their rent rules with the intention of either eliminating incentives to hide income, simplifying rent calculations for the benefit of agency personnel as well as recipients, or reducing agency costs—for example, by recertifying income less frequently than on an annual basis. One agency, San Mateo County, changed its formula for adjusting gross household income (using the percentage-of-income method) to encourage family reunification. The Vancouver PHA continued to calculate rents based on a percentage-of-income method for its HCV program but used gross income rather than adjusted income, went to a 45-percent-of-income standard, and applied it to contract rents (i.e., exclusive of utilities)—to give tenants a more reliable way of figuring their monthly costs and to reduce agency costs.

All but one of the agencies time-limiting housing assistance also attempted to expand or enhance supportive services by various means and/or to establish escrow accounts to promote self-sufficiency. The exception, the Tulare County PHA, preferred to refer their housing assistance recipients to the county welfare agency or others for services. Instead of establishing escrow accounts, agency staff encouraged recipients to use any rent savings they derived from the agency's flat rent system to their long-term strategic advantage.

- ***Supportive services.*** Some agencies provided supportive services directly to housing assistance recipients while others emphasized referrals to external organizations. The Philadelphia PHA, for example, arranged with nine agencies to provide educational, life skills, employment, and financial management services. Most agency officials considered provision of case management, financial counseling, service supports, escrow accounts—or combinations of these—to be a primary responsibility of the agency, reasoning that many households would not be able to manage on their own without agency direction. Such efforts often mirrored standard Family Self-Sufficiency programs but either expanded coverage to include all time-limited households or enriched the services packages. Tulare County PHA officials, in contrast, emphasized recipient responsibility, reasoning that learning to take advantage of opportunity was as valuable as having opportunity.
- ***Escrow accounts.*** All but three agencies (Keene, Philadelphia, and Tulare) established escrow accounts for households subject to time limits. These were generally intended for use in the post-housing assistance period. The approaches, however, reflected different perspectives regarding both how much control the agency (versus the household) should have in managing the account and what the appropriate incentives were for promoting self-sufficiency. Various questions were considered. Should families be allowed to use their escrow funds for emergency or work-related purposes while still receiving housing assistance? Should households be encouraged to transfer additional funds into escrow to increase their savings? Should escrow accounts be capped at a certain level? Should additional (matching) funds be provided by the agency?

## **WHAT IS KNOWN ABOUT EFFECTS OF TIME LIMITS ON RECIPIENTS?**

By mid-2006, Delaware, Massachusetts and Tulare had begun to time out some of their housing assistance recipients. Keene expected to begin to do so in late 2006, San Mateo

expected to have its first households reach their time limits in late 2007, and Philadelphia will only begin to time out recipients in 2010. With respect to households assisted by these agencies, significant intermediate outcomes of interest include changes in recipients' incomes or asset accumulation, while longer-term outcomes include both the housing situations and the costs incurred by those timed out as well as whether time-limiting assistance permitted agencies to serve a larger proportion of eligible households than would otherwise have been the case. Unfortunately, a lack of follow-up with those who have timed out of housing assistance, and the absence of comparative data on time-limited and non-time-limited households, means that there is only limited information with which to evaluate outcomes or establish cause-and-effect relationships between agencies' policies and recipients' experiences.

Where households have already timed out of assistance, there is anecdotal information that some were able to take good advantage of their housing assistance experiences—including increasing their incomes and/or assets and, subsequently, renting housing or purchasing homes without excessive burden. However, others have had less-positive experiences—a few ending up homeless, for example. Likewise, in Massachusetts and Delaware the amount of money households accumulated in escrow accounts when reaching their time limits varied considerably. Some were able to save enough to help them purchase homes or rent unsubsidized units, while others were able to save only small sums of money. And some, in Delaware, lost their entire escrow accounts.

Informal interviews or focus group discussions with a small number of current and former housing assistance recipients across agencies indicate that time limits policies motivated some, yet paralyzed others. Several persons in Tulare, for example, said they only recognized in retrospect that they had been woefully unprepared for renting in the private market. They recalled feeling panicked about finding an affordable unit that would meet their families' needs, and the panic got worse as they reached their time limit. One former recipient attempted to learn about homeownership and clean up her credit within one year of termination, only to realize, after the fact, that one year was not enough time to accomplish everything required to make homeownership possible.

The following is known about outcomes at each of the agencies that have already timed out some recipients:

- ***Delaware.*** How many households ended their assistance in Delaware as a direct result of time limits is not certain. Of 1,124 households exiting for any reason during the seven years of Delaware's MTW initiative, nine percent reached their five-year limit but were protected by a safety net policy allowing them to retain their housing assistance. About 35 percent purchased homes or were judged not to be rent-burdened in the private market, while 56 percent no longer received housing assistance and also did not collect their escrow accounts. The proportion of the latter that were rent burdened after having left is not known, since a formal determination was not made for those leaving prior to the end of their time limit.

- **Massachusetts.** By September 2006, a first cohort of 183 households had ended participation in Massachusetts' time-limited initiative, which is divided into two segments—one in Boston and the other in Worcester. Of 53 households in the Boston segment, five were in the home-buying process when they exited, 30 intended to rent at market rates, six were moving to other assisted housing, four were moving in with family members, two went to a homeless shelter, and six had housing outcomes that were not known to the administering agencies. During agency exit interviews with heads of 23 participating households, four of those who said they intended to rent private-market housing indicated they would be paying less than 50 percent of their gross monthly incomes toward rent while 14 expected to be paying more than 50 percent. Of 122 households entering the Worcester segment, 88 completed it and the remaining 34 left voluntarily. Among completing households, 19 became homeowners.
- **Tulare.** By September 2006, 763 households had timed out of assistance in Tulare. Hardship exemptions had been requested by 33 households and granted to about one-half of them. At enrollment, the median annual income of program recipients who had entered between 1999 and 2005 and were subject to flat rents/subsidies and a five-year time limit was \$13,605 (converted to 2005 dollars). For those who stayed a full five years, median annual income was \$20,691. Including those who voluntarily left housing assistance before the five-year limit, the incomes of all households increased from their first year until exit by an annual average of 7.2 percent, although the extent to which this resulted from the agency's rent and time limit policies cannot be determined. Incomes at the five-year point can be used to estimate the potential for private-market rent burden. Assuming those who were about to be timed out would pay the full Fair Market Rent for Tulare County, about one-half would spend more than 40 percent of their incomes for rent. Because turnover data are not available for the period preceding the imposition of time limits, the extent to which the agency has increased the proportion of eligible households served as a result of time limits is not known. However, anecdotal information from agency clerks who process applications and managers who supervise turnover-associated maintenance indicates an increase in such activities since the initiation of time limits—suggesting some level of increased coverage.
- **Keene.** Since voucher recipients assisted by the Keene PHA have just begun to reach their time limits, there is no post-program experience to assess. However, there has been an increase in the percentage of program participants who have become employed and an increase in their incomes since the agency established time limits, a stepped-rent system, and enhanced supportive-services. In 2005, 70 percent of recipients were employed, as compared to 46 percent in 2001. The proportion of recipients whose incomes exceeded 50 percent of area median income rose from 22 percent in 2001 to 40 percent in 2005. The extent to which the agency's policies and programs contributed to the increases is not known.

Because MTW was not designed to support rigorous examination of either the short- or longer-term effects of time limits on housing assistance recipients, there are significant limitations as to what is knowable, and known from these experiences. To learn more would have required building program evaluation in from the start, and pursuing it seriously. An

important observation, therefore, is that evaluation has to be an integral part of deregulation initiatives that are intended to understand the consequences of time-limiting housing assistance.

## WHAT IS KNOWN ABOUT EFFECTS OF TIME LIMITS ON HOUSING AGENCIES?

Whenever a housing agency alters its policies, there are likely to be impacts on the agency itself—for example, on its costs, the morale of its staff, or even its reputation in the community. According to agency officials and staff, most agencies that time-limited housing assistance experienced some increased costs, modest effects on staff morale, and, thus far, few discernible effects on agency reputation.<sup>10</sup>

- **Costs of time limits.** Time limit policies per se were generally not instituted to reduce agency costs, and most agency officials maintained they have not had this result. Of the three agencies that had timed out recipients as of mid-2006 (Tulare, Massachusetts, and Delaware), Tulare experienced some additional maintenance or administrative costs due to increased unit and voucher turnover. Although the administrative costs of the Massachusetts initiative were likewise greater than what they would have been under the standard HCV program, the formula the agency used to calculate expenses under its MTW program proved adequate to cover these expenses. In one instance—Vancouver—instituting a time limit policy contributed to substantial fiscal stress on the agency—albeit in the unique context of its other MTW-related experiences.<sup>11</sup> For this and other reasons, the agency rescinded its time limit policy before anyone timed out.
- **Costs of rent rules and service supports.** Some alternative rent rules provided opportunity for cost savings, such as instances where flat rents eliminated the administrative effort of calculating rent payments. However, when combined with time limit policies or administered in parallel with programs using other rent rules, such cost savings were often offset, according to agency officials. In Delaware, Keene, San Diego San Mateo, and Vancouver, for example, expanded case management, enhanced services supports, or added administrative effort—in conjunction with time limits—resulted in higher agency costs and sometimes led to program modifications or services cutbacks as a result.
- **Staff morale.** There is some indication, from agency officials as well as staff that when staff members consider the agency’s MTW policies on time limits, rent rules, or service supports to be better, more equitable or easier to administer than standard program policies, staff morale improves.
- **Agency reputation.** Where community stakeholders favor or oppose the adoption of time limits, the agency’s relationships with such groups could be affected. However, while agency personnel report both approval and disapproval from different stakeholders, it appears the issue has not generated excessive community awareness or controversy.

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<sup>10</sup> When multiple policy or program changes (such as time limits, rent rules, and enhanced service supports) occur simultaneously, it is not always possible to identify and isolate the independent effects of each.

<sup>11</sup> See Abravanel *et al.*, p. 33.



Some housing advocates accepted time limits where there appeared to be compensating benefits, while some expressed disapproval but considered the issue less important than other concerns. In at least one instance, a time limit policy was established partially to deflect community criticism of housing assistance programs.

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## SECTION I

### BACKGROUND

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In 1996 Congress enacted Moving to Work (MTW), a U.S. Department of Housing and Urban Development (HUD) public housing deregulation demonstration.<sup>12</sup> MTW permits a small number of local and state housing agencies to request, and HUD to grant, waivers of federal statutes or regulations pertaining to the Public Housing and Housing Choice Voucher (HCV) programs.<sup>13</sup> “MTW agencies” can adopt policies or develop programs or procedures that differ from those allowed at most housing agencies. Among statutory changes that have been made, 13 of the 27 agencies that actively participated in MTW placed time limits on one aspect or another of their programs—including eight that placed them on receipt of housing assistance. By mid-2006, some program participants at three of the latter agencies had reached the end of their time limits and their assistance had been terminated.

Time limits on housing assistance are not permitted under standard public housing and HCV rules; recipients can normally keep their assistance as long as they remain income eligible and abide by program requirements. Non-time-limited assistance is intended to ensure that low-income tenants are not deprived of affordable housing. Some observers, however, contend that having no time limit undermines progression toward self-sufficiency. Also, because the demand for public housing units and vouchers exceeds the supply, when households retain benefits for long periods of time the total number of needy households served is smaller than would be the case if the assistance were time-limited. Thus, the interests of those receiving assistance are juxtaposed with those of equally eligible households not receiving assistance. Clearly, the question of whether time limits should be imposed is both controversial and consequential.

This report, which documents the experiences of MTW agencies that established time limits, is based on available documentary information, administrative data, and in-depth discussions with key agency personnel, community stakeholders, and housing assistance recipients.<sup>14</sup>

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<sup>12</sup> The demonstration was enacted as Section 204 of the Omnibus Consolidated Receptions and Appropriations Act of 1996, Pub. L. 104-134, 110 Stat. 1321 (April 26, 1996).

<sup>13</sup> See Housing Agency Responses to Federal Deregulation: An Assessment of HUD’s “Moving to Work” Demonstration, U.S. Department of Housing and Urban Development, January 2004; and Martin Abravanel et al., Testing Public Housing Deregulation: A Summary Assessment of HUD’s “Moving to Work” Demonstration, The Urban Institute, 2004. The first agencies did not begin participating until 1999. Since that time, 38 of the nation’s approximately 3,400 housing agencies have been associated with the MTW demonstration at one point or another. However, five of them took part, instead, in a separate Jobs-Plus demonstration, with one of the five later converting to the MTW demonstration. Six agencies that were approved for participation dropped out of MTW before or immediately after signing MTW agreements with HUD and, therefore, never actively participated; one has been “in negotiation” with HUD regarding participation since 2000; and three had completed their participation by mid-2006. Of the 27 agencies that have actively participated in MTW over its history, 24 were still active as of as of mid-2006 when fieldwork for this report was undertaken.

<sup>14</sup> MTW experimentation has not been ideal from a research or evaluation perspective, as explained in Abravanel *et al.*, *Testing Public Housing Deregulation: A Summary Assessment of HUD’s “Moving to Work” Demonstration* (The Urban Institute, 2004), pp. 4-6. As an experiment in deregulation, MTW is more suited to learning what policies and practices agencies adopt when rulemaking is decentralized than learning about the effects of those rules—including time limit policies. Indeed, in most instances, agencies did not design time limit policies to facilitate rigorous tests of their effects and data appropriate for analyzing results are generally not available.

During May and June 2006, site visits were made to the eight agencies that placed time limits on housing assistance and telephone contacts were made with senior personnel at agencies that placed time limits on other aspects of their programs.

- **Site visits.** These were undertaken to elicit information from agency officials, staff, and knowledgeable community members on what each agency originally planned to do with respect to time limits, what they actually did, and what they were learning from their experiences. In addition, an effort was made to speak directly with a small number of current and former housing assistance recipients, individually or in focus groups, to understand their perspectives and experiences with respect to time limits.
- **Telephone contacts.** These were undertaken to learn about the policies and experiences of agencies that time-limited aspects of their programs other than housing assistance.

Table 1 shows the housing agencies included in the study and the approximate number of households that have been subject to time limits.

**TABLE 1:**

**HOUSING AGENCIES THAT ESTABLISHED TIME LIMITS  
BY TYPE OF TIME LIMIT AND APPROXIMATE NUMBER OF HOUSEHOLDS AFFECTED**

<b>Time-Limited Housing Assistance (Site Visited)</b>	<b>Households Affected by Time Limits</b>	<b>Time-Limited Program Benefits Other Than Housing Assistance (Contacted by Telephone)</b>	<b>Households Affected by Time Limits</b>
Delaware State	904	Green County, OH	100
Keene, NH	230	Lincoln, NE	26
Massachusetts State	183	Minneapolis, MN	21
Philadelphia, PA	14,500	Portage County, OH	39
San Diego, CA	72	San Antonio, TX	315
San Mateo County, CA	300		
Tulare, County, CA	944		
Vancouver, WA	1,937		

### **CHARACTERISTICS OF AGENCIES ESTABLISHING TIME LIMITS**

Although constituting a tiny subset of the approximately 3,400 housing agencies in the nation, the 13 that planned or implemented time limits under MTW are quite varied, indicating that diverse types of agencies are willing to consider limiting the duration of either housing assistance or other aspects of their programs. Included are both large and small agencies in terms of staff sizes and numbers of households assisted, as well as the sizes of the populations and jurisdictions they serve—as shown in Table 2. The agencies are located in both urban and rural areas. Some are fairly typical in their structures and operations while others are somewhat atypical—such as one that does not have a governing board and another that does not receive public housing operating subsidies from HUD. Also, some are city or county Public Housing Authorities (PHAs) while others are state agencies. Agencies instituting time limits are located across the nation, stretching from Massachusetts to California/Washington and seven states in between.

**TABLE 2**  
**CHARACTERISTICS OF HOUSING AGENCIES WITH TIME LIMITS**

<b>Public Housing Agency</b>	<b>Population Served</b>	<b>Land Area in Square Miles</b>	<b>Public Housing Units</b>	<b>Vouchers</b>
Delaware State*	322,516	1,527*	497	953
Greene County, Ohio	147,890	415	344	992
Keene, New Hampshire	22,500	37	226	259
Lincoln, Nebraska	225,580	75	200	1,800
Massachusetts State	6,349,000	7,840	0	18,543
Minneapolis, Minnesota	382,500	55	6,949	4,907
Philadelphia, Pennsylvania	1,495,000	135	13,457	16,683
Portage County, Ohio	152,100	492	549	992
San Antonio, Texas	1,145,000	408	6,350	12,000
San Diego, California	1,223,400	324	1,349	12,000
San Mateo County, California	707,200	449	180	4,000
Tulare County California	370,000	4,824	700	2,471
Vancouver, Washington	157,000	43	513	1,942

\*Data are for Kent and Sussex Counties, which are served by the agency.

Considerable variation also exists among the subset of eight agencies that established time limits on housing assistance. They range in terms of size of community and number of households served—from Keene (with a population of 22,500, 226 public housing units under management, and 259 vouchers) to Philadelphia (with a population of 1.5 million, 13,500 housing units under management, and 16,000 vouchers). Housing market costs and characteristics across the jurisdictions also range widely. While the San Mateo County PHA serves a suburban population in one of the nation’s most expensive housing markets, the Tulare County PHA serves a rural market where housing costs are high relative to incomes, but considerably lower than in most areas of the country. With respect to population densities, Tulare County is more than three times as large in land area as the two counties served by the Delaware State Housing Authority, yet the sizes of the respective jurisdiction’s populations are similar. Finally, there are differences in performance histories: most of the agencies in this group have been considered “high performers,” while the Philadelphia PHA previously had been regarded by HUD as a “troubled” agency.

This diversity is useful from the perspective of understanding how time limit policies work in disparate settings, yet it is also constraining. There are many differences and few examples to draw upon—limiting the ability to compare or aggregate policy experiences across agencies.

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## SECTION II

### PLANNING AND IMPLEMENTATION

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Housing agencies approached time limits in different ways and with different strategic purposes in mind. The types and terms of the time limit policies adopted by MTW agencies as well as the hardship provisions associated with each are described in this section, as are other policies and activities that have been undertaken in conjunction with time limits—such as rent reforms, supportive services, and escrow accounts.

#### POLICIES

Agency time limit policies are grouped into two categories—those involving termination of housing assistance and those involving termination of other types of benefits.

**1. Time limits on benefits other than receipt of housing assistance.** The five agencies that time-limited program aspects other than housing assistance are as follows:

- **Greene County** instituted a stepped-rent system. Because their participation in the MTW demonstration was for five years, the agency decided a household would be subject to stepped rents for five years. However, they would still be eligible to receive housing assistance after MTW. Greene’s MTW initiative was terminated in March 2004.
- **Lincoln** included in its original MTW plan a three-year limit on the time a family in public housing could be at an established ceiling rent. On review, however, it appeared that such a time limit would be burdensome to households that were generating the most revenue for the agency and, thus, potentially serve as a disincentive for them to increase their incomes. Because this was the reverse of the message the agency wanted to convey to its residents, the policy was never implemented.
- **Minneapolis** designed an MTW initiative that allowed HCV funding to be used for mortgage assistance in a homeownership program intended to serve 50 households. The program had a five-year time limit on the mortgage assistance. Later, when HUD began a nationwide HCV homeownership program, the agency phased out its five-year time limit and implemented a program under the Final Section 8 Rule on Homeownership.
- **Portage County** decided to provide selected residents the opportunity to live at its more desirable scattered-site public housing units as an incentive to move toward self-sufficiency. The agency imposed a five-year limit on the time such residents could remain in the scattered-site units. Those who had not become self-sufficient in five years would have to move out of the scattered-site units but could remain in public housing. This policy was rescinded in 2006.
- **San Antonio** designed its MTW program encourage employment. The agency provided residents in selected housing developments with support services and gave them three

months to become employed. If they were not employed after three months, they were to be dropped from the MTW program but permitted to retain their housing assistance.<sup>15</sup>

Over the course of their involvement with MTW, some agencies reconsidered their time limit initiatives or had such negative experiences with them that they discontinued their policies—either early or late into implementation. In two cases (Lincoln and Portage) cancellation was due to the anticipated or real effects on agency costs or operations.

- **Lincoln**, very early on, reconsidered its policy that would have limited households to three years at ceiling rents, concluding that it would disadvantage the very households that had been improving their economic circumstances. Believing this would send the wrong message to their residents, leadership of the agency canceled the policy before implementing it.
- **Portage County** officials wanted to set aside more desirable scattered-site units to reward residents for good behavior and upward mobility. Tenure in such units was to be limited to five years, after which residents would have to vacate them and return to either other public housing or voucher assistance. However, it was difficult for the PHA to find residents who were willing to transfer to the units if time limits were attached to their stay; the result was high vacancy and turnover costs, which impacted the agency's HUD performance scores.<sup>16</sup> As a consequence, the PHA ended its policy in 2006.

Of the five agencies that time-limited benefits other than receipt of housing assistance, only San Antonio still maintains a time limit, and that limit does not include termination of housing assistance.

**2. Time limits on receipt of housing assistance.** The eight agencies that placed time limits on housing assistance approached this policy in different ways, except that all eight exempted elderly or disabled persons from these limits. Three imposed time limits on all family households regardless of whether the assistance was through the public housing or HCV programs, and two imposed them only on HCV households. Three applied time limits to households that were not previously receiving public housing or HCV assistance but were selected to participate in special, time-limited programs. Of the five agencies that time-limited public housing and/or HCV households, four imposed limits on both their current and future housing assistance recipients and one gave current recipients the choice of opting into time-limited assistance or retaining non-time-limited assistance. The enticement to convert to time limits involved an alternative rent scheme that generally lowered rent payments.

The following agencies time-limited HCV recipients or public housing residents:

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<sup>15</sup> In the early planning stage for MTW, San Antonio PHA officials considered adding a time limit to housing assistance but came to the conclusion that community opposition would make such a policy difficult to implement.

<sup>16</sup> Under the Public Housing Assessment System (PHAS), HUD evaluates PHAs based on four indicators: property physical condition, PHA financial condition, PHA management operations, and residents' assessments.

- **Delaware** time-limited housing assistance for all public housing residents and HCV recipients; it later instituted a “safety net” feature for those households likely to face severe housing cost burdens if their housing assistance were discontinued.
- **Keene** required participation in its MTW program<sup>17</sup> of all of its public housing residents and voucher recipients,<sup>18</sup> but only the latter are subject to time limits on housing assistance. However, if its public housing residents are able to “graduate” to the voucher program, they also become subject to the time limits on housing assistance.
- **Philadelphia** time-limited housing assistance for its non-elderly and non-disabled HCV recipients only.
- **Tulare County** time-limited housing assistance for all public housing residents and HCV recipients, but gave households receiving assistance when time limits were first instituted the choice of taking either non-time-limited or time-limited assistance. Flat rents served as an enticement to some residents to convert to time-limited assistance.
- **Vancouver** time-limited housing assistance for all public housing residents and HCV recipients.

The remaining three agencies applied their housing assistance time limits to special programs that involved a small number of households:

- **San Diego** developed a time-limited program that focused on providing concentrated case management and supportive services to a small number of persons who were on the agency’s waiting list for public housing or HCVs.
- **San Mateo County** developed a time-limited program using a portion of its HCVs to provide assistance to households referred from social service agencies, including those who had recently become unemployed and suffered temporary reversals in their finances or who were involved in substance abuse programs.
- **Massachusetts** developed a program using a portion of its HCV funds to provide assistance to selected households that were transitioning from welfare to work (in Worcester) or that were homeless or near homeless (in Boston).

The key characteristics of the programs that time-limited some type of program benefit, including receipt of housing assistance, are summarized in Table 3.

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<sup>17</sup> Called the Spectrum Housing Program, this consists of a Resident Self-Reliance (RSR) program that replaces the Family Self-Sufficiency program, a stepped-rent system, and a safety net work program for residents not able to pay their rent.

<sup>18</sup> Under MTW, the agency has renamed its voucher program the Housing Assistance Coupon (HAC) program.

**TABLE 3**  
**SUMMARY OF TIME-LIMITED PROGRAMS**

Type of Time Limit	Housing Agency	Program(s) Subject to Time Limit <sup>1</sup>	Length of Time Limit	Time Limit Still in Effect as of July 2006?
Duration of Housing Assistance	Delaware State Housing Authority	Public Housing and Housing Choice Voucher	3 years, extended to 5 years	Yes
	Keene Housing Authority	Housing Choice Voucher	5 years	Yes
	Massachusetts Department of Housing and Community Development	Modified Housing Choice Voucher	3 years	Yes
	Philadelphia Housing Authority	Housing Choice Voucher	7 years	Yes
	San Diego Housing Commission	Public Housing and Housing Choice Voucher*	5 years	No
	San Mateo County Housing Authority	Housing Choice Voucher	6 years	Yes
	Tulare County Housing Authority	Public Housing and Housing Choice Voucher	5 years	Yes
	Vancouver Housing Authority	Public Housing and Housing Choice Voucher	5 years	No
Duration of Stepped Rents	Greene Metropolitan Housing Authority	Public Housing*	5 years	No
Duration of Ceiling Rent	Lincoln Housing Authority	Public Housing	3 years	No
Duration of Mortgage Assistance	Minneapolis Public Housing Authority	Housing Choice Voucher Homeownership	5 years	Yes
Duration of Residing in Selected Housing	Portage Metropolitan Housing Authority	Selected Scattered-Site Public Housing	5 years	No
Number of Months for Gaining Employment	San Antonio Housing Authority	Not applicable	3 months	Yes

<sup>1</sup>Agencies exempted elderly and disabled persons, but Tulare and Delaware allowed elderly and disabled persons to participate if they chose to do so.

\*Time limit only applied to selected participants.

Six of the eight agencies that implemented time limits on housing assistance still had those policies in effect as of mid-2006. The two that rescinded their policies were San Diego and Vancouver: in San Diego because changing market conditions were having an adverse effect on program recipients and in Vancouver because time limits and other MTW experiences were affecting agency costs and operations.

- **San Diego** ended its time-limited program when it became apparent that increases in local housing costs were preventing residents from achieving self-sufficiency within the program's time frame. Secondly, the ability of the agency to deliver support services proved more difficult than anticipated.



- *Vancouver* discontinued its time limit policy in 2004 just as its first time-limited housing assistance recipients were approaching the end of their term—somewhat less than five years after the policy had been implemented. That decision had as much to do with other MTW circumstances and complications as it did with the particulars of the time limit policy. The former involved a combination of the agency’s inability to get approval from HUD for an extension of its MTW participation in time to properly plan for continuing the time limit policy, plus the adverse financial consequences it had suffered as a result of its MTW funding fungibility arrangements, which would have been even worse had the time limit policy continued. Repealing the policy removed the agency’s obligation to pay out a significant portion of escrow funds to residents who would have timed out, saving it approximately one million dollars. With respect to the time limit policy per se, the decision to discontinue it was also a response to legal challenges that the agency may have faced stemming from its inability to establish specific and well-defined guidelines for a hardships policy.

Of the remaining agencies that instituted time limits on housing assistance, it has been terminated for some beneficiaries in Delaware, Massachusetts, and Tulare County as of mid-2006. Time limits were imminent in Keene in late 2006. Twenty-two percent of the 245 households in San Mateo County will reach their six-year limit in 2007. Philadelphia has only recently instituted its time limit policy, so the first households will not reach their limit until 2010.

Table 4 shows how many households were subject to time limits at program inception, how many are currently affected, and how many exited the program either because they reached their time limits or for other reasons.

**Table 4 Evolution of Participants in Time-Limited Programs**

Site	# of Households under Time Limit Provisions at Start of MTW Program	# of Households Currently in Program	# of Households that Exited the Time-Limited Program	Comments
Delaware	904 households as of August 1999 (excluding elderly and disabled households that did not opt into the program) (1)	653 as of March 1, 2006 (2)	1124 households (106 reverted to safety net; 388 left to either purchase a home or rent in the private market without excessive burden; 630 left and are presumed rent burdened)	As original households left the program, Delaware has continued to add new households. Among households that left the time-limited public housing or HVC programs, administrative data do not distinguish between those that left before or at the end of the f
Greene*	100	Program no longer in effect	No information available.	
Keene	231 to date. The time limit applies to persons receiving vouchers.	93	138	Eligible families were rolled into the program gradually as their HAP contracts expired.
Lincoln*		Provision never implemented	NA	
Massachusetts	183 (61 in Boston, 122 in Worcester)--first cohort.		First cohort: 42 households (8 in Boston and 34 in Worcester) exited voluntarily before the end of the three-year time limit; 141 households timed out (53 in Boston completed the program by June 30, 2006; 88 completed the program by February, 2005).	All first-cohort households in Boston and Worcester have left the program; a second cohort is currently being enrolled.
Minneapolis*	21	20	1 participant exited of her own will	Time limits on mortgage assistance
Philadelphia	approximately 8,000 at start of the program	14,850 as of March, 2005	No information available.	
Portage*	39	Program no longer in effect	An unknown number of MTW participants left scattered-site housing voluntarily	No MTW households were required to leave scattered-site public housing units. Because the time limit was discontinued, the 13 households that had reached their five-year limit were permitted to stay in their units.
San Antonio*	315	419 (as of end of Year 5, 4/30/05)	No information available.	
San Diego	72 (22 public housing and 50 HCV)	Program no longer in effect	None; when time limits were rescinded, participants were allowed to join the regular housing assistance program under regular rental policies.	By a year after the program ended, 5 of the public housing families had completely left housing assistance. No data are available on HCV participants.
San Mateo	400 (later reduced to under 300)	190	112	
Tulare	Time-limit program began in 1999; by September 2000, 944 households had enrolled. (3)	1184 households as of September 30, 2006 (4)	763 had timed out as of September 30, 2006	When the time limit program first began, households already receiving housing assistance could choose to enter the time-limited program; others converted to the time-limit program in ensuing years. After program initiation, all new housing assistance recipients became subject to time limits.
Vancouver	1,937	Program no longer in effect	750 households voluntary exited the MTW program, 363 of which left with accumulated escrow. 350 were involuntary exits who forfeited their escrow.	

\* No time limits on housing assistance

1. Delaware State Housing Authority Moving To Work Program Case Study, Dec.11, 2001
2. Delaware State Housing Authority 2007 Moving to Work Annual Plan
3. Flat Rents and Time Limits Tulare County's Moving to Work Program September 2000
4. HATC Quarterly Moving to Work Statistics Sept. 30, 2006

**TABLE 4: EVOLUTION OF PARTICIPANT IN TIME-LIMITED PROGRAMS**

## LENGTH OF TIME LIMITS

Across agencies, time limit terms ranged from three to seven years—with five being the most frequent. As indicated in Table 5, the terms were chosen for a variety of reasons. While agency personnel generally considered three years to be too short a period for many households to make significant progress toward self-sufficiency, there was no consensus as to exactly how much time was long enough to minimize hardships yet short enough to stimulate turnover and increase the number of households receiving assistance.

**TABLE 5**  
**TERMS AND RATIONALE FOR TIME LIMITS ON HOUSING ASSISTANCE, BY AGENCY**

<b>Years</b>	<b>Agency</b>	<b>Rationale</b>
3	Massachusetts	Assumed that it would take one year to develop a new program and one year to close it down, leaving three years for the program's operation within the period of the agency's MTW agreement.
	Delaware	Original three-year limit was based on the agency's observation that three years was about the average amount of time public housing and HCV recipients normally received assistance; based on early experience and client feedback with that limit, it was subsequently expanded to five years.
5	Keene	Applied the same time limit as the TANF program.
	San Diego	Applied as the length of the MTW agreement.
	Tulare County	Applied the same time limit as the TANF program.
	Vancouver	Applied the length of the MTW agreement.
6	San Mateo County	Applied the same as the length as the MTW agreement.
7	Philadelphia	Reasoned that families would have to make substantial life changes to succeed in the private housing market, which would likely take about seven years.

## HARDSHIP PROVISIONS

Agency officials had different notions regarding how to deal with cases of hardship associated with establishment of time limit policies. Four of the eight agencies implemented policies to deal with hardship cases. In one agency families were evaluated routinely for hardship; in others families had to request consideration. Reviews were conducted either by agency staff or outside parties. The policies are shown in Table 6, below.

	<b>Agency</b>	<b>Policy</b>
Routine Review by Agency Staff	Delaware	When households near their fifth year, agency staff routinely determine if such households will be able secure unsubsidized housing at less than 40 percent of their incomes. If they will not be able to do so, they fall within the agency’s safety net and are permitted to retain their housing assistance—although they lose the balance of their escrow accounts and must repay any money previously borrowed from those accounts. Those whose assistance is terminated may reapply for housing assistance at the bottom of the agency’s waiting list.
Reviews Done on Request By Agency Staff	Keene	HCV recipients nearing their five-year time limit who are in compliance with program rules can request up to a two-year extension of their housing assistance. The agency’s Tenant Based Assistance Manager reviews the requests. Denials can be appealed to the agency’s Programs and Services Manager. Those whose assistance is terminated may reapply for housing assistance at the bottom of the agency’s waiting list.
	San Mateo County	PHA staff review hardship requests on a case-by-case basis to determine if households are unable to achieve economic independence because of conditions beyond their control—primarily involving disabilities. If they determine that changed circumstances will prohibit a household from ever achieving such independence, a regular voucher is provided. Because the agency’s MTW households did not have housing assistance prior to the time-limited program and most were not on a waiting list, the agency set its hardship standard relatively high.
Reviews Done on Request, by Outside Committee	Tulare County	Households may request a time limit exemption, which is then considered by a committee appointed by the PHA’s board but not staffed by the agency.
No Hardship Policy or Not Applicable	Massachusetts	No hardship policy. Upon “graduation” participants may seek other forms of housing assistance, if available. Staff members encourage some participants to sign up for as many subsidized housing waiting lists as possible while they are receiving assistance to protect against post-participation hardship.
	Philadelphia	The agency has only recently begun its time limit policy and has yet to articulate a hardship policy.
	San Diego	The agency would likely have instituted a hardship policy had it continued its time-limited program.
	Vancouver	A hardship policy was developed by the agency but became moot when the time limit policy was suspended. Prior to that, some stakeholders had criticized the policy as being too subjective and vague.

**AGENCY MOTIVATIONS FOR ESTABLISHING TIME LIMITS**

The logic supporting time limits policies varied. In some instances, limits were at the core of what an agency was attempting to accomplish under MTW and were intended to be a permanent alternative to the standard system. In other instances, time limits were imposed on special initiatives—in large part because MTW, which enabled them, was itself a limited-time demonstration. Agency purposes for instituting time limits included the presumption

that they would promote self-sufficiency, would more equitably distribute scarce resources, and would add an element of fairness to the housing assistance selection process. In deciding whether and how to institute time limits, different agencies took into account considerations such as whether housing assistance should conform to the welfare reform model, their perceptions of what community stakeholders would approve, and their understanding of local housing and job market trends. Indeed, combinations of different purposes, considerations, and logic resulted in varied approaches to time limit policies.

The reasoning behind establishing time limits policies differed from agency to agency:

- ***Some agencies emphasized promoting greater self-sufficiency.*** Time limits were intended to motivate increased workforce participation. Agency planners reasoned that when heads of households recognized their assistance would end at some point, they would attempt to become more self-sufficient so they could afford unsubsidized rents.
- ***Some agencies emphasized stretching and more equitably distributing scarce resources.*** Federal housing assistance is a scarce commodity—not an entitlement. Since some recipients retain their assistance for long periods while others who are equally eligible do not receive it at all or have to wait many years to get it, planners reasoned that time-limiting assistance was a more equitable way of distributing the resource. Time limits were seen as a way to provide service to a greater portion of the eligible population.
- ***Some agencies emphasized making the housing assistance selection process fairer.*** Where agencies selected households to participate in special programs on other than a “first-come, first-served” basis, for example, officials reasoned it was appropriate for them to give up non-time-limited assistance in exchange for receiving assistance ahead of others.

In addition, some of the following considerations came into play in agency decision-making:

- ***Welfare reform.*** The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was passed in the same year that MTW was enacted, and some agency planners wanted to bring housing assistance into line with welfare assistance. The five-year maximum limit allowable under the Temporary Assistance for Needy Families (TANF) component of welfare reform, therefore, served as a benchmark for some agency officials.
- ***Community opinion and reaction.*** At least two MTW agencies did not consider time-limiting assistance because doing so would likely have evoked strong negative reaction from critical community constituencies, including those that also opposed welfare reform time limits.<sup>19</sup> In other instances, however, agency officials were aware either

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<sup>19</sup> According to personnel at the San Antonio PHA, the agency originally considered imposing a time limit on housing assistance but concluded that local advocacy groups would strongly object. According to PHA officials and local stakeholders in at least one other MTW community, agency planners did not contemplate time limits because they knew community advocates would reject the idea and, consequently, not support the agency’s application to participate in MTW (Abravanel *et al.*, p. 24).

that there was no opposition within their communities, that whatever opposition there was would not prevail, or that important constituencies were supportive of time-limiting housing benefits.

- ***Local housing and job market conditions.*** In some locations, especially those where job markets were strong and/or housing markets were relatively soft, agency planners reasoned that families would likely be able to find sufficient work and affordable housing without suffering excessive hardship. Where markets were not so favorable, however, planners tried to factor that consideration into their decisions on time limits.
- ***MTW demonstration constraints.*** MTW imposed certain constraints on agency rulemaking—for example, the demonstration itself was time-limited and required agencies to revert to standard policies and practices when their participation ended. Although some officials presumed that either national housing legislation would be modified in the interim to allow them to continue their new policies beyond the end of the MTW demonstration or that their policies would be impossible to reverse, others were especially sensitive to the demonstration’s constraints as they developed their policies.

Several examples of how agency officials thought about time limits show how these various interests and considerations came into play when time limits were originally contemplated.

- ***Tulare County*** officials viewed time-limiting assistance as the only way to serve a larger proportion of the many eligible low-income families on their waiting lists and, therefore, as integral to their ability to distribute a scarce resource to the greatest number of eligible recipients. They also maintained that time limits could be an incentive for those who receive assistance to become more self-sufficient. The idea was that when recipients recognized they would be required in the future to rent or purchase housing in the private market without benefit of a subsidy, they would take appropriate actions to improve their economic situation. It was hoped that fostering such incentives would have long-term application beyond the household’s housing situation. In sum, time limits were a fundamental feature of Tulare’s MTW initiative. According to agency officials, community stakeholders either approved of adopting a time limit policy or were not focused on the issue, which gave the agency the latitude it needed to implement it.
- ***San Diego*** officials viewed MTW as an opportunity to experiment with service provision—to see whether enhanced and more intensive services would improve self-sufficiency outcomes. Imposing a time limit on the experiment was, to some extent, considered motivational (as was the case in Tulare), but its adoption was also both a fairness issue and a function of the term of the MTW demonstration. The 72 households admitted to the service-enriched initiative were selected ahead of others on the waiting list because of their potential for achieving self-sufficiency; in return for jumping ahead on the list, they agreed to give up the right to continue receiving housing assistance indefinitely. The five-year term of the experiment was set to coincide with the length of San Diego’s MTW agreement with HUD. Hence, the time limit was less a program

driver than it was in Tulare: it served, instead, to compensate for deviating from the selection of program beneficiaries on a first-come, first-served basis.

- **Massachusetts**, like San Diego, focused on promoting self-sufficiency outcomes (in this instance, for homeless or near-homeless persons or those transitioning from welfare assistance), by providing social services supports and by creating a special temporary subsidy. However, the core housing assistance delivery system differed from that of San Diego or any of the other agencies establishing time limits. It involved a three-part, set-stipend payment system (for rent, supports, and escrow), with opportunities to transfer money from the rent portion to the supports part and, ultimately, from the supports portion to escrow. Like San Diego, the agency fixed the term of its initiative based on the term of the MTW demonstration, but used a different calculation. Agency officials decided that three years was all that was available for program operation within the terms of the agency's MTW agreement with HUD—considering the time needed to both start up and, later, close out a special program. Notwithstanding its time-limited feature, agency officials report broad-based support for it within the low-income housing advocacy community; indeed, the initiative grew out of extensive conversations with community stakeholders, most of whom supported it—even though it was time-limited—because it filled a gap in the assistance that was being provided to homeless persons and former welfare assistance recipients.
- **Philadelphia's** time limit policy evolved out of a desire to change the way the agency operated and the way its money was allocated. Realizing that a significant expansion of the public housing stock was not feasible and that there were long waiting lists for both public housing and Housing Choice Vouchers, the agency began considering time limits as a tool for serving more households. The agency knew that a strong housing advocate community would likely oppose time limits. Thus, a seven-year time limit was chosen to give voucher holders a significant period in which to move toward self-sufficiency. As the policy was developed, it became apparent that time limits could also have a positive public relations impact. Some neighborhood groups believed the number of voucher holders in their neighborhoods was becoming excessive and they were protesting the use of vouchers. The impact of the criticism was lessened once the housing agency could point out that vouchers were not permanent and the length of time that voucher households could receive housing assistance was limited.

The descriptions above only partially convey the ways housing agencies approached time limits. The picture becomes more complete, however, when time limits are considered in conjunction with the rent rule policies and social support activities agencies also undertook.

#### **ACTIVITIES UNDERTAKEN IN CONJUNCTION WITH TIME LIMITS**

Agencies establishing time limits changed aspects of their rent rules and adopted different types of services support activities. Changes to rent rules involved either modifying the standard percent-of-income system or establishing other alternatives, such as flat rents. Services models often involved modification or use of the standard Family Self-Sufficiency (FSS) program model. Finally, whether based on the FSS model or not, some agencies

established escrow accounts for their time-limited households. These variations are summarized in Table 7.

**TABLE 7**

**RENT RULE POLICY CHANGES AND SERVICES MODELS USED BY AGENCIES PROPOSING TIME LIMITS**

	Modified Percent-of-Income System		Alternative System	
	FSS-type Program	Non-FSS Services or Referrals	FSS-type Program	Non-FSS Services or Referrals
Escrow Accounts	Delaware San Mateo Vancouver		San Diego [San Antonio]	Massachusetts
No Escrow Accounts		Philadelphia [Portage]	Keene	Tulare [Greene]

Note: Not included in this table are: Minneapolis, which did not modify rent rules; and Lincoln, which did not implement a time limits policy. Housing agencies in brackets time limited benefits related to housing assistance but not housing assistance itself.

### 1. Rent Reforms

With the exception of Minneapolis, all housing agencies implementing time limits also made changes to their rent policies. The extent of the modifications, however, ranged from substantial to minimal. The reforms fell into two categories (a) doing away with the standard percent-of-income system and instituting flat rents/subsidies, stepped rents/subsidies, or set payments, or (b) retaining the percent-of-income system and modifying it by changing the percentage of income used to calculate rent or disregarding some portion of income.<sup>20</sup> Minimum and ceiling rents were sometimes involved, and the frequency of recertifications varied. Indeed, not only was no common type of rent system endorsed by all of the agencies time-limiting housing assistance, but rent reform was motivated by multiple objectives—including, but not limited to, the promotion of work and self-sufficiency.

The types of rent rule reforms undertaken by agencies imposing times limits are shown in Table 8.

<sup>20</sup> The standard system used in the Public Housing and HCV programs bases rent payments on household income, not on the size, location or amenities of the housing unit. Originating with the December 24, 1969, Brooke Amendment to the United States Housing Act of 1937 [Pub. L. No. 91-152, 83 Stat. 379], public housing residents and HCV recipients do not pay more than a set percentage (currently 30 percent) of their adjusted households incomes for rent. Flat and stepped rents are not tied to income but instead are set by the housing agency, the latter increasing at predetermined intervals.



**TABLE 8**  
**TYPES OF RENT REFORMS UNDERTAKEN BY AGENCIES IMPOSING TIME LIMITS, BY AGENCY**

Types of Rent Reform		Agency	Rent Policies	Persons Affected
Non-Percent-Of-Income Rent Systems	Flat Rent/ Subsidy System	Tulare	Flat rents, based on bedroom size, set at approximately 50 percent of area Fair Market Rents.	Time-limited public housing and HCV recipients
		San Diego	For public housing residents, a flat rent applied: \$381 per month for a 2-bedroom and \$443 for a 3-bedroom unit. For HCV families, a flat subsidy was provided: \$348 for a 2-bedroom and \$571 for a 3-bedroom unit. Utility allowances and rent reasonableness standards were both eliminated to accommodate this fixed-cost approach. (Because of dramatic cost increases in the market, however, the flat subsidy became insufficient, as some households were paying up to 80 percent of their income for housing.)	Time-limited public housing and HCV recipients
	Stepped Rent/ Subsidy System	Greene	Rent payments were \$50 per month in year 1, \$100 per month in year 2, and \$150 per month in year 3.	Time-limited residents
		Keene	Rent payments in year 1 are the lesser of the Voucher Payment Standard (VPS), 20 percent of gross income, welfare rent or minimum rent (\$50); in years 2 & 3 they are 55 percent of VPS for the unit size; in years 4 & 5 they are 35 percent of VPS for the unit size.	Time-limited HCV recipients
Set Stipend Payment System	Massachusetts	Provides a three-part, set-amount stipend to be used for rent, support and escrow purposes; unaffected by changes in income.	All time-limited participants	
Mixed Rent System	San Antonio	Stepped rents converted to choice between a flat rent and 30-percent-of-income rent.	All participants in special MTW program (time limit on participation in MTW program, not on housing assistance)	
Modified Percent-of-Income Rent System		Portage	Minimum rent or 30 percent of adjusted income, delayed rent increases and additional disregards.	All residents, not just those living in scattered-site units on a time-limited basis.
		Philadelphia	Percent of income tied to household size: 1-2 persons, 28 percent; 3-4 persons, 27 percent; larger, 26 percent. Biannual recertifications; simplified system of deductions from gross income to calculate adjusted income.	All PH residents and HCV recipients
		San Mateo	30 percent of income with partial exclusions for income increases.	All MTW recipients
		Delaware	Initial rent calculated as a percentage of income; a rent cap is established, depending on initial level of Total Tenant Payment; when income increases, any difference between the rent cap and 35 percent of income is charged to the recipient and placed into an escrow savings account.	All PH and HCV recipients
	Vancouver	Contract rent, rather than gross rent (which includes utility costs) was used to set the minimum initial rent burden for HCV recipients; VHA figured the estimated assistance and added approximately 45 percent of tenant income instead of 40 percent as allowed in the regular HCV program. In calculating resident income, deductions for child care and earned income allowed initially, although the earned income deduction was later discontinued.	All public housing and HCV recipients	
Not Applicable		Minneapolis	Time limits on mortgage assistance only.	
		Lincoln	MTW-enabled rent rule changes were implemented, but time limits were not.	

Some of the changes made to rent systems were substantial while others were minimal—such as calculating income-based rents annually instead of immediately following income increases. Most of the agencies modified their rent rules with the intention of encouraging work—for example, by allowing residents to keep a larger share of additional earned income—but some were also motivated by a desire to simplify the rent calculation procedures. Flat rents, for example, are simpler and less costly to administer than a percent-of-income system.

The Keene, Massachusetts, San Diego and Tulare County housing agencies decoupled rents and rent subsidies from incomes, based on the idea that the standard percent-of-income rent system provides either a disincentive to work, an incentive to hide income, or both. Among this group, the rent rule changes are as follows:

- **Keene** instituted a stepped-rent system that also simplified the method of rent calculation. Agency officials wanted residents to be ready to pay private-market rents when their assistance ended. Rents generally started lower than they would have using a 30-percent-of-income system but, then, rose in two steps over a five-year participation period—moving closer to market levels. During their first year, households pay the lesser of the Voucher Payment Standard (VPS),<sup>21</sup> 20 percent of their gross income, the welfare rent, or the minimum rent of \$50. During years two and three they pay 55 percent of the VPS and, during years four and five, 35 percent of the VPS.
- **Massachusetts** developed a special subsidy system for a small group of recipients. It consists of a set (capped) stipend payment for rent that did not vary with recipients' incomes, family circumstances, or rental costs. There were also additional set payments for support expenses (e.g., utilities, transportation, or childcare) and contributions to escrow savings accounts. Recipients were permitted (and encouraged) to reduce the amount of their rental payments and strategically transfer the difference to the other accounts. Because this program served two distinct groups—homeless or near homeless persons in the relatively more costly Boston area and families transitioning off of welfare assistance in relatively less costly Worcester—the amount of the payments differed between the two groups to reflect their respective situations and housing markets. However, payments were the same within each group, irrespective of differences in household composition or other circumstances.
- **San Diego** utilized a flat subsidy for voucher holders and a flat rent for public housing residents. However, the two approaches differed slightly. In the former, assisted households decided how to spend or save the money that would normally have been devoted to higher rent payments as income increased, while in the latter the housing agency placed this money into escrow accounts to be accessed only upon graduation from the MTW program. The escrow accounts were meant to build savings sufficient for home purchase.

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<sup>21</sup> The VPS is based on HUD-established Fair Market Rents (FMRs) for each bedroom size in a particular market area. Housing agencies generally set their payment standards at between 90 percent and 110 percent of the FMRs.

- ***Tulare County*** instituted flat rents in public housing and flat subsidies for voucher holders. These are set at approximately 50 percent of the area Fair Market Rent by bedroom size. Households whose incomes grow to more than 120 percent of the median income for the county while they are receiving housing assistance become ineligible for assistance. For many of the agency's households, the flat rents are lower than 30 percent of their incomes. In part, therefore, flat rents were instituted to increase the amount of disposable income households retained so they could spend it on non-housing expenses or save it. Agency officials also viewed flat rents as easier to administer than a percent-of-income system and as a way to avoid rewarding under-reporting income.

The Delaware, Philadelphia, Portage and San Mateo housing agencies retained percent-of-income rent systems but modified them by either changing the percentages of income that applied, establishing a rent cap, or adding exemptions or disregards to enable participants to benefit from increases in income. Among this group, the rent rule changes are as follows:

- ***Delaware*** changed the percentage of income charged for rent—from the standard 30 percent of income to 35 percent of income. If, at entry, a family's total tenant payment was below \$120, rent was capped at the higher of \$120 or their utility allowance. Rent payments only increased if the utility allowance increased. If a family's total tenant payment exceeded the higher of \$120 or their utility allowance, rent was capped at an amount not to exceed \$350. In either case, when the family's income increased, the family was required to pay the full amount of their tenant rent, but the difference between the established rent cap and the total tenant payment was placed into an escrow savings account.
- ***Philadelphia*** lowered the percentage of income charged for rent, and modified its formula for adjusting gross income. The agency eliminated most income deductions but retained a standard \$500 deduction for working families. Rent is calculated using a variable percentage based on household size. The total payment for a one- to two-person household is 28 percent, for a three-to four-person household, 27 percent, and for households of five or more persons, 26 percent. The agency established a minimum rent of \$50 and transitioned from annual to biannual recertifications.
- ***San Antonio*** devised a mixed system for participants in a special time-limited program intended to promote employment. It involved income disregards and annually adjusted, phased-in minimum total tenant payment increases. Participants paid stepped (graduated) rents consisting of the greater of a flat rent or 30 percent of monthly adjusted income—starting at \$25 in the first year and escalating to \$65 in the fifth year for existing residents, and \$45 escalating to \$85 for new residents. For purposes of total tenant payment determination, income increases occurring within any year were disregarded. The agency could increase total tenant payments up to a minimum level of \$200 per month or 45 percent of monthly-adjusted income. Childcare deductions from income were permitted for families with minor children.

- *San Mateo County* used the standard 30-percent-of-income system but applied the following adjustments to gross income: to promote employment, 25 percent of any increased employment income is excluded; to promote family reunification, 75 percent of income earned by a member of the household who was not a household member at the time of initial qualification or during the one-year period preceding qualification is excluded. Also, in the interest of promoting family reunification, the agency excluded \$20,000 or less in assets for assessing income eligibility. Because of the difficult housing market, the agency eliminated all limits on the proportion of household income that could be spent on housing costs, guaranteed one-half of the security deposit, and extended the time a household was given to find a unit from the usual 120 days to 180 days.
- *Vancouver* made marginal changes to its percent-of-income rent system. In calculating income, the agency added deductions for childcare, for child support payments made outside the home, and for FICA, Workers Compensation, and Medicare. Minimum rents were increased to \$50 per month, and ceiling rents were established for public housing units. Voucher participants' rent contributions could not exceed 45 percent of gross monthly income.

## **2. Supportive Services**

Although promoting family self-sufficiency was one of the objectives of all agencies imposing time limits, there were different philosophies as to what role agencies should play in accomplishing the goal. One agency, Tulare County, did not provide in-house services but, instead, referred households to other organizations—emphasizing its expertise as a housing, not a services provider. Other agencies offered some in-house services but they all recognized that external organizations are better positioned to provide certain services; hence, case managers sometimes made referrals to other providers. In contrast to Tulare, those with in-house case management generally took the position that housing assistance recipients needed motivation and guidance to be able to seek out service providers, and that had to be provided by housing agencies. Agencies provided guidance by using or expanding the coverage of their FSS-type programs (sometimes renamed), enhancing services beyond FSS programs, or providing services in ways that were not connected to FSS. These activities sometimes strained their resources.

Many of the services provided by agencies establishing time limits involved the use or modification of the FSS programs operated by public housing agencies for some portion of their public housing residents or HCV recipients. Typical programs included case management, counseling, goal setting, employment training, and escrow accounts.

The services model related to time-limited policies can be clustered into five categories. As shown in Table 9, most went beyond the standard FSS model by enhancing or targeting services or supports or expanding them to cover all time-limited households, while one agency took a different approach by not providing in-house services but instead referring households to other organizations.

**TABLE 9  
VARIATIONS IN SUPPORTIVE SERVICES FOR AGENCIES IMPLEMENTING TIME LIMIT POLICIES\***

Type of Time-Limited Policy	Enhanced Services Beyond the Agency's FSS Program For All Time-Limited Households	The Agencies' FSS Programs or Terminology Modified and Extended to All Time-Limited Households		Non-FSS Program Supportive Services Arrangements Made for All Time-Limited Households	Only Service Referrals to Other Agencies
		The Agencies' FSS Programs Extended to All Time-Limited Households	The Agencies' FSS Programs Extended to All Time-Limited Households		
Time-Limited Housing Assistance	San Diego	Delaware Keene	San Mateo Vancouver	Massachusetts Philadelphia	Tulare
Time-Limited Other Program Aspects		San Antonio Minneapolis		Greene Portage	

\*Lincoln did not implement its time limit policy.

**A. One agency enhanced services beyond the standard FSS program for their time-limited households:**

- *San Diego* served 22 public housing residents and 50 HCV recipients—all of whom were selected because they appeared likely to be able to benefit from an intensive regimen of supportive services. Households were required to participate in the FSS program, which included required meetings and workshops and creating a Career Plan.<sup>22</sup> FSS partners included the City of San Diego's Enterprise Community, the Irvine Family Foundation, New Beginnings, XO (Internet service), Occupational Training Services (OTS), the San Diego Department of Social Services, San Diego State University, the San Diego Workforce Partnership, the University of California at San Diego, and WORKS/Impact Urban America.

**B. Of the agencies time-limiting housing assistance, two of them modified certain aspects of, or terminology associated with, their FSS programs:**

- *Delaware's* initiative involved intensive case management and a family supports system for all of their housing assistance recipients, who were required to develop Resident Action Plans. The Plans detailed participants' goals with respect to obtaining and retaining employment and identified the services they needed to attain these goals within five years. In-house case managers worked with public housing residents while staff of a non-profit contractor worked with voucher recipients to coordinate services and monitor progress.
- *Keene's* system of supportive services, called Resident Self-Reliance (RSR), replaced its previous FSS program. Each family's unique needs, strengths, and barriers to becoming self-sufficient were identified—defined in terms of 11 “competency categories,” which

<sup>22</sup> Although sanctions for not participating in meetings and workshops were outlined in the agency's MTW agreement with HUD, they were not implemented; however, according to agency officials, all participants complied with the FSS requirements.

were divided into “core skills” and “self-development.” Supportive services were tailored to address those needs, strengths, and barriers. Families were assigned a Resident Service Coordinator (RSC) whose function was to coach them. Heads of households were required to sign an RSR contract that listed required activities and program goals; develop a financial plan; participate in quarterly goal-setting meetings; participate in required skill development activities; and make reasonable progress toward its Individual Service and Training Plan goals.

**C. Two agencies extended FSS to cover all their time-limited households:**

- *San Mateo’s* initiative serves 300 TANF recipients and others referred from county or other supportive service agencies providing substance abuse/treatment programs, financial and credit counseling, and assistance to households experiencing recent financial reversals. Preference was given to families that could demonstrate their commitment and ability to become self-sufficient within the contract term, such as having good landlord references, childcare arrangements, and reliable transportation. All of them were required to participate in the agency’s FSS program and meet with an FSS Coordinator at least once a year to develop individual family self-sufficiency plans and access supportive services from other partner agencies—including those that deliver case management and other services.
- *Vancouver’s* initiative expanded its existing FSS to cover all of its HCV recipients and public housing residents.<sup>23</sup> As a condition of receiving housing assistance, households were required to submit self-sufficiency goals and develop concrete plans, with the assistance of agency staff.

**D. Of the agencies time-limiting housing assistance, two provided supportive services without using the standard FSS program:**

- *Massachusetts’* initiative targeted two distinct groups: one in Worcester that consisted of 122 former TANF recipients who were working, and the other in Boston that consisted of 61 homeless or near-homeless households. Both groups received a variety of supportive services, including financial planning counseling and regular case management from staff members. In Boston, participants were seen every six to 12 months for hour-long sessions that included setting and monitoring individual plans, budgets, financial goals, and housing situations; they also were encouraged to attend workshops on housing and career development, received ongoing mailings regarding opportunities for services. Those unemployed for more than two months had to meet with program advisors more frequently as well as complete a “job search activity log.” In Worcester, four budget and four first-time homebuyer classes were compulsory. If participants could not come to a class, their case managers saved the material and either went to their homes to provide the training or went over the material at their next office appointment.

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<sup>23</sup> In the process, the agency’s FSS Eligibility Workers and Specialists were converted to Case Managers.

- **Philadelphia** required households to develop a Family Economic Development Action Plan that detailed steps to be taken to become economically self-sufficient. Each household worked with an Economic Self-Sufficiency Counselor to develop a plan.<sup>24</sup> In addition, the agency established a Community Partners Program, which involved agreements with nine local agencies to provide HCV households with assistance in obtaining an education, developing life skills, searching for employment, and managing finances. The goal of the program is for families to engage in training so they can earn a living wage and no longer require a housing assistance subsidy. To that end, the Community Partners Program provided training in the following fields: certified nursing assistant, pharmacy technician, and medical billing; day care; certified food handler; home maintenance and repair; youth development; and the hospitality industry.

**E. One agency provided service referrals to other agencies but no in-house services:**

- **Tulare County**, in contrast to other agencies imposing time limits, phased out its FSS program when it initiated time limits.<sup>25</sup> The PHA decided not to provide in-house supportive services or case management but, instead, to refer residents and recipients to the county human services agency or other agencies. Tulare's leadership maintained that its core mission involved (and its expertise was in) providing housing assistance, not social services, and that service provision was the responsibility of, and best done by, others.

Officials of the Massachusetts program claimed that although service costs were quite high, the agency's use of HCV funds to establish its own stipend payment system left it with sufficient administrative funds to provide case management and services. Tulare's program did not involve non-housing management services costs. In other instances, however, proposed service expansions or enhancements sometimes stretched agencies' human and capital resources or challenged agency policies, as suggested below:

- **San Diego's** planned services model began to weaken when resource constraints led several partnering agencies to drop out of the program. Moreover, its time-limited HCV recipients had different access to resources than its time-limited public housing residents: the latter, for example, had access to an onsite Learning Center offering computer classes, after-school programs, tutors, basic career placement, child enrichment programs, and a self-sufficiency assessment tool. Compared to public housing households who were in one location, which facilitated service delivery, HCV recipients were scattered across the city. Instead of the services coming to them, therefore, they were referred to local organizations and they had to make the contacts themselves. Agency staff reported that most voucher recipients received minimal services. At one point, the possibility of

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<sup>24</sup> As of May 2005, 6,668 households had signed Family Economic Development Action Plans.

<sup>25</sup> Prior to its participation in MTW, the agency had operated an FSS program but, in its MTW agreement with HUD, decided to phase out all existing FSS contracts and not enroll any new households. At present, FSS is not in operation. That notwithstanding, the agency offered those who were within one year of program termination (and, later, within three years) workshops on budgeting, homeownership, and credit repair, but only two people attended these workshops.

busing HCV recipients to the Learning Center was considered, but lack of funding precluded that.

- **Delaware** had to hire additional case managers to cover its modified FSS social services program. Early on, the agency contracted with the Delaware Community Services Administration (CSA), which received Community Development Block Grant (CDBG) funds, to coordinate case management services. HCV recipients were serviced by two separate CSA-funded non-profit organizations, while the agency's own Resident Services Section delivered case management services to, and monitored the progress of, public housing residents. Use of outside vendors became a challenge when the vendors did not fully understand or approve of the agency's policies. Indeed, the agency needed to make adjustments to aspects of its policy because one of the non-profit case manager organizations declined to enforce it.
- **Keene** had intended to provide one-on-one case management that included quarterly meetings to review participants' progress. As resources proved insufficient to maintain the planned level of service, the agency had to modify its plans to consist of group quarterly meetings in which up to 20 persons participated.
- **Vancouver**, according to several public housing residents and HCV recipients, offered little case management on a regular basis unless households proactively sought it out. Apparently, the expansion of FSS to all time-limited households overburdened case managers' workloads and resources were not available to augment the case management staff or to contract out the services. Prior to establishment of time limits, a normal caseload in the agency's FSS program was between 50 and 100 households. After expansion of FSS to all time-limited households, case managers were expected to work with about 200 residents; but as more new HCV clients ported-in from other housing authorities, the number often moved closer to 300 households
- **Philadelphia**, according to agency officials, has had a difficult time obtaining Family Economic Development Action Plans for all of its households that are subject to time limits.

In sum, all but the Tulare County PHA either used, expanded, or enhanced FSS-type programs or made other services arrangements for their time-limited households. These were intended to facilitate the positive outcomes that agency planners had expected from their time limits policies. However, because of resource constraints, such supports were not always available to the extent that had been planned, and this may have limited the extent to which intended outcomes could be achieved.



### 3. Escrow Accounts

As a further means of encouraging progression toward self-sufficiency, six of the 13 agencies that planned time limit policies—including five of the eight agencies time-limiting housing assistance—included escrow accounts in their social services packages. The varying approaches taken to escrow accounts reflected distinct perspectives about the kinds of actions housing agencies should take in assisting households—including whether the agencies or the households should have control over managing the accounts. Policies varied with respect to whether (1) escrow funds could be used for emergency or work-related purposes while households were still receiving housing assistance; (2) additional funds could be transferred into escrow accounts to increase savings; (3) accounts should be capped at a certain level; and (4) additional (matching) funds would be provided by the agency. Where escrow accounts were used, only households that successfully completed their programs received their funds, with each agency defining successful completion differently.

The agencies that established escrow accounts and those that did not are shown in Table 10.

<b>Type of Time-Limited Policy</b>	<b>Agencies with Escrow Accounts for Time-Limited Recipients</b>	<b>Agencies without Escrow Accounts for Time-Limited Recipients</b>
Time Limits on Housing Assistance	Delaware	Keene
	Massachusetts	Philadelphia
	San Diego	Tulare
	San Mateo	
	Vancouver	
Time Limits on Other Program Aspects	San Antonio	Greene
		Minneapolis
		Portage

\*Lincoln did not implement its time limit policy.

Variations in escrow account policies with respect to allowable uses, extent of recipient control over account funds, and what funds were deposited are discussed below:

- Delaware** deposited the difference between an established rent cap and 35 percent of monthly-adjusted income into escrow savings accounts such that when household income increased, increased rent payments were paid into escrow. The agency’s escrow policies changed over time. Originally, households were to be able to use their savings as a security deposit and first month's rent or as down payment on a house upon successful completion of their supportive services program. The policy was later modified so that in an emergency (such as when car repairs were needed for employment or emergency medical or dental care was needed), the account could be accessed—a change that required establishing guidelines as to what were allowable escrow expenses. Agency officials initially presumed households would be able to set up and manage their own accounts but, early on, they realized that staff would have to take on this responsibility. Successful completion was defined as being able to move to homeownership or into rental housing at a cost not to exceed 40 percent of monthly income. Households not

meeting this criterion forfeited their accounts, although they were eligible to continue receiving housing assistance.

- **Massachusetts** provided fixed monthly stipend payments of \$50 per household to its program participants for escrow account purposes. However, the agency also allowed households to transfer portions of their fixed monthly supports or rent stipends into escrow if they so chose. At the conclusion of the program, the agency paid out escrow funds to program recipients regardless of their homeownership status or rent burden, and matched all escrow funds if they were used toward a down payment on a home.
- **San Diego** deposited \$50 each month into participants' escrow accounts and encouraged them to contribute an additional \$50 voluntarily. The intent was that they would accumulate between \$3,000 and \$6,000 over five years—an amount assumed to be sufficient for a down payment for a home or the first and last month's rent on a market-rate apartment. However, as the rental market tightened and home prices nearly doubled over the course of the demonstration, both homeownership and private market rents became increasingly unattainable for most participants. When, as a result, the agency rescinded its time limit policy, participants were given the option of retaining their HCVs or remaining in public housing without time limits, continuing in the FSS program, and retaining their escrow accounts.
- **San Mateo County** deposited increased rent payments due to increases in household incomes into escrow accounts. The agency's policy required successful graduation from the time-limited program to cash out the account but, on a case-by-case basis, permitted households to use their funds for self-sufficiency-related expenses prior to graduation.
- **Vancouver** offered all time-limited households the opportunity to create escrow accounts. Originally, the accounts had no limits, but because hundreds of households were growing escrow, the agency's ability to fund the accounts became problematic. Indeed, a small group of households, mainly those who had previously participated in FSS, had accrued up to \$18,000 in escrow. As a result, in 2001 the accounts were capped at \$6,000 as a cost-saving measure—an obviously unpopular decision from the perspective of the affected households.

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## **SECTION III**

### **EFFECTS OF TIME LIMITS**

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Time limit policies, when established in conjunction with rent rule changes, supportive services, and escrow accounts, could have either positive or negative consequences for housing assistance recipients. Among the potential positive consequences are accumulations of savings and increases in earned income during the period that housing assistance is provided. A chief negative consequence is the risk that households could be left in financial jeopardy and worse off after their assistance is terminated. In addition to impacts on housing assistance recipients, time limit policies could have institutional effects on the agencies that establish them, including effects on staff and costs. The research undertaken for this report attempted to explore these potential effects.

Unfortunately, the MTW demonstration has not been ideal from an evaluation perspective.<sup>26</sup> None of the time limit policies that housing agencies put in place were designed to (a) experimentally isolate their effects from other policies and practices, (b) facilitate assessment of what would have happened in the absence of time limits, or (c) track and follow-up on timed-out recipients. Absent counterfactuals and solid data on which to base conclusions about either resident or institutional outcomes, this study relied primarily on discussions with agency officials and staff, gleaned whatever information they possessed about household and institutional experiences with time limits. In addition, the research team contacted a small number of housing assistance recipients via focus groups to learn about their experiences.<sup>27</sup>

#### **IMPACTS OF TIME LIMITS ON HOUSING ASSISTANCE RECIPIENTS**

As previously discussed, agency officials who established time limits on housing assistance did so for different reasons and with varied objectives. However, they generally assumed that time limits would encourage recipients to improve their economic circumstances. The idea was that recipients would recognize that they ultimately needed to secure housing in the private market without benefit of a subsidy and would thus take action to make that possible. Likewise, some rent system modifications were meant to remove what were considered to be

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<sup>26</sup> See Martin D. Abravanel. *Is Public Housing Ready for Freedom?* The Urban Institute, April 2004, <http://www.urban.org/publications/1000631.html>.

<sup>27</sup> Housing agencies that were visited for this study were asked to provide the research team with lists of households that were currently receiving time-limited housing assistance or whose assistance had been terminated as a result of time limits, so that the team could send letters inviting them to participate in focus groups. In some instances, agencies declined to provide such lists for privacy reasons but agreed to send letters inviting focus group participation on behalf of the team. In both instances, recipients or former recipients were assured that no housing agency representative would be present at the discussions or be aware of their participation, and that their confidentiality would be respected in any reporting of information. Those who were sent the letters were asked to use a toll-free telephone number if they were interested in participating. An average of seven persons attended each focus group. Across the eight sites that were visited, 11 focus groups were held.

work disincentives inherent in the standard percent-of-income system.<sup>28</sup> Planners speculated that by changing rent rules, adding time limits, and in some cases providing enhanced services and supports, they were creating self-sufficiency incentives that would produce positive outcomes for families.

The limited evidence that exists suggests a mix of outcomes. On the positive side, there are indications that some housing assistance recipients have been able to take advantage of time limits, altered rent systems, supportive services and escrow accounts, and make progress toward self-sufficiency—including increasing their incomes, renting in the private market without being excessively rent burdened, and even purchasing homes. On the negative side, some former housing assistance recipients may have become homeless or otherwise excessively rent burdened. Unfortunately, there are insufficient data with which to either estimate the incidence of positive versus negative outcomes or establish cause-and-effect relationships between time limits (or other policy and program changes) and such outcomes.

### **1. Recipients' Reactions to Time Limits**

Responses from housing assistance recipients who participated in focus groups suggest that time limits and related policies or programs had the effect of motivating some while paralyzing others. In San Diego, for example, before the housing agency dropped its time limit program because of changes in the housing market, some individuals flourished under the MTW initiative. They found the time limit motivating and acknowledged that their motivation increased as time passed and the cessation of assistance drew near. Likewise, in Tulare, some households used the opportunity of a time-limited flat rent to save money and plan for when they would no longer be receiving assistance. Others, however, though recognizing the importance of a flat-rent system in stimulating them to work more or seek a higher paying job, felt that the five-year limit did not allow them enough time to become self-sufficient in a county where the cost of living was high relative to wages. Several who claimed they were spurred to action by time limits said that the lack of available jobs, worsening housing market conditions, or adverse personal situations had made it difficult for them to move into unassisted housing without being financially burdened. Still other recipients said that worrying about losing housing assistance made them unable to focus on finding a job and improving their lives. They experienced anxiety, stress, and vulnerability both before after their assistance had been terminated—fearing eviction due to nonpayment of rent if laid off from a job.

In Keene and Vancouver, also, some participants acknowledged increased stress as their time limit approached, while others believed they were prepared for the transition. In San Mateo County, where many participants were otherwise successful individuals who had entered the MTW program as a result of job loss, illness, or other factors beyond their immediate control, there seemed to be less anxiety over the time limit. Yet, some still reported high levels of stress interfering with their ability to meet their goals.

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<sup>28</sup> It was also presumed that standard rent policies were a disincentive to accurate reporting of income.

## 2. Recipient Experiences with Escrow Accounts

Five agencies that time-limited housing assistance also made provision for escrow accounts, as was reported in Section II. Escrow policies differed with respect to whether: (1) funds could be used for emergency purposes while households were still receiving housing assistance; (2) additional funds could be transferred by households into their escrow accounts to increase savings; (3) accounts were capped at a certain level; or (4) additional matching funds were provided by the agency.

Because of the limited follow-up with households who have left housing assistance, the extent to which escrow accounts, or any particular escrow account policy, ultimately helped them to afford post-assistance housing cannot be ascertained. What is known, however, is how much money recipients were able to save. This amount varied, both among and within agencies.

- *Massachusetts* provided each recipient with \$50 per month for escrow purposes, which would total \$1,800 over the three-year term of the program. Recipients were also able to transfer some portion of their rent assistance payments to escrow if they chose to do so. Hypothetically, if those participating in the Worcester segment of the program put their entire rental and support subsidies into escrow, they could accumulate as much as \$17,000 over three years and receive additional matching funds if they used their escrow to purchase a home. In fact, a handful of the 122 households in that segment received substantial funds from escrow to purchase homes. In the Boston segment of the program, where recipients were previously homeless or near homeless and where housing costs are considerably higher than in Worcester, the 38 participants who completed their program in 2006 received an average of \$2,179 from their escrow accounts. Typically, they were only able to transfer \$379 from their rent payments to escrow given their circumstances and housing costs, although four of the 38 were in the home-buying process in mid-2006. At the other extreme, at least two of those who completed the program ended up in a homeless shelter.
- In *San Diego*, by the end of the time limit program, escrow balances averaged \$2,083 for MTW program recipients. Balances averaged \$2,489 for households in the public housing segment of the program and \$1,893 for those in the HCV segment.
- *San Mateo County*, as of September 30, 2006, reported escrow balances averaging \$5,520 and ranging from \$4 to more than \$30,000 for its households with time-limited assistance.

In two cases, Delaware and Vancouver, many households retained their housing assistance but surrendered their entire escrow accounts at the end of their five-year time limits. In Delaware this occurred when the agency permitted those who would be excessively rent-burdened in the private market to enter a safety net program and, in Vancouver, when the agency terminated its time limits policy.

*Delaware* did not place a cap on escrow accounts and one-half of all its program recipients were able to accumulate more than \$4,000 in savings over five years. Many, however, had to borrow against their accounts to manage unforeseen emergencies, especially related to the purchase or repair of a car for job-related reasons. Although a few were able to accumulate as much as \$18,000 in escrow and Individual Development Accounts (IDAs) over five years, one-third of the households ended up surrendering their entire escrow accounts because the agency determined they would be excessively rent burdened in the private market at the end of their time limit or upon early departure from housing assistance. Additionally, those who borrowed against their escrow accounts had to pay back funds. Exactly what post-assistance uses recipients made of their escrow accounts is not known; however, as of September 2006, 120 families that had participated in time-limited housing assistance had moved to homeownership and 219 had moved into unsubsidized rentals—a total of 35 percent of departing households over a seven-year period. Nine percent had fallen into the agency’s safety net and, therefore, did not receive escrow account funds. Fifty-six percent of departing households no longer received housing assistance and also did not collect their escrow accounts. The proportion of the latter who were rent burdened after having left is not known, however, since a formal determination was not made for those leaving prior to end of their time limit.<sup>29</sup>

- *Vancouver*, which had not put a limit on escrow accounts at the beginning of its program, capped all accounts at \$6,000 in 2004 as a result of financial pressures on the agency. The average paid to those who left housing assistance (not as a result of the time limit) was \$3,418. When the agency canceled its time limit policy and permitted residents to opt back into non-time-limited housing assistance, residents had to surrender their escrow accounts in order to remain. The \$6,000 cap on the accounts led many to conclude that continued housing assistance was more valuable than taking the money. However, some individuals did leave at that point, using their escrow accounts to purchase homes or for other purposes.

Three agencies with time-limited housing assistance (Keene, Philadelphia and Tulare) did not offer escrow accounts. Indeed, Tulare took a different approach entirely.

- *Tulare’s* leadership wanted to give housing assistance recipients full control over whatever additional disposable income they would have had as a result of paying flat rents. Agency officials were of the opinion that individual households, as opposed to a public agency, should have control of, and responsibility for, financial decision-making. Although agency staff had hoped that participants would choose to save any money that resulted from rent reductions so that they could use it after leaving housing assistance, they observed that many participants, in fact, used the additional funds to rent larger or more expensive units or to purchase a car. Given the size and rural character of Tulare County, however, it was not surprising to agency staff that some households chose to spend their income on transportation to get to jobs that might allow them to become more economically self-sufficient.

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<sup>29</sup> Some of these households left before their five-year term ended and some left at the end of the five years.

### 3. Recipients' Experiences with Timing Out of Housing Assistance

As of mid-2006, it was only in Delaware, Massachusetts, and Tulare that some households had ended their housing assistance under time-limited provisions. In Keene, where five-year time limits applied to 93 voucher recipients, the first households were scheduled to begin to time out in late-2006 absent any extensions (which could be for up to two years). In Philadelphia, voucher holders will not begin to time out of their seven-year assistance until 2010.

- *Delaware's* experience with households timing out of assistance has been presented above, in conjunction with the discussion of the impacts of escrow accounts. Some of those subject to time limits fell into the safety-net category and retained their housing assistance; some purchased homes or rented in the private market, presumably without excessive rent burden; and some left assistance, either before or at the point of the five-year time limit.
- *Massachusetts'* three-year MTW program involved distinct cohorts of participants in two different communities. The 183 households in the first cohort had all ended their participation by September 2006. Of 53 formerly homeless or near-homeless households in the Boston segment that ended by June 2006, 5 were in the home-buying process when they left, 30 were going to rent at market rates, 6 were going to live in other assisted housing, 4 were going to live with family members, 2 were going to a shelter, and 6 had undetermined housing outcomes. During program exit interviews with heads of 23 participating households, 4 of those who said they intended to rent private-market housing indicated they would be paying less than 50 percent of their gross monthly incomes toward rent, while 14 expected to be paying more than 50 percent of their gross monthly incomes. Of 122 households that entered the Worcester segment of the program, 88 completed it; the remaining 34 all left voluntarily. Among households completing the program, 19 moved to homeownership.
- *Tulare County's* time-limited housing assistance has been in place the longest among the MTW agencies. It covers all non-elderly, non-disabled households that began to receive assistance after the initiative started in May 1999 and also 1,691 households that had been receiving assistance beforehand and chose to convert to a flat-rent system with a five-year time limit. The lack of a safety-net feature means that the vast majority of those reaching the time limit lose their assistance. Including those households with elderly and disabled persons who opt to time limit their assistance, approximately 62 percent of the agency's public housing households and 59 percent of its voucher households are currently subject to the five-year limit. Of households with non-elderly and non-disabled persons, approximately 78 percent of public housing households and 81 percent of Section 8 households are subject to the five-year limit. As of September 30, 2006, 763 of the households subject to time limits had timed out of assistance. While 33 households had formally requested an exemption from a hardship committee appointed by the PHA's board, exemptions were granted for less than half of the requests.

The median annual income, at enrollment, of all of Tulare’s program recipients who entered between 1999 and 2005 and were subject to flat rents/subsidies and the five-year time limit was \$13,605 (converted to 2005 dollars).<sup>30</sup> For those who stayed for the full five years, median annual income grew to \$20,691. Including those who voluntarily left housing assistance prior to the five-year limit, the incomes of all households increased annually from their first year until exit by an average of 7.2 percent. Although the extent to which this increase resulted from the agency’s rent and time limit policies is not known, income at the five-year point can be used to estimate the likely private-market rent burden of those about to be timed out of assistance. Assuming these households paid the full Fair Market Rent for Tulare County, about half of them would spend more than 40 percent of their incomes for rent.

Notwithstanding Tulare County’s efforts to explain its time limits policy to public housing residents and HCV recipients, their understanding was not always perfect and their responses were not always constructive. Although most who participated in focus groups knew that their assistance was limited to five years and exactly how much time remained before it would be terminated, some had a weaker understanding as to when their assistance would be terminated. Some former program beneficiaries recognized, in retrospect, that they had been woefully unprepared for renting in the private market. They recall feeling panicked when it was time to find an affordable unit that would meet their families’ needs, and the panic got worse as they reached their time limit. One former recipient attempted to learn about homeownership and clean up her credit within one year of termination, only to realize, after the fact, that one year had not been enough time to accomplish everything required to make homeownership possible. Specific outcomes aside, the idea that housing assistance was finite aroused a considerable amount of anxiety among some recipients.

## **INSTITUTIONAL EFFECTS**

Housing agency personnel have noticed some effects of time limit policies on either their administrative costs and/or on their staffing situations, including both staff morale and resource availability.

### **1. Cost Effects**

According to agency officials, time limit policies themselves have not reduced agency costs—nor were they expected to. If anything, the costs associated with (1) transitioning to time-limited assistance, (2) modifying other policies and services in conjunction with time limits, (3) increasing turnover as a result of time limits, or (4) having to operate multiple programs in parallel (some time-limited and some not) have resulted in increased costs—although the extent of the increase is not known.

In many agencies participating in MTW there was an explicit strategic plan to use the demonstration to reduce the burden of federal regulation in order to improve administrative

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<sup>30</sup>This figure is calculated for all participating MTW households regardless of their start date and is represented in constant dollars, using the Consumer Price Index to account for inflation.



efficiency and cut operating costs. However, although changing rent policy so that rents are not dependent on each household's income or other circumstances does have potential for administrative cost savings, a time limit policy, by itself, has considerably less potential for such savings. Early on, additional administrative effort is likely to be expended to implement the transition to time-limited assistance, while unit and voucher turnover adds administrative and maintenance costs later in the program.

Transitioning to new policies, such as those involving time limits, clearly has its administrative cost consequences—albeit usually on a one-time basis. Staff must be trained and recipients must be informed of any such new policies—adding to agency costs. In the case of Tulare, for example, HCV recipients and public housing residents who were in place when the time limit policy was first promulgated had the choice of converting to time-limited assistance with flat rents or retaining non-time-limited assistance on a percent-of-income basis. Agency staff had to notify each household and calculate their rent payments under both systems. Those choosing not to pay flat rents were offered the opportunity to convert at each income recertification, which added to agency costs, as did the fact that the agency was operating parallel programs.

As reported by agency officials, the various policy and programmatic changes made in conjunction with time limits had mixed cost effects, but cost increases were more common than cost reductions. While some rent simplification policies reduced costs, not every agency that imposed time limits decoupled rents from income, so such reductions were not always evident. Some agencies enhanced or expanded social services and escrow account initiatives along with establishing time limits—again adding to agency costs. In some cases, such as Delaware, San Mateo and Vancouver, the effect was substantial.

As of mid-2006, only three agencies had timed out some of their housing assistance recipients. Although greater turnover due to time limits policies could increase agency costs, in no agency other than Tulare had a sufficient number of residents or recipients lost housing assistance such that increased turnover made much of a difference. In Tulare's case, the agency does not consider its additional turnover costs, whatever they may be, to offset other benefits associated with their time limit and rent policies—such as not having to calculate rents based on income. Also, Tulare, like most of the agencies that instituted time limits, now is obligated to administer, simultaneously, multiple programs with multiple program rules, as opposed to a single, time-limited program. This fact has added costs rather than reduced them.

## **2. Staff Effects**

According to agency officials, time limits and related policies have had both positive and negative effects on staff morale. Tulare provides an instance of the former, and Vancouver of the latter.

- ***Tulare County's*** time limits policy, in conjunction with its flat-rent system, appears to have improved staff morale. Agency clerks consider the current policies to be both fairer and easier to administer than previous policies. They maintain time limits are fairer

because eligible non-assisted households have a better chance of receiving assistance now that recipients are limited to five years. They also believe their flat-rent system to be easier to administer because they no longer have to calculate rent payments individually for each household or gather and verify income and other information in order to recalculate rents each time a household's income changes.

- *Vancouver's* decision to expand its FSS program to cover all time-limited households (i.e., all non-elderly and non-disabled public housing residents and HCV recipients, including those who "ported" into its jurisdiction) meant that its staff resources were stretched very thin. The intention was to provide true case management, transforming what were the agency's "eligibility specialists" into "case managers." Agency leadership acknowledged, however, that this was not a realistic vision given the lack of funding to carry it out. Before time limits were imposed, FSS caseworkers had been serving about 100 families each. Thereafter, their caseloads doubled and eventually tripled. An early plan was to contract with external providers to handle some of the case management, but lack of funding prevented that. The extreme expense and burden of providing case management for all housing assistance recipients contributed to the agency's decision to end its time limit policy.

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## **SECTION IV**

### **DISCUSSION OF MTW TIME LIMITS EXPERIENCES**

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Enactment of welfare reform in 1996, which included time limits on the receipt of welfare assistance, opened the door for considering establishment of time limits on federal housing assistance. The MTW demonstration, initiated in the same year, provided a small number of housing agencies the opportunity to experiment with time limits. Now, a decade after the demonstration began, it is useful to consider how much and what has been learned about time limit policies in order to inform the policy discussion on this issue.

In reviewing the MTW experience, it is important to consider that agency experimentation with time limits was constrained by the fact that the demonstration was itself time-limited. In deciding whether or not to adopt time limits and their terms, agency planners had to take into account the implications of implementing policies that might have to be discontinued at some point. The fact that different planners responded differently to that constraint has consequences for what can be learned about local policy preferences from the demonstration. With that caveat in mind, this section examines the various rationales for, the design variations in, and—to the extent possible given the existing data—the consequences of imposing time limits on housing assistance.

#### **POLICY RATIONALES**

A fundamental question, of course, is why time limits should be used at all. To the extent that MTW experiences offer any guide, there is no consensus or single rationale applicable across all the agencies that planned or tried them. Time limits were considered for different reasons and to accomplish diverse objectives, as discussed both above and in the case histories appended below. That notwithstanding, agency officials who planned time limit policies generally presumed they would have positive consequences—spurring improvement in the economic circumstances of housing assistance recipients—rather than the palpable negative consequence of involuntarily cessation of benefits. They generally also believed this would happen only in conjunction with the adoption of other policies or practices. Anticipating that ending housing assistance could harm some of their most vulnerable households, the agencies variously chose to (a) modify their rent rules (in order to either entirely decouple incomes from rents, lessen the disincentives to earning more income, or prepare recipients for a transition to paying unsubsidized rents); (b) enhance services; (c) establish escrow accounts; or (d) devise some combination of the above. Time limits per se, therefore, were neither conceived nor imposed in a vacuum.

Beyond the “motivation” rationale for establishing time limits, some agency officials endorsed them to accomplish other purposes. Such goals were cogently articulated by leaders of the Tulare PHA. Their rationale emphasized “horizontal equity”—making sure that persons in similar circumstances were treated similarly. Given the fact that federal housing assistance is a scarce commodity and not an entitlement, they asserted that some eligible

households were receiving and retaining assistance for lengthy periods of time at the expense of others who did not have it at all and had to wait years to get it. Time-limiting assistance, they reasoned, guaranteed a more equitable, broader distribution of assistance over time.

In considering which policies would encourage greater recipient self-sufficiency or more equitable distribution of housing assistance, officials also diverged as to whether housing agencies or the recipients themselves should take responsibility for achieving positive outcomes. Most considered provision of case management, counseling, service supports, escrow accounts—or combinations of these—to be the responsibility of the agency, deeming that too many households would not be able to manage on their own. In contrast, the Tulare PHA emphasized recipient responsibility, reasoning that *learning* to take advantage of opportunity was as valuable as having opportunity.

## DESIGN VARIATIONS

There are at least two basic questions regarding how time limit policies should be fashioned: To whom should a time limit apply? And what is the appropriate length, or term, of the time limit? Given MTW experience, the answers to both questions varied considerably across agencies.

As discussed above, some MTW agencies (Greene, Lincoln, Portage, and San Antonio) time-limited aspects of their programs other than housing assistance, while others time-limited only housing assistance. Even among the latter, however, there are significant coverage differences. Three agencies focused on diverse groups not receiving public housing or HCV assistance: Massachusetts targeted welfare transitional, homeless, or near-homeless persons; San Diego concentrated on persons considered most likely to benefit from an enriched social services package in a relatively short time period; and San Mateo County focused on those who had recently become unemployed and suffered temporary reversals in their finances or were in substance abuse programs. Two others (Keene and Philadelphia) applied time limits to all their preexisting and subsequent non-elderly and non-disabled voucher recipients, but not to their public housing residents. And three others (Delaware, Tulare, and Vancouver) applied time limits to all their non-elderly and non-disabled HCV *and* public housing residents—although Delaware and Vancouver covered preexisting *and* subsequent households while Tulare covered all subsequent households while giving preexisting ones the choice of accepting time-limited flat rents or non-time-limited percent-of-income rents.

None of the agencies that are currently applying time limits to a large portion of their recipients attempted to exclude households that, for one reason or another, might be considered especially vulnerable or likely to be harmed by time limits; however, several put in place some type of hardship policy. The policies varied: Tulare provided for a review by an external committee while Delaware agency personnel determined whether households that were about to time out would be excessively burdened in the private housing market and, if so, allowed them to continue receiving housing assistance. San Mateo reviewed requests for hardship consideration to determine whether there were mitigating circumstances that might justify a continuation of assistance beyond the time limit. Keene had no hardship policy but offered the possibility of extensions of up to one or two years for households that were

making progress toward self-sufficiency but would be set back by losing housing assistance. However, for those households not making progress in finding and holding full-time employment, the only option offered when they reached their time limit was to reapply for placement on the public housing wait list. The lack of a defined hardship policy that was acceptable to stakeholders resulted in public pressure that contributed to Vancouver's decision to drop its time limit. And Philadelphia has yet to develop a hardship policy.

A second question that arose as agencies planned their time limit policies involved how long a limit was appropriate. Indeed, the length of time limits varied a great deal, as did the reasoning behind them. Terms ranged from three years (Massachusetts) to seven years (Philadelphia), with five years being the most common. Agency officials used a variety of criteria to set the length of their time limits. Massachusetts, for example, set it in accordance with the parameters of the MTW demonstration, although agency staff recognized that three years might be too short for many of the households they serve. Delaware also initially instituted a three-year limit, observing that many of its residents normally move on within three years. Later, however, agency officials reconsidered based on public housing resident and voucher recipient feedback, changing the limit to five years. Tulare adopted five years to mirror the term of welfare assistance. Philadelphia officials reasoned that time limits should reflect an assessment of how long it takes for particular types of households to become self-sufficient. Believing many voucher holders would have to make substantial life changes to succeed in the private housing market, they set the limit at seven years.

At almost every agency there are some examples of housing assistance recipients who, within whatever time limits were in place, completed college, bought a home, moved into an unsubsidized apartment without being exceptionally rent burdened, or otherwise "succeeded." Still, some personnel at each of the agencies, as well as many of the public housing residents and voucher holders contacted for this report, expressed concern that the limits being used were not long enough for certain households. Interestingly, this tended not to be a reflection of fundamental disagreement with time limit policies *in principle*. Many current and former housing assistance recipients expressed the view that time limits could be a good idea when they resulted in households without assistance having a better chance to receive it in a timely fashion. However, they also said that for whatever reason—adverse economic or housing market conditions, inaction on the part of recipients, or personal circumstances beyond recipients' control (such as illness)—there would be households who were not prepared to thrive in the private housing market no matter how long the time limits. Overall, there seemed to be no consensus regarding exactly how much time is both long enough to prevent hardship, on the one hand, and short enough to increase the number of households with access to housing assistance, on the other.

## **POLICY OUTCOMES**

Through mid-2006, recipients had already begun to time out of their housing assistance at three agencies—Delaware, Massachusetts, and Tulare. Outcomes of interest involve what happened to those timed out and whether, by time-limiting assistance, the agencies are serving a larger proportion of eligible households than they would have in the absence of a time limit policy. For these agencies, as well as for the Keene, San Mateo, and Philadelphia PHAs, whose voucher recipients had not yet reached their time limits, there is also interest in intermediate outcomes—such as income changes or asset accumulation—of recipients whose assistance had a time limit attached to it, as well as in the experiences of the agencies themselves.

In Delaware, both public housing residents and voucher recipients risk losing assistance provided by the State Housing Authority, but a safety net protects those whose assets and incomes are insufficient for purchasing homes or renting in the private market when time limits are reached. While households that are converted to standard housing assistance do not lose their housing support, they do forfeit escrow accumulations, are required to pay back any money borrowed against escrow, and no longer have a portion of their rent deposited into escrow. As of September 2006, about nine percent of the 1,124 households that left housing assistance provided by the agency at some point over the course of the demonstration had transitioned into the safety net system, which meant that their incomes at what would have been the point of departure would have likely resulted in unsubsidized rent payments exceeding 40 percent of their income. On the other hand, 388 families (35 percent) that had previously been receiving housing assistance had purchased homes or moved to unsubsidized rentals. Unfortunately, it is not possible to determine the extent to which Delaware's rent rules, social services supports, and escrow arrangements were responsible for these outcomes.

Massachusetts differed from the other cases in which households had already timed out in that no households that had previously been receiving non-time-limited assistance lost their benefits; the agency's MTW initiative involved a special time-limited program in which selected unassisted households were offered the opportunity to participate. And, because it relied on funds that would normally be used by the agency for HCVs, the program did not explicitly attempt to increase the net number of households served by the agency. At the conclusion of the three-year program, some former recipients in both the Boston and Worcester segments, but especially the latter, were able to purchase houses or rent in the private market without being excessively rent burdened. Indications are, however, that some, especially in the Boston segment, moved to subsidized housing, were rent burdened, or moved to a homeless shelter, among other outcomes.

As of September 30, 2006, 763 households served by the Tulare PHA had timed out of assistance—the largest number of any of the agencies that have adopted time limits. The median annual incomes of those who stayed a full five years increased, on average, by about \$7,000 over this period, although the extent to which the agency's rent rules and time limit policies contributed to this increase cannot be determined. However, it is estimated that approximately one-half of those timing out of assistance would have to spend more than 40

percent of their incomes for rent. Because turnover data were not available for the period preceding the imposition of time limits, the extent to which the agency increased the proportion of eligible households served as a result of time limits is also not known. Anecdotal data from agency clerks who process applications and managers who supervise turnover-associated maintenance, however, indicate an increase in such activities since initiation of time limits—suggesting some level of increased coverage.

Voucher recipients assisted by the Keene PHA had not yet reached their time limit when fieldwork for this study was conducted; thus, there was no post-program experience to assess. However, there had been an increase in the percentage of program participants who were employed and an increase in their incomes since the agency initiated time limits, a stepped-rent system, and a supportive services system. In 2005, 70 percent of recipients were employed compared to 46 percent in 2001; and the percentage of recipients whose incomes exceeded 50 percent of area median income had risen from 22 percent in 2001 to 40 percent in 2005. The extent to which the agency's policies and programs contributed to the increases, however, is not known.

San Diego's goal was to increase homeownership among residents, but home purchases rarely occurred. Housing prices escalated so rapidly that it became apparent that few public housing residents would be able to accumulate enough in their escrow accounts to move into the for-sale private housing market. Likewise, rents rose dramatically after a flat subsidy system was implemented, so voucher holders were often worse off than they would have been under a standard 30-percent-of-income rent system; indeed, some households ended up paying more than 50 percent of their incomes for rent.

Agencies themselves also experienced varied impacts from time limit policies, although there was one major element of consistency—none claimed to have saved money by imposing time limits and initiating related policies. Some alternative rent rules, by themselves, provided opportunity for cost savings, but according to agency officials the cost savings were often offset when combined with other policy initiatives or administered in parallel with other rent rules. In Massachusetts, the administrative cost of the MTW initiative was greater than it would have been under the standard voucher program, but the formula used to calculate expenses under MTW, using HCV funds, proved adequate. In Delaware, Keene, San Diego and San Mateo, expanded case management, enhanced service supports, or added administrative effort—in conjunction with time limits of one sort or another—resulted in higher agency costs. This sometimes led to program modifications or cutbacks. In Vancouver's case, the time limit policy contributed to substantial fiscal stress on the agency in the context of its other MTW-related experiences. Aside from costs, Tulare's experience indicates that both staff morale and the agency's reputation within the community may have improved as a result of establishing time limits.

## CONCLUSION

The time limit policies that MTW agencies put in place varied, as did their experiences with them. What has been learned from studying those variations is especially informative with respect to agency rationales for adopting time limits, key design issues that were dealt with, and companion policies or programmatic changes that were made in conjunction with time limits. However, because MTW was not designed to rigorously test whether one approach or another was more effective in achieving the demonstration's objectives of reducing program costs, promoting economic self-sufficiency, and increasing housing choices for low-income families, there are significant limitations to what is knowable, and known, about policy impacts.

While MTW experimentation with time limits provides a solid foundation, it represents only a beginning. To learn more about impacts requires that program evaluation be built in from the start and taken seriously thereafter when alternative policies are tried. That is the only credible way to demonstrate whether such policies produce desired and desirable results for housing assistance recipients, potential recipients, housing agencies, and communities. A key lesson from the current experience, therefore, is that evaluation should be an integral part of any future deregulation initiative.



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## **SECTION V**

### **PROGRAM DESCRIPTIONS**

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This section provides descriptions of the 13 MTW initiatives that involved time limits. It is divided into two subsections: the first consists of the initiatives of eight housing agencies that instituted time limits on housing assistance; the second consists of briefer descriptions of the initiatives of five agencies that placed time limits on some program aspect other than housing assistance.

The descriptions vary considerably in the amount and type of information that is included. In instances where time limits were an integral part of an agency's overall MTW initiative, it is necessary to discuss other aspects of the initiative in order to understand how they related to, and influenced, agency decisions with respect to time limits. In instances where time limits could be discussed on a stand-alone basis, other aspects of the MTW initiatives are not discussed in detail. There was also a variation in the amount of information available to researchers. In some cases this was because of incomplete record keeping, while in others it reflected a lack of institutional memory related to staff turnover. Planning for time limits was often done at least eight years prior to interviews with agency staff.

## **TIME LIMITS ON HOUSING ASSISTANCE**

The eight agencies that placed a time limit on housing assistance employed a wide range of approaches and experienced an equally wide range of outcomes. In September 2006, time limits were still in place in six of the eight agencies. The descriptions of the eight initiatives included in this section are arranged alphabetically.

**DELAWARE STATE HOUSING AUTHORITY  
DOVER, DELAWARE**

**SUMMARY**

The Delaware State Housing Authority (DSHA) created an MTW initiative that incorporated a time limit on housing assistance, rent reform, and an enhanced Family Self-Sufficiency (FSS) program providing intensive case management and escrow accounts. It applied to all households with non-elderly and non-disabled persons who were receiving public housing or voucher assistance at the beginning of the MTW demonstration; these were considered “MTW families” along with all new non-elderly and non-disabled households served by DSHA from that point on. Rents for MTW families were set at 35 percent of their adjusted incomes. Rent caps were established and, once a household reached a point where its total tenant payment (TTP) was higher than the rent cap, the difference between the rent cap and 35 percent of monthly-adjusted income was placed in an escrow savings account for the family. All MTW families had an escrow savings account and received case management and services. Case management services for voucher holders were outsourced to non-profit agencies, while DSHA staff was expanded to provide services to public housing residents.

A five-year limit applied to receipt of housing assistance unless an extension was granted. However, if at the end of five years a household was likely to pay more than 40 percent of its income for housing in the private market, the agency applied a safety net provision that allowed the household to continue its housing assistance and pay standard 30-percent-of-income rent, although it would lose its escrow account. Households whose assistance was discontinued because they had reached the five-year limit and were determined capable of affording private market housing were eligible to reapply for assistance at the bottom of the waiting list. Of the more than 1,200 households who left housing assistance between the initiation of MTW and September 2006, 34.5 percent were considered successful completions; they either purchased a home or were determined to be able to rent private-market units for 40 percent or less of their incomes. Another 9.5 percent fell into the safety net category and continued to receive housing assistance. But, of the remaining 56.1 percent who left housing assistance for one reason or another, over one-half were likely paying more than 40 percent of their incomes for rent in the private market.

Despite the additional costs and administrative burdens of their MTW initiative, DSHA staff reported the initiative had been instrumental in helping more than 380 households achieve self-sufficiency and was, therefore, considered a success.

**BACKGROUND**

DSHA, which began operations in 1968, owns and operates public housing and administers Housing Choice Vouchers (HCV) in Kent and Sussex counties—two of Delaware's three counties. DSHA is also the state's Housing Finance Agency as well as its Community Development and Planning Agency; it does not have a formal governing board but rather is responsible directly to the governor. In its role as a Housing Finance Agency, DSHA has multiple functions, including providing loans and grants to both for-profit and non-profit

housing sponsors; providing loans to mortgage lenders so they can, in turn, make new residential mortgage loans; applying for federal subsidies; and issuing bonds and notes.

As of March 1, 2006, DSHA served 1,450 households through its Public Housing and HCV program. Of these, 497 households—352 families and 145 elderly or disabled households—were public housing residents. The remaining 953 households— 301 families and 652 elderly or disabled households—received voucher assistance. There were 2,914 households on the agency’s combined Public Housing/Housing Choice Voucher waiting list; this number has increased since the start of DSHA’s involvement in the MTW demonstration.

## **MTW INITIATIVE**

DSHA’s MTW agreement, approved on April 9, 1999, for a period of five years, was later extended for one year to 2006 and again for an additional three years to March 31, 2009. The agency’s MTW initiative serves approximately 750 households.

The initiative includes an integrated combination of time limits, rent reform, and intensive case management. DSHA staff considered the inclusion of all three features essential to creating a program that would move households off of housing assistance and into the private housing market. Existing and new households receiving assistance, whether in public housing or through HCVs, were part of the program. Elderly persons, households in which a disability prevented a potential wage earner from working, families living outside of DSHA’s jurisdiction under housing voucher portability rules, and Kent County scattered-site homeownership residents were all exempted from the program. HCV families outside of the DSHA’s jurisdiction could not be provided the case management the program required and those persons in the scattered-site homeownership program were already working toward self-sufficiency.

**Time limits.** In DSHA’s initial MTW agreement, housing assistance was to be limited to three years—based on the agency’s calculation that the average tenant’s length of stay in public housing was three years. In July 2002, however, the agreement was amended to increase the time limit to five years. It was altered again during the third year of the MTW initiative when DSHA created a “safety net” for residents not able to successfully complete the program.

A time limit on housing assistance was seen by DSHA officials as a tool to motivate families to move to self-sufficiency. However, DSHA staff believed the time limit motivation would be insufficient to enable most participants to achieve self-sufficiency without support services and other incentives. Time limits were thus accompanied by changes in the method of calculating a tenant’s rent and in a modified and enhanced FSS program to provide intensive one-on-one case management and establish escrow accounts for the participants.

**Rent reform.** DSHA’s MTW rent policy involves increasing tenants’ rent payments from 30 percent of income, which is the national public housing and HCV standard, to 35 percent of income. If a family’s TTP is below \$120, a rent cap is established and set at the higher of

\$120 or their utility allowance. It will increase only if the utility allowance increases. When income increases to a point where the TTP is higher than the rent cap, the difference between the rent cap and 35 percent of monthly adjusted income is placed in an escrow savings account by DSHA for the family.<sup>31</sup> If a family's TTP exceeds the higher of \$120 or their utility allowance, the family's rent cap is set at that amount (not to exceed \$350) and will not increase. When the family's income increases thereafter, the difference between the established rent cap and TTP is placed in an escrow account for the participant. Thus, a family with an adjusted income of \$900 per month would have a rent of 35 percent of that amount, or \$315. This rent would not increase, even if their income were to increase. A family with an adjusted income of \$1,100 per month would have their rent capped at \$350, even though 35 percent of their income would be \$385.

**Support services.** At no time did DSHA consider implementing a time limit policy without also extending the agency's support services component for residents. DSHA staff stated that rent caps and escrow savings accounts, coupled with one-on-one case management, were essential to helping households move to private-market rentals or homeownership. DSHA's MTW initiative involves intensive case management and a family support system. Tenants are required to sign and comply with a Contract of Mutual Participation, which outlines their responsibilities, and to complete a Resident Action Plan (RAP) in consultation with their case managers. The latter details participants' goals with respect to obtaining and retaining employment and identifies the services they will need to attain these goals within five years. If interim MTW goals are not met, assistance is terminated after three "strikes," such as late payment of rent or failure to attend RAP consultations.<sup>32</sup> The escrow accounts are intended to create an incentive for families to earn more money so they can move into private market housing. Since the responsibility for managing the accounts is assumed by the agency, staff members have access to account balances. They use this as a motivational tool by sending households regular statements, including their balance. Case managers also remind them of their accounts at quarterly meetings.

**Establishment of a safety net policy.** Successful completion of MTW participation is defined as moving to homeownership or moving into a housing unit in the private market for which rent does not exceed 40 percent of monthly income. DSHA does not have a hardship committee per se to deal with situations in which tenants cannot meet their obligations or

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<sup>31</sup> The rent floor of \$120 was set to approximate a 35 percent rent contribution for part-time minimum-wage work; the rent ceiling of \$350 was set to approximate a 35 percent rent contribution for full-time minimum wage work.

<sup>32</sup> See Jennifer Turnham et al., *Delaware State Housing Authority's Moving to Work Program (December 2001, pp. 7-8)*: "To emphasize the program's seriousness, the public housing and Section 8 case managers are responsible for recommending that DSHA issue "strikes" against MTW participants who do not comply with the requirements of the program. A strike may be issued for any of the following reasons: failure to comply with the RAP; discharge from employment because of a performance deficiency or voluntary termination of employment unless reemployed within 30 days; refusal to comply with school district attendance requirements for school-age children; and failure to provide DSHA with satisfactory proof of compliance with program obligations. MTW participants may receive two warning strikes without penalty. Upon receipt of a third strike, DSHA terminates housing assistance and the participant has the choice of paying the full amount of the rent or facing eviction. Strikes are permanent—that is, they stay with participants for the duration of the program. MTW case managers are responsible for recommending that strikes be issued (for example, for failure to meet the work requirement), but they do not actually issue the strikes. In public housing, the public housing manager issues strikes. In the voucher program, DSHA's Section 8 Occupancy Supervisor issues strikes. DSHA's Housing Management Program Administrator must approve the issuance of a third strike."

successfully complete the MTW program because of circumstances beyond their control. Instead, however, the agency determines whether tenants are able to graduate from the program based on caseworkers' calculations of tenants' ability to pay market rents or purchase a home at the end of their five-year time limit. If MTW households are able to purchase a home or pay market rents at or below 40 percent of household income, their assistance is discontinued and they are eligible to receive all of the funds in their escrow accounts to use in whatever way they see fit. If, on the other hand, it is determined they are unable to buy a home or move to market rents, they automatically fall into DSHA's safety net, which means they forfeit all escrow savings to the agency but retain their housing assistance and pay 30 percent of their income toward rent—the national standard for the public housing and voucher programs. Households that are deemed to be rent burdened but choose to give up their assistance must forfeit their escrow savings.

### **PLANNING FOR TIME LIMITS**

The principal goal of DSHA's MTW initiative is to create greater opportunities for clients. The governor at the time the plan was first submitted to HUD came from a banking and finance background and, according to DSHA staff, "saw housing changes as an integral part of welfare reform." Therefore, from the early stages of the initiative, DSHA had support at the highest level of state government. Enactment of Temporary Assistance for Needy Families (TANF) also made it easier for the agency to raise the issue of time-limiting housing assistance. Beyond that, DSHA staff point to the fact that, in a small state in which many key officials are reasonably accessible, it was "relatively easy to get things done."

When DSHA staff decided to lengthen the three-year time limit, they changed it to five years to coincide with the time limit for TANF. They believed that a time limit on housing assistance as well as on welfare assistance would provide the extra motivation needed to help some families move to self-sufficiency. Otherwise, with a tenant's rent determined by income, loss of the TANF income would merely result in increased housing subsidies and the motivational aspects of time-limiting TANF would be diluted.

Implementation of time limits was controversial. Housing advocacy groups in Delaware are active at both the state and national policy levels. The Delaware Housing Coalition and the Statewide Association of Tenants vigorously opposed the MTW initiative, especially because of its time-limited aspect. Advocates regularly attended many of the public hearings and commented on DSHA's MTW Annual Plans. "There was constant input from advocates in the first three years," according to an observer, who remembered that the Delaware Housing Coalition even "hired consultants from Chicago" to come to one particularly contentious Annual Plan meeting. Advocacy group opposition notwithstanding, however, early planning for MTW was apparently facilitated by the fact that DSHA had a close connection to the then-governor. Also, design and implementation of a dramatic new policy was made easier because DSHA operates as a state agency without a governing board.

There is no clear indication that local market conditions factored into the planning for time limits, either initially or when the policy was revised from a three-year to a five-year time limit during the first year of MTW. The reason given for the change was that the three-year

window was simply too short to effectively move residents to self-sufficiency. DSHA staff pointed to the residents' low credit scores, lack of banking experience, and lack of employment histories as the primary reasons for the change.

### **IMPLEMENTATION OF TIME LIMIT POLICY**

In implementing the MTW initiative, changes were made to the initial plan. As indicated above, for example, the three-year limit was increased to five years because DSHA staff came to believe tenants would not be able to move to self-sufficiency in three years. While the three-year provision was not considered to be administrative burdensome, certain other aspects of the MTW initiative were. According to DSHA staff, "In the first two years of the program, a new problem, requiring a new policy decision, came up every day."

As unanticipated situations arose, administrators regularly had to revise policies. For instance, the rent cap of \$350 was not part of the original MTW plan. It was instituted shortly after the program began as a response to families who complained that they were not able to build escrow savings because they could not make a significant enough income increase. Policies also changed regarding escrow accounts. Initially, MTW families were allowed to use their funds only for a security deposit and first month's rent or as a down payment on a home following departure. The policy was later changed so that, in an emergency (such as car repairs to maintain transportation for employment or emergency medical and dental care), the savings account could be accessed early. Since families were permitted to draw on their escrow accounts, it was necessary to establish a set of guidelines and policies for allowable escrow expenses. Also, DSHA officials had thought tenants would be able to set up and manage their own escrow accounts. After the first few months of the program, however, they realized that the agency would have to take responsibility for the accounts.

Because DSHA's MTW initiative involves intensive case management, DSHA had to hire additional case managers to handle increased services to MTW participants. At the start of the initiative, the Delaware Community Services Administration (CSA), which had received Community Development Block Grant monies for case management services, contracted with DSHA to establish a partnership that would coordinate case management. DSHA segmented its planned case management services for MTW participants, sending voucher clients to two separate CSA-funded non-profit agencies and using DSHA's Resident Services Section to work with public housing residents to deliver services and monitor progress. Administration of the case management services using outside vendors was a challenge for DSHA, especially in cases where the vendors did not fully understand or agree with the agency's MTW policies. Indeed, DSHA needed to make adjustments in the enforcement of its three-strike policy because a non-profit case manager servicing voucher recipients was unwilling to enforce the policy.

### **EFFECTS AND OUTCOMES OF TIME LIMIT POLICY**

DSHA staff reported that the time limit policy has changed the perceptions of new housing-assistance applicants—they now seem to realize that it is not an unlimited benefit. Staff also said although they are strongly of the opinion that such a policy alone is insufficient, it has

been useful for motivating long-term residents to increase their employment income and move to self-sufficiency. In particular, social service staff see the time limit, work requirements, resident action plans, and escrow accounts as an integrated approach to helping families achieve their self-sufficiency goals.

In September 2006, DSHA did a special analysis of 1,124 MTW households that had left DSHA-sponsored housing over the seven years of the MTW initiative. As of that date, 34.5 percent of households had either purchased homes or moved into unsubsidized, private-market rentals in which rent was below 40 percent of their income.<sup>33</sup> While the extent to which DSHA's MTW policies and administrative changes accounted for the fact that these households had purchased homes or moved into private market rental housing is not known, agency officials said their large investment in family supports, financial counseling, escrow savings plans, and homeownership counseling had a positive impact on the number of successful movers.

The other 65.5 percent of households consisted of two groups: those who were in the agency's safety net (9.4%) and those who left housing assistance for one reason or another (56.1%). Households in the safety net group had not been able, by the end of their five-year time limit, to get to the point where 40 percent of their adjusted gross incomes equaled or exceeded the lower of the fair market rent for a housing unit or Section 8 gross rents or voucher payment standards. Therefore, they continued to receive assistance from DSHA, although they reverted to paying 30 percent of their income for rent and forfeited any escrow savings. Households that left consisted of both those deemed able to afford private market housing and those deemed not able to do so; in the latter category, over one-half were likely paying more than 40 percent of their incomes for rent.

### **Financial Benefits to Families**

According to DSHA calculations, the number of MTW families earning income has increased by 14 percent over the course of MTW, based on changes in employment status—getting a job, transferring to a better job or one with more hours, or getting a second job. However, the extent to which these improvements in income can be attributed to MTW is unknown. It is possible that the household's circumstances would have improved without the program.

**Escrow policy.** The assets represented in tenants' escrow accounts, combined with a housing assistance time limit, created a unique set of circumstances for participating households at the end of five years. As previously indicated, access to escrow monies is tied to program "success," which is determined at the end of the time limit based on ability to pay rent at 40 percent or less of their income. Families that successfully moved to market-rate housing kept the accumulated assets from their escrow accounts. Those who could not find market-rate housing below 40 percent of their income fell into the "safety net," forfeiting the total amount of escrow accumulated over their MTW program participation. However, the financial costs of shifting to the "safety net" were in some cases greater than the forfeiture of

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<sup>33</sup> As of June 2006, 150 households had purchased homes and 219 had moved into unsubsidized, private-market rentals.



escrow alone. Households that had borrowed against their escrow savings and did not succeed in moving to market rents essentially built a negative escrow balance, which was then converted into a loan at the end of MTW program participation and was owed to DSHA.

There are very different financial implications of the escrow account for “successful” program households as compared to “safety net” households. For example, if a family was able to build an escrow account balance of \$3,000 over the first two years, borrow all of it to purchase a used car and, then, build another \$3,500 in savings over the remainder of the five years, that family was able to keep the \$3,500 in escrow and not owe DSHA the borrowed \$3,000 borrowed if it were deemed able to move to the private market (i.e., successful). However, if the household were deemed unable to move to the private market, it would forfeit the \$3,500 escrow balance and be required to pay back to DSHA the borrowed \$3,000.

**Results.** Upon successful completion of the program, families can use their escrow savings for a security deposit and first month's rent or as a down payment on a house. As of June 8, 2006, there were 510 active savings accounts in place, with an average balance of \$1,758. However, DSHA staff claim that some families have been able to build as much as \$18,000 between their escrow funds and an Individual Development Account (IDA) program, which is open to a smaller pool of eligible tenants.<sup>34</sup> Below is information provided by DSHA that summarizes the escrow monies accumulated by 352 MTW families. It shows that the median savings for the relatively small number of families that were about to reach the end of their MTW time limit is over \$4,000.

According to DSHA staff, more than 95 percent of within-program withdrawals from escrow were used for automobile-related issues. Since the start of the MTW initiative, 283 residents have accessed their savings accounts for repairs to vehicles, and 104 have used them for a down payment on a car.

<b>MEDIAN AND MEAN ESCROW SAVINGS FOR PUBLIC HOUSING AND SECTION 8 MTW PARTICIPANTS BY NUMBER OF YEARS IN THE PROGRAM; AUGUST 2006</b>						
<b>Time in Program</b>	<b>Total #</b>	<b>Public Housing</b>		<b>Total #</b>	<b>Section 8</b>	
		<b>Mean</b>	<b>Median</b>		<b>Mean</b>	<b>Median</b>
Less Than One Year	49	\$741.06	\$308.05	21	\$770.44	\$448.79
One Year	42	\$1,423.13	\$903.35	36	\$1,117.16	\$563.89
Two Years	34	\$1,137.60	\$538.50	50	\$2,162.71	\$1,670.42
Three Years	24	\$2,287.50	\$1,477.87	22	\$2,416.64	\$1,465.53
Four Years	17	\$3,082.06	\$2,393.07	34	\$2,190.89	\$1,536.25
Five or More Years	9	\$5,752.53	\$4,414.23	14	\$5,285.78	\$4,118.39

<sup>34</sup> The IDA program is operated on a subcontract basis with NCALL, a nonprofit housing counseling agency. NCALL does IDA case management, credit repair, budget counseling, fair market housing counseling, and Resident Homeownership Program (RHP) counseling for MTW participants. Under the contract, they serve up to 100 families at a time.

### **Burden and Costs of Administering MTW Policies**

According to DSHA officials, the agency has faced significant challenges in dealing with the many mid-stream changes to MTW that were required to “get it right.” Increasing case management and accounting services are just two such examples. Two new case managers had to be hired to deal with the increased volume of work that resulted from the initiative, thereby doubling the size of DSHA’s case management staff. Also, DSHA had initially planned on having clients administer their own escrow savings accounts—to get them more involved in traditional banking services. After the first month of the MTW initiative, however, only a small fraction of MTW families had opened accounts. The agency then had to step in to open and manage the accounts on their clients’ behalf. Later, when the agency’s management of the escrow program started, separate accounts had to be established for participating DSHA residents.

### **Agency Conclusions**

Notwithstanding the various challenges, added administrative burden, and costs to the agency of its MTW initiative, DSHA officials and staff report that it has been a good investment. They consider the results to be positive.

**KEENE HOUSING AUTHORITY  
KEENE, NEW HAMPSHIRE**

**SUMMARY**

The Keene Housing Authority (KHA) instituted an MTW process that revised both public housing and HCV programs to include a self-sufficiency program, revised rents, and a placed a five-year time limit on housing assistance for voucher holders. The integrated program, named the Spectrum Housing Program, included a Resident Self-Reliance program, Housing Assistance Coupons, a Step-Rent System, a Safety Net, and the time limit on assistance for households with HACs. Designed to promote self-sufficiency and enable the Housing Authority to assist more households, the program was labor intensive. This administrative burden led to KHA staff having less involvement with participants than envisioned in the original case management plan.

As of July 2006, there were 93 persons in the program who would ultimately be timed out of housing assistance. Another 138 persons who had been subject to the time limit had departed and of those, 33 had secured unassisted housing. Others had left for a variety of reasons, including 30 households that were evicted for non-payment, rules violations, or other causes. Two households left because a household member became disabled.

The KHA staff has declared the program to be a qualified success. The staff regrets its inability to provide the level of case management support originally envisioned, but they believe the program has helped households secure or improve employment and better manage finances. In addition, the stepped-rent system has made it easier to estimate the agency's future income stream and helped make budgeting more accurate and reliable. The burden of administering parallel programs has been worth the effort and KHA anticipates making its MTW programs, including the time limits, permanent.

**BACKGROUND**

KHA manages a housing portfolio of 226 public housing units in six developments, plus scattered-site units and an HCV program that had 259 participants in July 2006. The public housing and HCV waiting lists were open, with 432 and 473 applicants, respectively.

**MTW INITIATIVE**

The MTW agreement, executed on April 21, 1999, was initially for five years. However, it was amended in March 2003 and is scheduled to expire on December 31, 2009.

KHA called its MTW initiative the Spectrum Housing Program (SHP). New names were also devised to describe all components of the program to distinguish them from similar non-MTW programs. The SHP has three key components:

- Resident Self-Reliance (RSR), a modified FSS program that was extended to all residents.
- Step Rent System (SRS), designed to decrease the housing authority's assistance over time and prepare households for paying private market rents.
- Safety Net, a work program for residents who are unable to pay rent.

The MTW agreement applies to all public housing residents and tenant-based HCV program participants. Households headed by elderly or disabled individuals are not required to participate in the RSR portion of the program, although they may elect to do so. Tenants in FSS at the time of the MTW agreement could keep elements of the program, including an escrow account, in lieu of stepped rent.

KHA established a five-year time limit for the HCV program, which was renamed the Housing Assistance Coupon (HAC) program. Participants can receive an extension of up to two years if they are eligible. Because the program is designed specifically to move the working poor away from housing assistance, the time limit is seen as motivation for participants to better manage their money and improve their incomes. KHA staff indicates that public housing residents tend to have more severe limitations on their ability to accomplish these tasks and are thus exempted from the time limit.

The three components of the SHP—RSR, SRS and Safety Net—comprise a progressive strategy to move participants to self-sufficiency. The SRS and time limit policy provide a strong incentive for a family to increase its income because participants know that assistance is limited. Therefore, they are forced to consider needed measures for maintaining housing after their HAC expires. The decreasing subsidy in the SRS is meant to prepare participants for paying the full rent after their time limit has expired. KHA stated that it did not want participants to enter into the unsubsidized market without a full understanding of market-rate rents.

HAC recipients who move into unassisted housing are referred to as “graduates” of the SHP. Public housing residents are not subject to time limits, but, because the system is designed to be progressive, those public housing residents who do increase their level of self-sufficiency may “graduate” to the HAC program. Once they are in the HAC program, their assistance is time-limited and they continue working towards “graduating” to unassisted housing or homeownership

Under the MTW agreement, KHA also revised its rent policy to systematically reduce the housing subsidy that both public housing and HAC program participants receive. In years one through five of occupancy, participants' share of the monthly rent increases. All residents and tenants subject to the MTW agreement are also subject to the SRS. As of July 2006, 93 participants in the HAC program were subject to the five-year time limit policy.

The SHP was designed as an integrated self-sufficiency program and all of its features are considered equally important by KHA staff. The component of the program that most closely resembles a typical public housing program is the RSR component. Although it resembles the FSS program, RSR was designed to be more flexible in the provision of

targeted services to individual households. RSR provides greater support to families that are comparatively better off financially and enables them to accrue larger escrow accounts than they would under traditional FSS guidelines. Under FSS, households with greater income are typically unable to accrue as large an escrow account as participants who start with lower incomes because their income increases are comparatively smaller.

Case management under RSR is intensive. Case managers hold quarterly meetings with recipients to provide financial planning and employment training. Participants meet with case managers annually to assess their progress toward goals and re-set their priorities and activities for the coming year.

The SRS applies to all residents in the MTW program. Participants in the HAC program have a minimum rent of \$50. All RSR families receive a subsidy based upon the SRS in lieu of income-based assistance. Similar to traditional HCV programs, KHA establishes a voucher payment standard (VPS) based upon the rent for a moderately priced unit in the private market. In Step 1, the subsidy is calculated using the VPS—20 percent of the household’s income. For Steps 2 and 3, the subsidy is fixed. As participants graduate from Step 1 to Step 2 and then to Step 3, the amount of subsidy they receive decreases. This results in participants’ paying an increased portion of the rent as they continue in the program.

Most participants begin at Step 1 and then graduate to Steps 2 and 3. Participants whose income is such that their calculated subsidy at Step 1 is lower than at Step 3 are placed at Step 3 for the five years of the HAC program. As shown in the following table, the first-year subsidy is the voucher payment standard (VPS) minus 20 percent of the household’s monthly income. Thus, with a two-bedroom VPS of \$822 and a monthly income of \$800, the first year subsidy would be \$662, higher than the Step 2 and Step 3 subsidies. However, if the household income were \$2,500, then the first-year subsidy would be \$322, higher than the Step 3 subsidy of \$300, but lower than the Step 2 subsidy of \$450. The household would thus start with the Step 2 subsidy and remain at that level for the first three years.

<b>EXAMPLES OF STEPPED-RENT SUBSIDIES</b>							
Payment Standard for 2-bedroom unit = \$822				Payment Standard for 2-bedroom unit = \$822			
STEP	1	2	3	STEP	1	2	3
Year	1	2& 3	4& 5	Year	1	2& 3	4& 5
Monthly Income	\$800			Monthly Income	\$2,500		
20% of Income	\$160			20% of Income	\$500		
Subsidy	\$662	\$450	\$300	Subsidy	\$322	\$450	\$300

To provide participants with a greater understanding of the private rental market, the subsidy is paid directly to the participant instead of the landlord. KHA does a direct deposit of the subsidy into the participant’s checking account and the participant provides the landlord with one check for payment. Families cannot use their subsidy for anything other than rent. If the subsidy is used to pay something else, participants have to repay the subsidy amount to KHA within 10 days.

The time limit component of the system was developed primarily to help motivate participants to alter their lifestyles and move to self-sufficiency. The five-year limit was chosen because it was in line with the welfare reform time limit. KHA viewed five years as a sufficient period for most households to leave housing assistance. However, if a household is making progress toward its goals and has experienced a minor setback due to external circumstances, it may be granted up to two one-year extensions. This allows additional flexibility for persons who may have been set back due to illness or other temporary disruption in employment.

The time limit policy was also put in place to address the KHA waiting list for housing. KHA determined that the needs of those on the waiting list had to be addressed in some other manner than waiting for the attrition of existing HAC program participants. Thus, the time limit enables KHA to serve a larger segment of the population needing temporary housing assistance.

The five-year limit on assistance starts on the date the recipient begins renting a unit with the HAC. New HAC program participants are notified of the time limit during their initial intake. At the time of implementation, existing HCV participants were notified along with the general public of the time limit during public hearings on the policy change. Existing participants subject to the time limit also received notification when their HCV was transferred to a HAC.

In order to receive assistance beyond five years, the participant must:

- Be in good standing in the HAC program
- Have an income under 60 percent of AMI
- Be making reasonable progress toward their RSR goals
- Be in compliance with the RSR waiver

The participant must apply for the extension three months prior to the end of his/her assistance. The Tenant-Based Assistance Manager will then approve or deny the request. If the extension is approved, the participant is granted an additional year in the HAC program. Should the participant require an additional year, he/she must reapply using the same process and eligibility requirements. In all cases, participants can receive a total of two years in extensions to the five-year time limit policy.

If a request for an extension is denied, the HAC program participant can request an informal hearing to appeal the decision. The KHA Programs and Services Manager conducts the informal hearing in order to provide a system of checks and balances.

In the HAC program, recertifications are conducted biennially instead of annually. During the recertification, KHA reviews the family size to confirm whether or not they are in the correct unit size.

## IMPLEMENTATION OF TIME LIMIT POLICY

KHA began issuing HACs in lieu of HCV on March 1, 2001. All participants who entered the program on or after that date received a HAC. Existing HCV holders were transitioned to the HAC program when and if they moved out of their units. These participants are still considered to be part of the SHP and the MTW agreement. Since implementation began, there have been 230 new entrants to the HAC program, including those not subject to the time limit (elderly and disabled). As of July 2006, 93 families were in the HAC program and subject to the five-year time limit.

During the implementation of the SHP, including the time limit policy, the economy in Keene remained strong. Initially, KHA's funding levels were sufficient to support the program. At the start of implementation, KHA had on staff four HAC program coordinators and Resident Services Coordinators (RSCs) and thus was able to maintain a low coordinator-to-program participant ratio. However, KHA's federal funding decreased after the program commenced and KHA had to decrease the number of HAC and RSC program coordinators it employed. Each HAC program coordinator then had to work with 80 to 90 households and each RSC coordinator had to work with 75 to 90 households.

As the HAC program was implemented, KHA did not encounter a large amount of resistance to the program or time limit policy from new admittees. Most objections came from participants who had HCVs that were transferred to HACs. Welfare-to-Work HCV holders, in particular, objected strongly to program changes.

KHA did not make revisions to the SRS or the Safety Net portions of the SHP during implementation, although it did make revisions to the RSR program. KHA staff stated that the agency had to revise the RSR program in large part because of decreased funding. The biggest changes to the RSR program were (1) a transition from quarterly one-on-one meetings with RSR families and their assigned RSC to quarterly goal meetings and (2) the development of an RSR waiver.

During implementation of the SHP, KHA chose to waive the majority of RSR requirements for some program participants. The waiver was created for the following reasons:

- **Reduction in staff.** KHA determined that the organization needed to concentrate the available staff's time on working with HAC participants in their first year of the RSR program. It also provided additional time for the RSCs to work with families with greater need for assistance in meeting the Spectrum competencies.
- **Fewer requirements for successful participants.** If a participant has met the general goals of the RSR program, KHA staff stated that it is unnecessary to have that household continue with all of the program requirements.
- **Motivation tool.** The waiver can act as a motivator for participants.

Families that are approved for an RSR waiver are not required to participate in skill development activities or quarterly goal meetings. The family must still develop, update, and track its individual plan for financial improvements and attend an annual review meeting with the RSC. The waiver is essentially a “certificate of completion” for the RSR program. The waiver can be revoked if the family has problems that jeopardize its HAC (e.g., lease violations, rental payment delinquencies).

Participants who would like an RSR waiver must: be in at least their second year of the RSR program; have two years of employment;<sup>35</sup> contact their RSC; and complete an RSR waiver application, which includes information on the household, employment, and progress in achieving the Spectrum competencies.

The challenge to administering a regular subsidized housing program in Keene is that most of the housing was built at the turn of the century. As a result, the available housing stock is often older and requires significant repairs, including lead-paint abatement. A large percentage of the rental units are not maintained to Housing Quality Standards (HQS) because landlords have a large potential rental pool from the local colleges. The landlords are able to charge high rental rates because the college students often room together in homes. Therefore, even if the units were maintained in line with HQS, many lower-income families would not be able to afford them.

There are barriers to homeownership as well. Keene has extremely high utility costs. Homeownership is also expensive, largely as a result of high taxes since New Hampshire funds all of its public schools through property taxes.

## **EFFECTS AND OUTCOMES OF TIME LIMIT POLICY**

### **PHA Effects and Outcomes**

KHA has not experienced a decrease in administrative costs as a result of its MTW agreement and the SHP. Because existing voucher participants could remain in the HCV program as opposed to switching to the HAC program, KHA has had to administer two voucher programs simultaneously.

Although KHA has not had decreased administrative costs under the MTW agreement, staff stated that with the SRS, KHA is able to project and manage its budget more effectively. The flat rent subsidy allows KHA to more accurately project the rental income stream for each year, as it is based upon the participant’s year of occupancy. Income-based subsidies result in unreliable rental income stream projections since they vary with each change in the participant’s income.

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<sup>35</sup> The employment requirement does not include education. According to KHA staff, since the goals of the RSR program are to obtain employment and economic self-sufficiency, those who are attending school are not considered employed, as school is a means to an end.



The time limit policy has not had an impact on the waiting list, partially due to the fact that none of the families has yet reached the time limit. KHA expects minimal impact on the waiting list because the number of participants timing out each year will be relatively small.

### **Changes in the Composition and Characteristics of Program Participants**

KHA staff believes the SHP has been successful in improving the employment and income of its participants. However, the analysis is based on comparisons of all persons in the program in 2001 when it started and all persons in the program in 2005. These are not identical populations as some families have exited the program and new ones have entered. In addition, there is no comparison between households in SHP and those not in the program.

As evidence of the impact of the RSR program’s success, KHA points to the increased number and percentage of employed HAC participants. From 2001 (when the time limit policy was implemented) to 2005, the percentage of full-time employed participants increased from 46 percent to 70 percent. During this same period, the percentage of unemployed participants decreased to 11 percent from 19 percent.

<b>HAC PROGRAM PARTICIPANTS’ EMPLOYMENT STATUS</b>		
<b>Participants</b>	<b>Baseline 2001</b>	<b>2005</b>
Employed Full-time	17 (46%)	64 (70%)
Employed Part-time	10 (27%)	15 (16%)
Unemployed	7 (19%)	10 (11%)
Worker’s compensation/disability	3 (8%)	3 (3%)
Total	37	93

The percentage of HAC program participants who have incomes above 60 percent of AMI increased substantially over the reporting time period.

<b>HAC PROGRAM PARTICIPANTS’ INCOME AS A PERCENTAGE OF AMI</b>		
<b>Range</b>	<b>Baseline 2001</b>	<b>2005</b>
0-30% of AMI	31%	24%
30-50% of AMI	47%	36%
50-60% of AMI	14%	12%
60-80%	8%	28%

### **Effects and Outcomes for HAC Program Participants**

Fourteen people who are relatively new to the MTW HAC program and time limits participated in one focus group held in Keene. Most of the group understood that they were under a five-year time limit for housing assistance, although three did not. Only half of the group was aware of the option of applying for a two-year extension.

Because of the presence of college students in Keene, the group felt that Keene has a tight rental market and that landlords often discriminate against HAC-holders. College students, living in groups of two to six, can afford higher rents for units than HAC families. Students also will often disregard the condition of the unit, giving landlords no reason to improve the quality of the units.

Participants in their first year of the program (Step 1) are happy to have the subsidy, but feel that one year is not long enough to make the necessary life and income changes required to pay more rent in the second step. They suggested that the first step be longer than one year. Several group participants did not know that the first three step-years were combined for those at a certain income level. In addition, utilities are extremely high and participants felt that the step rent system does not take that into account. In a similar vein, participants said that more RSC support needs to be available at the beginning of the program.

Although KHA staff persons were viewed as helpful, the group has also noticed a substantial incidence of staff turnover. They expressed concern because it is difficult for them to lose an RSC who knows them, their history, and the progress they have made. Most of the group also felt that the classes and workshops they were required to attend were at a skill level too low for them.

Several participants felt that the program should be more individualized, which also relates to high client-per-RSC ratios and the staff turnover. "They need to have an individualistic approach and the manpower that's needed to run it," said one participant. "You can't put 150 clients on one caseworker and expect the caseworker to see each person just once a year. They don't know the people you're working with."

Also voiced was the feeling that the HAC program is merely a "band-aid" solution for a basic housing affordability problem. "Until people can make more than \$8 or \$9 an hour working full-time, you're not going to make it. The problem isn't not having a housing subsidy; the problem is not having a living wage," as one participant put it. Others noted the difficulty in finding jobs that pay enough to support families in an economy that has mainly service jobs and a cadre of students to compete for these jobs.

A second focus group included five participants who are close to their time limits. They agreed that KHA explained the SRS well when the program started. All were aware of the time limit and keenly aware that they were quickly approaching the end of it. Everyone in the group planned to apply for an extension. The greater awareness of all aspects of the program among this group as opposed to the participants of the first focus groups may be a result of the increased staff case loads.

Similar to participants in the first focus group, the second group also mentioned problems finding jobs with adequate pay to support better housing for their families. One, who had worked for more than 20 years for a large area employer, explained: "I don't get a raise; they just don't give people raises anymore. Now I've taken a second job on at the hospital, so I

work 60 hours a week in order to make up for that difference in pay that they're not giving me. Meanwhile, my rent increases.”

The group discussed homeownership, with several saying that although KHA is encouraging homeownership, the problem in Keene is that houses are expensive. Affordable houses require a lot of work and taxes in the area are extremely high.

“For a \$170,000 home in Keene, you're talking about \$3,500 in taxes—or even up to \$5000,” one person commented. Another asked, referring to a workshop she had attended, “Where do you think we're going to come up with \$8,000 to \$12,000 to put down on a home? We're living from paycheck to paycheck now. “

Comments were made about the state Health and Human Services office in Keene. Some participants felt demoralized when dealing with this office, reporting that families are encouraged to have more children and stop working in order to get aid. Although there is turnover, KHA staff are much nicer and have a better attitude, participants said.

Two of the five participants in the focus group felt that the time limit had an effect on their behavior. One went back to school and the other is looking to buy a house; they attributed these actions to the time limit.

Like the first focus group, this group noticed KHA caseworker staffing changes. When asked to identify the challenges KHA faces with the HAC program, one person mentioned the turnover of caseworker personnel. “I had three different people take over. This new person comes in and has no idea of what I've done and the struggles I've been through.”

While one person stated that KHA implemented time limits so that more people could be assisted, another thought that a large number of people would become homeless once KHA enforced the time limit. “And then KHA will change its mind but it will be too late for this first group.” The feeling of several of the participants was that the time limit is too short and that it should be closer to 10 years.

Although no participants had time out of the program when the interviews were conducted, KHA had tracked the number of households that had been in the program but were no longer receiving housing assistance. From 2001 through 2005, 138 households had left the HAC program. All were subject to the time limit and left prior to the end of the five years.

The definition of self-sufficiency includes the ability of a family to obtain housing without a subsidy. KHA staff indicate that 39 families left the HAC program from 2001 to 2005 because they had become self-sufficient. Sixteen became homeowners and 17 moved into unsubsidized rental housing. However, of the 39 households listed as having left because they became self-sufficient, three moved in with family or friends, two moved into subsidized rental housing, and the housing location of one is unknown. Thus only 33, or 24 percent, of the households that have left the program can be said, for certain, to have achieved self-sufficiency.

<b>AC PROGRAM EXITS</b>		
<b>Reason for Exit</b>	<b>Number of Participants</b>	<b>Percentage of All Participants</b>
Disability	2	1%
Eviction	3	2%
Failed Housing Quality Standards	1	1%
Financially Self-Sufficient	39	28%
Left Voluntarily	18	13%
Midnight Move Out	7	5%
Port-Out of KHA	6	4%
Rent Burden	3	2%
Termination for Non-Payment	10	7%
Termination for Rules Violation	27	20%
No Reason Provided	22	15%
<b>Total</b>	<b>138</b>	<b>100%</b>

## **Conclusions**

The lack of comparable information on why households left the HCV program over a four-year period prior to implementation of MTW severely limits the usefulness of the data on those that left SPH between 2001 and 2005 with respect to evaluating the success of the time limit. While the 33 success stories among those participants that left the program prior to being timed-out are encouraging. However, the fact that only one of every four such families that left the program was able to move into market-rate housing illustrates the difficulties faced by low-income households in their efforts to become self sufficient.

KHA staff is encouraged not only by the number of households that became self sufficient during those first years of the program but also by the increases in percentage of participating households that were employed or had higher incomes after four years of program operation. KHA staff has concluded that the experience with a time limit on housing assistance has been positive for both the agency and the participants.

**THE MASSACHUSETTS DEPARTMENT OF HOUSING AND COMMUNITY  
DEVELOPMENT  
BOSTON, MASSACHUSETTS**

**SUMMARY**

The Massachusetts Department of Housing and Community Development (DHCD) designed an MTW initiative for households transitioning to work and established a three-year limit on the assistance provided. The initiative involved fixed-amount subsidies for housing, support services, and an escrow account—with participants being given considerable control over budgeting the subsidy such that they could decrease the amount used for rent and increase the amount placed into escrow. DHCD's delegate agency in Boston, the Metropolitan Boston Housing Partnership (MBHP), runs a program for households that are homeless. The Worcester agency, Resources for Communities and People (RCAP Solutions), focuses on very-low-income working families transitioning from welfare. Time limits were imposed to emphasize the transitional nature of the program. None of the participants were receiving housing assistance when they entered the program.

The Boston participants were transitioning from homelessness to work and thus had substantial obstacles to overcome. Of the 53 who completed the three-year program: five were in the process of purchasing homes at the end of three years; 30 were going to rent at market rates (though some were paying more than 50 percent of their incomes for rent); and 18 were likely to be in other housing situations—including receiving some type of housing assistance, living with family members, or living in a shelter. Compared to Boston, the situation in Worcester was more favorable owing to the more secure financial and housing situations of the participants at the outset. Of the 88 families completing the program, 19 became homeowners. RECAP staff attributed this outcome to strong case management in conjunction with the program's policy of allowing participants to exercise control over how they used their subsidies. MBHP staff in Boston were equally pleased with the program but considered three years to be too little time for households transitioning from homelessness.

**BACKGROUND**

DHCD administers housing programs statewide, including 18,543 federally funded Housing Choice Vouchers and 4,782 state housing vouchers. As of mid-2006, there were more than 47,615 households on the voucher waiting list. DHCD contracts with nine nonprofit regional housing agencies to administer its rental assistance programs. The agency neither directly owns nor manages any public housing developments.

**MTW INITIATIVE**

DHCD's initial five-year MTW agreement was signed on April 6, 1999, and executed by HUD on April 21, 1999. At that point, the agency selected MBHP in Boston and RCAP Solutions in Worcester to implement a small-scale, MTW rental assistance initiative. The initiative provided financial and counseling assistance to 61 very-low-income working families in the City of Boston who were homeless or at risk of becoming homeless and 122

very low-income families in southern Worcester County that were in the process of leaving public assistance. It involves them in decisions about the uses and allocation of that assistance. The initiative required obtaining waivers of federal rules related to the Housing Choice Voucher program.

Program planners sought to demonstrate that giving households control over resource allocations would produce positive outcomes—including reduced welfare use and, especially in the case of the Worcester portion of the program, homeownership. The stated goal of DHCD’s program, therefore, was to show “that by allowing recipients of Section 8 funding to be actively involved in the expenditure of these funds, their ability to achieve and sustain long-term self-sufficiency will be enhanced.”<sup>36</sup> Agency officials hypothesized that allocation of assistance at the discretion of participants helps to build financial acumen and contributes to self-sufficiency. Time-limiting the assistance was considered important to the objective of promoting greater self-sufficiency for households in transition. The length of the time a household could receive assistance was influenced by the five-year limit on the MTW agreement and administrative considerations.

DHCD set aside a portion of its federal Housing Choice Voucher funds to cover program assistance for up to 183 families. With these funds, families were provided an annual stipend that was divided, on a monthly basis, among a rent subsidy, a supports budget, and an escrow contribution. Calculation of the rent subsidy portion was not based on the traditional Section 8 percent-of-income method but, instead, on how much of a monthly stipend (with a set maximum cap) each participant chose to use for rent payments. Monies not used for rent purposes could be shifted to support purposes or an escrow (savings) account. In addition to financial assistance, the program provided case management services and encouraged utilization of financial counseling services.

Participants consisted of persons who had not been receiving government housing support (other than, possibly, being in a shelter) before joining the program. Assistance was offered in the form of a special, three-year limited stipend, not as Housing Choice Vouchers. Once participants moved into the private market or timed out of DHCD’s MTW-enabled program, no further assistance, financial or otherwise, was provided. Households that moved through the three-year program are referred to as having “graduated.” Although they may no longer participate in MTW, graduates may seek other forms of housing assistance if it is available and they are eligible.

## **PROGRAM DETAILS**

Both MBHP and RCAP Solutions operated a five-year program—with participants receiving subsidies for up to, but no more than, three of those five years. While similar in basic structure, the two programs differed in the number of participants, target populations, subsidy amounts, and timing. The greatest difference between the two programs involved their target populations. Other differences, including subsidy amounts for the Boston and Worcester

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<sup>36</sup> 1999 MTW Agreement, p. 2.

participants, reflected cost variations between the two markets and income disparities between the two groups.

In Worcester, the target population was heads of households who were generally employed and renting in the private market at the time they entered the program; indeed, most stayed in the same housing unit following program entry. Thus their systems of childcare and other support services were often in place at the time, even though they may have been having difficulty meeting their financial obligations. The initial cohort of participants in Boston, on the other hand, were living in a homeless shelter or were near homeless at the time of program entry; thus, they were in the process of trying to identify a new living situation while getting a job, making childcare arrangements, and so forth.

**THE MBHP PROGRAM.** In Boston, assistance was available for families who were in a homeless shelter or referred from a homeless shelter or another agency, were receiving Department of Transitional Assistance (DTA) benefits, and were working or about to be working. All participants had to be working at the time of lease-up. Financial benefits for participants consisted of:

- Up to \$700 per month in a rent subsidy;
- \$83 per month in a supports budget; and
- \$50 per month deposited into an escrow account.

As modified under MTW for purposes of this program, the housing subsidy payment was not affected by a participant's household income and did not change if income changed. The \$700 amount was a rental subsidy cap; participants could choose to lower the amount of their rent subsidy and put any extra savings into their supports budget. The supports funds could be used for such expenses as utilities, childcare, or car-related expenses, and payments were made directly by the MBHP to service providers. The money could be spent each month or allowed to accumulate in a supports account. Before the end of the program, participants could ask that any supports' residuals be transferred to their escrow accounts. At the end of the program, participants were given all monies accumulated in their escrow account and were also eligible to receive matching funds in the amount of their escrow if they purchased a home. In reality, however, the home purchase option was not seen as viable for many in Boston, given the high cost of housing and the extreme financial situations of the formerly homeless families targeted by the MBHP program.

Other program benefits included case management, housing search assistance, and access to other resources and programs at MBHP's Housing Consumer Education Center.

For participants in the program, there was no guarantee of permanent housing at the end of the three years of assistance; nor was additional assistance provided. Indeed, MBHP staff encouraged participants to sign up for as many subsidized housing waiting lists as possible during the three years in which they received program assistance, recognizing that a substantial number of them would not be able to afford market rents afterwards.

**THE RCAP SOLUTIONS PROGRAM.** The stated goals of the Worcester program variant were to:

- Increase housing choice (by increasing the number of units affordable to participants);
- Encourage homeownership (through escrow accounts and matching funds);
- Promote long-term employment (by subsidizing work-related expenses and helping to stabilize housing situations); and
- Increase accountability/reduce dependence (through the use of a flat, time-limited subsidy).

The Department of Transitional Assistance (DTA) referred families transitioning from TANF to work to the RCAP Solutions agency. The agency had assistance available for 122 such households, none of which had been receiving a housing subsidy at the time. Financial benefits for participants consisted of:

- Up to \$250 per month in rent subsidy, although RCAP Solutions automatically lowers the rent subsidy by \$100 each year and diverts the difference to escrow;
- \$158 per month in a supports budget; and
- \$50 per month deposited into an escrow account.

RCAP Solutions was relatively aggressive with respect to encouraging participants to use as little of their rent subsidy as possible, and to save the remainder in their escrow account. The automatic annual deduction in rent subsidy was designed to “wean” participants off their housing subsidy. Although participants may have requested that the deduction not take place and that the entire \$250 remain as a rent subsidy, many households diverted even more than required into their escrow accounts. In fact, of participants recruited for a second cohort of the program, now under way, about 60 percent are planning to divert their entire rental subsidy to escrow.

Program staff conveyed to participants the notion that their supports budget was intended for work-related expenses—such as car repairs, uniforms, or childcare. Money from the supports budget was paid directly by RCAP Solutions to service providers. Staff also considered homeownership to be a very important objective and, accordingly, encouraged participants to save and put as much money as they could into escrow. The RCAP program provided a match equal to the amount of the escrow if the participant purchased a home. Participants who put their entire subsidy into escrow over three years could have saved approximately \$9,000 and received a match of \$9,000 plus \$1,800 in planned escrow budget funds and \$5,688 of unspent supports budget funds.

#### **IMPLEMENTATION OF TIME LIMIT POLICY**

Implementation of the program was relatively straightforward because no current residents participated. (An early version of the program made provision for 20 public housing families from the Worcester Housing Authority to participate, but this did not occur.) Boston’s initial cohort of participants consisted of households referred from homeless service providers and



other agencies, and Worcester's consisted of households referred from the Department of Transitional Assistance—none of whom had received subsidized housing assistance prior to joining the program. The primary implementation issues for DHCD involved recruitment, effective communication with participants, supportive services, and program administration.

**Recruitment Challenges.** MBHP initially set the Boston rent subsidy at \$400 per month. At the time, however, housing costs were rising rapidly in the Boston area. Area FMRs climbed between the date that the rent subsidy was established in DHCD's plan as submitted to HUD and the date that the plan was formally executed. By the time the program began, regular Housing Choice Vouchers with a homeless preference were available and the potential subsidy on these vouchers was considerably more than \$400 for most eligible households. When MBHP had a hard time recruiting families, they raised the maximum subsidy to \$700 per month—with the possibility that large, rent-burdened families could receive up to \$800 per month based on a case-by-case review.

**Communication Challenges.** Once the program was under way, another implementation challenge was communicating to participants that the assistance was limited to three years. According to various program staff, participants were repeatedly informed that “this is transitional and not forever assistance.” MBHP staff, in particular, said they encouraged participants to stay current on other housing waiting lists and worked with them (individually and through MBHP's other services) to identify affordable housing options for when the program ended.

Still, staff said that some of their first cohort participants did not “get” this message. Given the stress associated with homelessness or near homelessness, staff said that some participants may have “grabbed MTW like a lifeline,” ignoring the fact that it was for a limited time. Several participants seemed “surprised” when, in their last year of the program, counselors reminded them they needed to make plans for when the assistance would end. According to one program participant:

“I did like the program. I did learn a lot, but I do feel that clients should fill out a Section 8 application at the beginning of the program rather than towards the end. While all the supports were a great help in the last three years, now I am almost back where I was and number 7,000 on a waiting list and it's frozen.”

For the second cohort of participants, MBHP staff are stressing “again and again” that the subsidy is for three years, with no extensions. They hope to help participants get, and retain, the message and think critically about their long-term affordable housing plans from the beginning.

RCAP Solutions also focused on the limited nature of the program. Fewer of their participants, however, were in “crisis” situations and, possibly for this reason, seemed to hear the message. Even so, Worcester staff noticed that many participants lamented in their final year that they had not saved more money during the earlier portion of their program participation.

**Supportive Services Challenges.** In addition to various services that were offered to assist program participants, staff members of both the Boston and Worcester programs provided regular case management. In Boston, for example, participants were seen every six to 12 months for an hour-long appointment, in part to recertify program participation. The majority of the meeting, however, involved discussion of participants' budgets, financial goals, and housing situations. Individual goal plans were set and monitored. Participants who were unemployed for more than two months met with their program advisor more frequently and completed a Job Search Activity Log. Participants had access to, and were encouraged to attend, workshops held at MBHP (including those on housing and career development), and received ongoing mailings regarding assistance options.

In Worcester participants were required to attend four budgeting classes and four first-time homebuyer classes. However, the program director recognized that it was difficult for working people to attend every meeting, so if a participant could not come to a class, their case manager either went to their home to provide the training or went over the class material at their next appointment. This was a time-consuming responsibility for program staff.

**Program Administration Challenges.** MBHP line staff administered the MTW program, carrying out day-to-day activities such as recruiting participants, meeting with them, providing case management, processing supports budget requests, etc. RCAP Solutions also had one staff person who handled its program. In both instances, however, these staff members had other responsibilities beside these programs. In the case of DHCD and RCAP Solutions, there has been little staff turnover since the initiation of the MTW demonstration, but MBHP experienced high staff turnover over the course of the program.

#### **EFFECTS AND OUTCOMES OF TIME LIMIT POLICY**

Outcomes differed between the Boston and Worcester programs. There has been no follow-up tracking of former program participants, so what is known about outcomes derives from exit information.

**The MBHP Program.** Most of the households in the Boston segment of the DHCD program had concluded their participation as of mid-2006, although a few ended participation several months later, in September. The housing outcomes of the 53 participants who ended the program in either 2004, 2005, or by June 30, 2006, were as follows:

<b>MBHP OUTCOMES</b>	
<b>Disposition</b>	<b>Number of Participants</b>
In the home-buying process	5
Renting at market rate	30
Receiving HCV assistance	3
Living in other subsidized housing	3
Living in a shelter	2
Living with family	4
Other	6

Six of the 53 former participants who subsequently received either voucher or other subsidized housing assistance were, presumably, paying no more than 30 percent of their incomes for housing. Thirty families were going to rent at market rates, but many of them were likely to be rent burdened. During exit interviews conducted by MBHP staff, 23 heads of households were asked what housing outcomes they expected after participating in the assistance program. Five indicated they would be relocating to a new home, another four said they would be paying less than 50 percent of their gross monthly income toward rent, but 14 expected to be paying more than 50 percent of gross monthly income toward rent. Beyond these indications of program outcomes, little information is available about the ongoing affordability of housing for former program participants.

MBHP leadership hoped to educate participants about financial matters and help them build the capacity to manage their finances. Due to the high cost of housing in Boston and the vulnerability of MBHP’s program participants (due to their previous homeless or near homeless situations), no participants diverted funds from the rental subsidy to their supports budget. The 38 participants who completed their participation during 2006 received an average of \$2,179—\$1,800 of which was from escrow and \$379 of which was from the supports budget. Staff said that homeless or near homeless participants generally had to put most of their assistance toward rent, given the very high cost of housing. Four of the 38 participants were in the home-buying process in mid-2006 and had applied for the program’s escrow match.

Although the number of program participants able to take advantage of the opportunity to increase the supports or escrow portions of their assistance was smaller than anticipated, there are indications that participants generally appreciated and benefited from the financial aspect of the program. Some of them voluntarily commented on this during program exit interviews conducted by MBHP staff. One participant, for example, said, “I really think this is a great program for families to learn to budget their monthly household expenses—it help[ed] me to make ends meet each month and [will] help me to budget after I am no longer on this program.” When asked what advice they would give other families entering such an assistance program, many participants advised taking advantage of all classes, counseling, working on cleaning up their credit situations as soon as possible, and saving as much as

possible from the monthly subsidy. Participants also often remarked how difficult it was to save given their strained finances and market conditions.

MBHP staff continues to be concerned about the ability of persons who are transitioning out of homelessness to rent affordable housing. After administering the program to the first cohort, they stated that a three-year assistance program is not enough time for a formerly homeless family to become self-sufficient. Several staff suggest a five-year (or longer) subsidy, with the possibility of a one-year extension, as likely to be more appropriate and effective. In the words of one former participant upon exiting the program, “Every little bit of help you can receive is good. The market rate for apartments is outrageous. It makes it very hard. I wish there was a way that some people could get an extension or at least be able to re-apply to the program.” Similarly, another said, “I believe that ‘graduates’ should be given a Section 8 certificate upon completion with a time limit of 3-5 years to aide in the transition,” while a third stated, “I wish the rental subsidy didn’t end or had a back-up plan when it ended because this leaves me homeless.” Finally, one participant remarked, “This helped greatly. I wish it didn’t have to end so soon. By the time you start [to] get everything straightened out the program ends and I’m right back where I started.”

Transitioning from homeless to the private rental market is, of course, especially difficult in high-housing-cost areas, such as Boston. According to MBHP staff, given that a two-bedroom FMR is \$1,463, only households whose members collectively earn \$30 per hour and work 40 hours per week can avoid paying more than 30 percent of their incomes for rent. And, only those earning \$18 per hour and working 40 hours per week can avoid paying more than 50 percent of their income for rent. High rents not only affect what former participants confront in the housing market absent a subsidy, but they also influenced how much, if any, of their stipend they were able save while in the program.

Despite the constraints of a tight housing market, staff said that their three-year assistance program was “better than nothing,” and that three years at least allowed families to make some progress toward their self-sufficiency goals. To some extent, however, this depended on the outlook of individual participants. In the words of one participant upon exiting the program, “I feel I could have done more given more in-depth information on the ‘no transition’ phase. In a way I feel like I got lax on the fact that I was still considered ‘homeless’ and did not prepare myself enough to transition from the program.<sup>37</sup> My advice would be to keep the mindset of being in transitional housing more so than permanent.”

To understand better some of the variations in participant outcomes, two examples are provided below. Despite the dissimilar post-program paths they took, both participants supported the time-limited feature of the assistance.

- The first example is a program participant who returned to homelessness shortly after the program concluded. She is currently going to college, working part time, registered on HCV and public housing waiting lists, and living in a shelter. Her child

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<sup>37</sup> Note that program participants in Boston did not lose their homeless preference status in terms of waiting lists for HCV or other subsidized housing.

is living with her grandparents. She initially accepted time-limited assistance because it allowed her to put her child's father on the lease without penalty and to move to an area where the housing subsidy covered a greater percentage of the rent. When the program concluded, she was able to pay her rent for three months but became homeless when her temporary job ended and she could no longer afford the rent. When she lost her apartment her grades dropped, she lost her scholarship, and currently owes the school money. She would have preferred a longer period of assistance with a decreasing subsidy over time, but generally approves of the time limit—believing it is not fair to take assistance indefinitely while others get none. She also approves of the work requirements for assistance and of forced saving, but does not believe homeownership is a feasible goal for most participants given the shallow subsidy.

- The second example is a mother of three children. She entered the program after separating from her husband and being laid off from her job as a teacher. Keenly aware that the assistance was for a short period of time, she used it to keep up with current bills and to pay off debt. She also took advantage of counseling opportunities, classes, information on credit restoration, and home buying. During her participation in the program, she was rehired as a teacher and reunited with her husband. They pooled their resources to buy a home. She said the time-limited nature of the program gave her the boost she needed to get back on her feet and also meant that more people could cycle through such a program. “Some people,” she observed, “need help and can't get it because other people haven't moved through the program.” The DHCD program, she concluded, “was for people with aspirations and a plan and is not for people who don't work and stay on welfare.” On the other hand, she understood that if she had not had a job and could not have paid off old bills, she would still have needed assistance beyond three years.

**The RCAP Solutions Program.** All households in the Worcester program ended their assistance by February 2005. Of 122 households who entered the program, 88 completed it. Nineteen households became homeowners, which RCAP Solutions staff considers to be to a noteworthy accomplishment. The relatively accessible housing market in Worcester, as compared to Boston, and the fact that Worcester participants had not been homeless or near homeless at program entry, likely contributed to this outcome. All 34 households that did not finish the program left voluntarily, with most of them leaving the Worcester area. No households were involuntarily terminated.

With participants drawn from households transitioning from welfare assistance, RCAP Solutions program staff had a greater opportunity than their counterparts in Boston to encourage strategic budgeting. They actively encouraged participants to shift money among assistance categories. As a result, they said that all participants were ultimately more knowledgeable and confident in financial matters. Participating in the program exposed them to budgeting and credit information they would not have received otherwise, and deciding how to allocate the subsidy gave them experience in thinking strategically about household finances.

With the exception of having addresses for those who purchased homes immediately following participation, little is known about former participants' whereabouts or current financial or housing situations. An invitation to take part in a focus group was sent to the former participants who gave forwarding addresses, but not a single household responded. Therefore, the extent to which the self-sufficiency goal of the program has been achieved cannot be assessed.

**Housing Agency Experiences.** Running a separate assistance program under MTW, in addition to administering federal and state housing voucher programs, entailed staff and resource costs for DHCD and its regional program administrators. However, none of the officials involved concluded that the assistance program was a poor financial investment. The original formulas used to calculate program costs, using monies received from the HCV program, were adequate to administer the program. Consequently, DHCD asked for, and received, an extension of its initial five-year MTW demonstration term so that both the Boston and Worcester agencies could recruit a second cohort of participants. Unless the MTW demonstration is ultimately extended beyond its current limit, however, the second cohort will be the last to participate in the DHCD program.

## **PHILADELPHIA HOUSING AUTHORITY PHILADELPHIA, PENNSYLVANIA**

### **SUMMARY**

The Philadelphia Housing Authority (PHA) began its MTW initiative to reform its HCV program and ultimately help participants improve their lifestyles and their neighborhoods. PHA's MTW initiative included rent reforms, support services provided through partner agencies, and a seven-year time limit on housing assistance in the HCV program. The time limit was developed to encourage participants to make use of the available support services.

Impetus to reform the HCV program came from public criticism of the voucher program and, by extension, of participants in the program. A large increase in the number of HCVs in several city neighborhoods had made the program controversial and a frequent topic in political contests. Although the seven-year time limit on housing assistance for HCV participants evolved as a motivational tool to encourage HCV holders to take more positive steps to change their lives and move toward self-sufficiency, it also proved to be an effective public relations tool. Positive reactions to the time limit from the general public helped offset opposition by housing advocacy groups.

In addition to the unanticipated effectiveness of time limits as a public relations tool, the program appears to be achieving its primary goal of motivating at least some of the participants to take control of their lives and plan for a future without housing assistance. Although the first households will not time-out until 2010, many households are taking advantage of the supportive services, and there are indications that the incomes of these households are improving. It is too early to declare the program a success but, based on outcomes observed through mid-year 2006, PHA staff remain optimistic that time-limiting housing assistance through the voucher program will produce positive results for both the agency and the participants.

### **BACKGROUND**

PHA is the fourth largest housing authority in the United States, with a total of 30,140 households. Of these households, 13,457 are in public housing and 16,683 utilize a Housing Choice Voucher (HCV) in the private rental market. The majority (89 percent) of households who receive assistance from PHA are very-low-income; nine percent have incomes between 30 and 50 percent of AMI, one percent have incomes between 50 and 80 percent of AMI, and one percent have incomes above 80 percent of AMI. In August 2006 there were 19,232 households on the public housing waiting list and 6,428 households on the Housing Choice Voucher waiting list. Both waiting lists were closed.<sup>38</sup>

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<sup>38</sup> As of July 2008, there were approximately 40,000 households on the public housing waiting list and 4,800 households on the Housing Choice Voucher waiting list.

## MTW INITIATIVE

The PHA MTW agreement was signed by HUD on February 28, 2002, retroactive to April 2001. The length of the agreement is seven years and it is currently scheduled to expire in April 2008.<sup>39</sup>

The five primary goals of the MTW agreement are to:<sup>40</sup>

1. Reform Housing Choice Vouchers and other public housing
2. Revitalize neighborhoods where public housing residents (or households eligible for public housing) live.
3. Develop a range of economic self-sufficiency services for eligible families
4. Establish a quality-of-life program to promote community values
5. Establish efficient operating procedures and implement cost-saving strategies

Two years into the MTW agreement, PHA began to simplify its rental policies for both the Housing Choice Voucher (HCV) and public housing programs. This involved a fundamental rethinking of the management of both programs. PHA established a minimum rent of \$50 for both programs and transitioned from annual to biannual recertifications.

An important component of the rent simplification was a revision to the method used to calculate rent. Prior to the rent reform, PHA calculated HCV participants' rents using a standard of 30 percent of adjusted income with itemized deductions, which varied depending upon the family. As part of the rent reform, PHA eliminated most income deductions while retaining a standard \$500 deduction for working families. Each family's rent is calculated using a variable percentage based upon the household size. The total tenant payment for one- to two-person families is 28 percent of their adjusted income; for three- to four-person families, 27 percent; and for families of five and larger, 26 percent.

As part of the rent simplification process, PHA established a seven-year time limit on assistance received through the HCV Program. The time limit applies to all households who receive assistance through the program, with the following exceptions:

- Elderly households
- Individuals with a disability who are unable to work
- Heads of households who are the sole caregiver for a disabled dependent
- Families that use their HCV subsidy for the homeownership program

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<sup>39</sup> The Philadelphia Housing Authority's MTW agreement expired on March 31, 2008. As of July 2008, the housing authority was in the process of negotiating a new ten-year MTW agreement with HUD.

<sup>40</sup> Philadelphia Housing Authority, "Public Housing 101." <http://www.pha.phila.gov>



There are currently 14,850 households subject to the time limit.<sup>41</sup> There is no hardship exception, although individuals who become permanently disabled are not subject to the time limit. In September 2006, PHA staff was preparing a hardship policy.

PHA chose not to place a time limit on public housing assistance. Officials felt that time limits on public housing units would make it more difficult to maintain occupancy, especially in units that had not been renovated. The demand for public housing was not as strong as the demand for the Housing Choice program.

PHA staff designed the time limit with the goal of encouraging families to become economically self-sufficient. Seven years was selected because the authority staff wanted a period that would provide adequate time for a family to become economically self-sufficient. The simplified rent calculation process was expected to allow families to save additional funds and to help them move into market-rate housing.

#### **IMPLEMENTATION OF TIME LIMIT POLICY**

PHA conducted a number of studies to determine the impact of the rent simplification process. As a result, the implementation of rent simplification and the time limit policy was delayed. Also motivating the delay was the authority's desire to educate existing HCV program participants about policy changes.

PHA launched an extensive notification campaign prior to implementation of the time limit policy so that existing participants were aware of the change and its impact. Participants were notified via direct mailings and postings in PHA administrative offices. Information was also made available during day and evening information sessions, Tenant Support Services meetings, and via the Resident Advisory Board. PHA held a public comment period on the seven-year time limit and obtained the Board of Commissioners' approval on the policy, since it constituted a change to the authority's occupancy policies.

The seven-year time limit policy began on April 1, 2003. All participants who entered the Housing Choice program after April 1, 2003, were immediately subject to the seven-year time limit. For existing families, PHA chose to divide the program into two groups to ease the future administrative burden of multiple families leaving the HCV program simultaneously. During 2003, as households in the first group reached the date of their annual recertification, PHA had the participants sign MTW agreements along with their leases. The MTW agreement outlined the participant's responsibilities and stated that the housing assistance was limited to seven years from the time they signed the agreement. At that time, participants were placed under the biannual recertification process, with their next recertifications due in 2005. During 2004, this process was repeated for households in the second group, with their recertifications scheduled for 2006. As of September 2006, there were 9,900 households subject to time limits.

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<sup>41</sup> As of March 31, 2005.

HCV program participants must also complete Family Economic Development Action Plans. The action plan details the steps that a family needs to take in order to become economically self-sufficient. Each household works with an Economic Self-Sufficiency Counselor who ensures that the family is making progress towards becoming self-sufficient. As of May 2005, 6,668 households had signed Family Economic Development Action Plans. Obtaining signed MTW agreements and Family Economic Development Action Plans for all households subject to the time limit has been a challenge for PHA.

PHA established the Community Partners Program (CPP) to help families become economically self-sufficient before the end of their seven-year time limit. The CPP is an agreement between PHA and nine local agencies to provide HCV participants with assistance in obtaining an education, developing life skills, searching for employment, and managing finances. Designed to teach skills that will help participants earn a livable wage and not require housing assistance, CPP provides training in the following fields:

- Certified nursing assistant, pharmacy technician, and medical billing
- Day care
- Certified food handler
- Home maintenance and repair
- Youth development
- Hospitality industry

PHA issued a request for proposals to identify partners for the program. This took a significant amount of time and the CPP was not fully established until 2004.

### **LOCAL REACTION TO TIME LIMIT POLICY**

The largest challenge to establishing a time limit on housing assistance was negative public reaction. Local housing advocates, including the Kensington Welfare Rights Union (KWRU) and the Philadelphia Affordable Housing Coalition (PAHC), opposed the time limit policy. The organizations felt that Philadelphia has an affordable housing crisis and that time-limiting assistance would create more homeless families.

PAHC learned of the time limit policy during meetings with the executive director of PHA and through some members of the organization who were also HCV program participants. The organization's immediate reaction was that the time limit policy would add to the problem of limited affordable housing in Philadelphia. They pointed to their commissioned study on affordable housing, which found that the number of low-income families outnumbered the number of affordable rental units by 30,000.<sup>42</sup>

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<sup>42</sup> Amy Hillier & Dennis Culhane, Cartographic Modeling Laboratory University of Pennsylvania, "Closing the Gap: Housing (un) Affordability in Philadelphia." March 2003.

PAHC and KWRU issued public statements expressing disapproval of the policy. However, neither organization chose to launch a political campaign against the policy for two reasons: First, at the time PAHC learned of the policy, the City of Philadelphia released its Community Development Block Grant (CDBG) budget and the Mayor's Neighborhood Transformation Initiative. PAHC chose to focus its limited resources on addressing these two items. The organization decided that the time limit policy was a "done deal" and applying resources to stop implementation was impractical. In addition, PAHC staff sensed that time limits for assisted housing would soon be a national policy and that fighting the policy at a local level with PHA would be futile.

The time limit received more support from the general public. During the time that PHA was planning the time limit policy, there was a strong anti-HCV program sentiment in the city of Philadelphia—particularly in the Northeast region. Homeowners and non-subsidized renters perceived there to be an increasingly larger number of HCV program participants in the marketplace, resulting in a decrease in housing quality and price. PHA established the Citizens Advisory Committee (CAC) to address resident concerns. The committee was composed of ten volunteers who made recommendations for reforming the HCV program. In addition to other recommendations, the CAC endorsed the seven-year time limit for the HCV program.

Although implementing the MTW program resulted in only minor increases in staff workloads, PHA anticipates a considerable administrative burden in dealing with the turn over of more than half of its HCVs in 2010 as the first group of participants times out of the program.

### **EFFECTS AND OUTCOMES OF TIME LIMIT POLICY**

The full effect of PHA's time limit policy is not yet known, because the first families will not reach the time limit until 2010. However, PHA anticipates the following outcomes from the rent simplification process and the time limit policy:

- HCV program participants will have a decreased rent burden.
- More households will become economically self-sufficient.
- More families will become homeowners.
- PHA will be able to assist additional households from the HCV program waiting list.

One indicator of economic self-sufficiency is an increase in participant income. In 2005, the number of Housing Choice program participants who reported no income decreased 50 percent from the previous year. Also in 2005, 900 individuals participated in the CPP. Those who graduated from the CPP job training courses had a median salary of \$13 per hour.

PHA's MTW agreement expires in April 2008, two years before the first families reach their seven-year time limit. At the time of the site visit, PHA planned to continue the time-limit policy and was preparing requests to extend the MTW agreement beyond its current expiration date. Officials stated that the MTW program is working in Philadelphia and that returning to standard public housing and HCV program operations would not make sense.

The HCV program waiting list is closed to new applicants and has not yet felt the impact of the time-limit policy. PHA anticipates that once families begin to reach their time limit, turnover vouchers will become available for waiting list applicants. The virtually endless demand for housing assistance will result in additional households requesting assistance once the waiting list is opened again. In addition, timed-out families who are still struggling in market-rate housing may decide to reapply for a voucher and be placed on the waiting list.

One side benefit of the time limit has been a decrease in public opposition to the HCV program. This program had become so controversial that it had become an issue in local political campaigns. However, the institution of the time limit on assistance seems to have made the program more palatable to the general public.

### **Effects on Participants**

Seven individuals who receive assistance through the HCV program joined a focus group discussion in Philadelphia. Participants had received assistance from PHA for an average of six years, with a range of 3.5 to 16 years. The households represented included four single heads of households with children, two single individuals, and one dual head of household with children.

All of the focus group participants were aware of the seven-year time limit in the Housing Choice program. One participant transferred from another Housing Choice Voucher program and was not aware of the time limit at the time she transferred. Only a few said that their HCV counselor reminded them of the amount of time left during annual meetings.

Most participants learned of the time-limit policy from a letter mailed to their homes. One participant said that he did not receive a letter but learned of the policy from friends who had received letters. The letter also informed residents of a mandatory information session on the time-limit policy sponsored by PHA.

Some focus group attendees said that upon hearing about the time limit they thought that PHA was going to get rid of the HCV program. Others thought the purpose of the time limit was to decrease the number of people on the HCV waiting list, a purpose stated by PHA during the information sessions.

The focus group attendees recommended that PHA ensure that each HCV program participant understand the policies. While they all knew the time limit was seven years, they did not realize how quickly that time would pass. Some of them were several years into the program before they really begin to feel the need to take more affirmative actions to prepare themselves for the end of their housing assistance.

**Benefits of the Time Limit Policy and Impact on Behavior.** Focus group attendees said that the time limit motivates them financially and mentally. Because it is easy to become complacent in the HCV program, the short time limit serves as “a wake up call” and forces the participants to get focused so that they are ready financially when the time limit expires. This, in turn, enables them to set an example for their children and end the “cycle” of

financial challenges. They said that there are some HCV program participants who are taking advantage of the program and not making an effort to improve their lives. Such individuals have given the HCV program a negative reputation. The PHA, through newsletters, provides participants with information on a variety of supportive services. Participants were familiar with the homeownership program and a service designed to help repair credit.

**Challenges of Time Limit Policy.** Although the participants felt that the time limit is motivating, several were concerned that they will not be financially independent when their time limit expires. Upon first hearing of the time limit, participants felt that seven years was a long enough time to gain self-sufficiency. As time passed however, they realized that they would require additional time because they need to make changes to their entire lifestyles. One participant indicated that she wanted to go to college. This was a challenge in the seven-year time frame because she has to work and raise her children, leaving time for only one to two classes per semester.

Focus group participants indicated discontent with the fact that the time-limit policy is not individualized. They said it should vary depending on each person's particular situation. For example, if one becomes sick or loses a job the seven-year "clock" should stop. They also noted that some participants needed more time to make life changes than others. However, the attendees did acknowledge that an individualized policy would be administratively challenging for PHA.

Although participants had learned of services designed to support economic self-sufficiency through newsletters, they felt that the services needed to be more centralized. Their awareness of the types of programs available varied. The only program that all participants had heard of was the homeownership program. However, they communicated and shared considerable information about available programs and services during the focus group conversation. The two most knowledgeable participants said that they regularly called PHA, reviewed newsletters, and read postings to learn about the available supportive services.

## **STAFF ASSESSMENT AND CONCLUSIONS**

PHA staff is encouraged by the initial results of the time limit policy. They believe it has encouraged some individuals to work toward self-sufficiency who would otherwise not have made the effort. In addition, it has had the unanticipated effect of improving the agency's image with the general public. However, PHA staff acknowledges that few conclusions can be drawn about the program until after participants begin to time out. Responses from focus group participants indicate that the results are likely to include a mixture of success stories, stories of near misses, and stories of a few households for which little changed. There have always been households who improved their financial situation and became self-sufficient after only a short time on housing assistance, but PHA staff believes the number of such households will increase with the implementation of its time limit policy.

## **SAN DIEGO HOUSING COMMISSION SAN DIEGO, CALIFORNIA**

### **SUMMARY**

The San Diego Housing Commission's (SDHC's) Moving to Work (MTW) initiative was designed as an experiment to see if a combination of rent rule changes, an enhanced Family Self-Sufficiency (FSS) program, and time limits on housing assistance resulted in increased family self-sufficiency. Seventy-two households deemed highly motivated to become more self-sufficient were selected to participate from 1998 to 2002. Since they were chosen ahead of others on SDHC's public housing and Housing Choice Voucher (HCV) waiting lists, the time limits themselves also served as a fairness measure.

Unanticipated changes in the local housing market and in partnership arrangements for provision of services during the course of the initiative, coupled with higher-than-anticipated administrative costs, led SDHC to discontinue its initiative after five years and allow participants to convert to the standard public housing and HCV programs. SDHC officials ultimately concluded that time limits should not be applied as a blanket policy because some families did not have the capacity to achieve self-sufficiency, and those that did might progress at different rates. They also concluded that (a) the support provided by their regular FSS program was adequate to enable motivated households to achieve their goals and (b) the standard percentage-of-income method for calculating rent payments was best for the largest number of households.

### **BACKGROUND**

As of mid-2006, SDHC administered 1,349 public housing units with 4,041 residents. The occupancy rate was over 99 percent. SDHC also had 12,000 HCVs. Approximately 30,000 families were on an open wait list, with an estimated wait period of five to seven years. Sixty percent of both public housing and HCV units were occupied by senior or disabled families.

### **MTW INITIATIVE**

SDHC's MTW agreement with HUD was signed on December 4, 1998, and came to an end on December 31, 2003. SDHC chose not to extend its participation in MTW beyond that time.

The SDHC incorporated time limits as an integral element of its MTW initiative, which consisted of a small, focused project designed to demonstrate the impact of concentrated services on moving households toward self-sufficiency. Only 72 households from SDHC's public housing and HCV waiting lists were admitted. The agency's MTW goals were to:

- Increase the share of residents making progress toward self-sufficiency
- Increase homeownership among residents
- Increase the number of residents moving out of assisted housing
- Reduce and/or reallocate administrative, operational, and/or maintenance costs
- Enhance SDHC's capacity to plan and deliver effective programs.

A time limit on housing assistance, new rent policies, and participation in an enhanced FSS program were all considered integral to SDHC's MTW initiative.

- **Time limits.** The time limit was set at five years to correspond to the length of the agency's MTW agreement with HUD. It was designed as a motivational tool to encourage program participants to focus on gaining the skills and/or education needed to increase their incomes.
- **Rent policies.** The standard income-based rent structure was dropped and a flat rent (\$381 per month for a two-bedroom and \$443 for a three-bedroom unit) was substituted for public housing residents. However, as a cost-containment measure, HCV participants were placed on a flat subsidy. The subsidy was set at \$348 for a two-bedroom unit and \$571 for a three-bedroom house or apartment. Utility allowances and rent reasonableness guidelines were dropped to accommodate the fixed-rent/subsidy approach.
- **FSS.** Each participant was enrolled in an enhanced FSS program. Public housing residents were required to live in the same public housing complex and had access to an onsite Learning Center. HCV participants were provided with enhanced case management and an enhanced level of services from partner agencies to which they were referred. SDHC placed \$50 per month into an escrow account for participants, who were encouraged to contribute an additional \$50. The objective was to develop an escrow account totaling a minimum of \$3,000 over five years.

#### **IMPLEMENTATION OF TIME LIMIT POLICY**

The MTW initiative was marketed to all 10,000 non-elderly households on SDHC's waiting list. A comprehensive selection process gave preference to persons who were highly motivated and either working or participating in job training or educational programs. From the 72 households selected to participate, 50 were issued HCVs and 22 were offered units in a newly renovated public housing complex. Although the time limit was considered a motivational tool, it was also considered a "fairness" factor. Limiting the time during which participants could receive housing assistance was considered a method for mitigating the fact that they were being provided assistance while others who had been on the list longer had to wait for future openings.

The goal was for each household to achieve self-sufficiency within five years. However, a hardship policy was instituted that allowed households to move into a regular assistance program if a disability developed that precluded self-sufficiency. Hardship claims were reviewed on a case-by-case basis.

The flat rent structure for public housing residents was designed to enable them to retain increases in their incomes and, thus, enhance their ability to achieve self-sufficiency and move into the private housing market. The flat-subsidy rent structure for HCV participants was designed to give them greater choice in selecting a unit while making SDHC's program

costs more predictable. Because the local housing market had been relatively stable for several years prior to the agency's MTW agreement, SDHC staff assumed that program participants would be able to absorb the minor rent increases that were likely to occur over the next five years and still be able to accumulate funds toward purchasing a house, or at least be able to afford a rental unit without continuing assistance.

The ability of households to achieve self-sufficiency under SDHC's MTW initiative was heavily dependent on having a stable housing market. However, during the first two years of MTW, housing prices increased by more than 10 percent per year. At that point it became apparent that the goal of moving to the private market was unrealistic, especially for HCV holders. With their fixed subsidy, they were required to absorb hefty rent increases. Even with the subsidy some households were, by the third year, paying a higher percentage of their incomes for rent than they had been paying before they joined MTW. Public housing residents fared better than voucher holders, but the payments being made to their escrow accounts by SDHC were insufficient to enable them to move into the private housing market within the five-year housing assistance time limit. With a major goal of the MTW initiative undermined by external forces, SDHC staff decided to discontinue the time limit. When the MTW initiative ended in 2003, those participants who were still receiving assistance were allowed to convert to the standard public housing or HCV programs.

### **Challenges to Implementation**

The rapid rise in housing costs within the local market was the most significant impediment to implementation of a time limit policy. However, there were also other challenges. SDHC originally had established several partnerships with local agencies to provide enhanced social services and intense case management to MTW participants. Partnering agencies included the San Diego Department of Social Services, Occupational Training Services, New Beginnings, Irvine Family Services, and WORKS/Impact Urban America. Over time, however, several of these agencies discovered that their situations had changed such that they had fewer resources to commit to the MTW effort. A few dropped out of the arrangement and others reduced the resources allocated to it.

The reduced level of support services affected all MTW participants, but the greatest impact was on voucher families. Public housing residents had access to an on-site Learning Center where they were offered computer classes, after-school programs and tutors for their children, basic career placement, and a self-sufficiency assessment tool. The residents were housed in one location, which facilitated service delivery. Voucher households, on the other hand, were scattered across the city. Instead of the services coming to them, they were referred to local social service agencies; this precluded a proactive approach because the responsibility of contacting agencies was shifted onto the households. At one point, the possibility of busing voucher families to the Learning Center was considered, but lack of funding discouraged that effort. As a result, SDHC staff reported that most voucher families received minimal, rather than enhanced, services.



## **EFFECTS AND OUTCOMES OF TIME LIMIT POLICY**

Unfortunately, there is little information available that provides a complete understanding of the impacts of SDHC's MTW initiative on participating households. A comparison of participants' incomes in 2002 with their incomes in 1998, when they entered the initiative, shows an average increase of 47 percent for all participants and 98 percent for those in public housing. However, similar information is not available for non-participating public housing and HCV populations. Evaluations of the MTW effort conducted by faculty at San Diego State University were focused solely on participants and did not provide comparisons with others.

A focus group discussion with four participating public housing residents and individual telephone interviews with two voucher participants indicated mixed reaction to time limits. Because none of the participants in SDHC's program had been receiving housing assistance before they were admitted to the initiative, they all expressed appreciation for the assistance and indicated that the time limit added to their motivation to make the most of the opportunity and work toward improving their financial situation. However, they also stated that circumstances, often beyond their control (illness, general layoffs at their firms, etc.), inhibited their ability to achieve their goals. They maintained that five years was generally too short a period for achieving self-sufficiency. On the other hand, the two voucher holders who were interviewed had both progressed sufficiently by the end of the initiative that they were able to leave housing assistance, even though they had the option of continuing to receive assistance under the standard HCV program.

Although none of the public housing residents had achieved self-sufficiency by the end of the initiative in 2003, two had received bachelor's degrees and one had started her own business. Thus, when interviewed almost three years after the initiative had ended, several former participants were close to achieving self-sufficiency and, in the interim, two other former participants had left housing assistance and moved into the private housing market.

## **SUMMARY AND STAFF CONCLUSIONS**

SDHC's MTW effort was designed in 1998 as an experiment, with the anticipation that some, if not all, of its features, if successful, might eventually be replicated for the general SDHC population. Time limits, rent rule changes, and an enhanced FSS program were key elements of the initiative, which had the goal of increasing family self-sufficiency. However, a rent burden analysis undertaken in December 2002 indicated that 40 percent of participating families were paying more than the standard 30 percent of their incomes for rent. This condition resulted, in part, from changes in the local market, where double-digit increases in rents proved detrimental to voucher holders. In addition, escrow policies designed for a stable housing market proved inadequate in the face of the rapidly increasing cost of entry into homeownership. Finally, the MTW effort proved costly. Files of participants were handled separately from those of other SDHC families, and enhanced services were more expensive than anticipated. As reported by SDHC, the administrative cost to manage an MTW family was ten times higher for voucher families, and five times higher for public housing families, than the costs of the agency's regular FSS program.

Consequently, the initiative was discontinued at the conclusion of SDHC's MTW agreement with HUD in 2003.

SDHC officials valued MTW as a means of testing new ideas. Since the main purpose of the time limit (other than as a fairness element) was to motivate tenants toward self-sufficiency, they learned that time limits could not be a blanket policy because some families did not have the capacity to achieve self-sufficiency. And among those who could achieve self-sufficiency, individual circumstances resulted in some households meeting their goals more quickly than others. Also, SDHC staff observed that the support provided by the regular FSS program was adequate to enable motivated households to achieve their goals and leave housing assistance, although it might have been easier to reach those goals within the specified time limit had the local housing market remained stable or the rent subsidies for voucher holders been structured differently, SDHC staff concluded that a percentage-of-income approach worked best for the largest number of their households.

## **HOUSING AUTHORITY OF THE COUNTY OF SAN MATEO BELMONT, CALIFORNIA**

### **SUMMARY**

The Housing Authority of the County of San Mateo (HACSM) implemented an MTW initiative that specified a limited number of HCVs for households that were not already receiving housing assistance. The MTV vouchers were time-limited, included minor rent reforms, and required FSS participation. The initiative was designed primarily for recipients of TANF (Temporary Assistance to Needy Families) but ultimately included some non-TANF recipients who were referred by various social service agencies within the county. The six-year limit on the assistance coincided with the six-year term of HACSM's MTW agreement. The program began in 2000 and received a three-year extension in 2006.

Of the original 400 participants, 98 left the program early and moved into market-rate housing, while 84 transferred to the regular HCV program—either because they were on the list or because of a hardship exemption. Another 28 persons left the program for various other reasons. Of the 190 households remaining in the program in September 2006, 90% were expected by HACSM staff to achieve their self-sufficiency goals.

Due to changes in the local housing market after the program began, more HCV holders were able to find housing than HACSM had anticipated. The increased cost of these additional vouchers, plus the cost of escrow accounts and administering two parallel programs, resulted in a million-dollar loss for the agency. HACSM thus budgeted more conservatively for the extension period and anticipates recouping most of its money.

Even though the MTW demonstration was more of a financial burden than a benefit for the housing authority, HACSM officials indicate a strong commitment to MTW and to time limits. They believe the program has been successful in helping households prepare for full participation in the county's expensive housing market.

### **BACKGROUND**

HACSM administers 180 units of public housing and 3,723 Housing Choice Vouchers (HCV). Occupancy at the public housing developments is almost 95 percent. In 2000 the combined waiting list numbered 10,000. After the lists were purged in 2006, the HCV list contained about 4,000 names and the public housing list had approximately 1,000. HACSM is part of the San Mateo County Department of Housing.

### **MTW INITIATIVE**

HACSM's MTW agreement was signed May 1, 2000, but the first lease wasn't signed until August 2001. The demonstration was originally scheduled to end on June 30, 2006. However, in early June 2006, the housing authority received a three-year extension to the MTW agreement. The program applies only to MTW voucher holders, and vouchers are not portable outside of San Mateo County. At the beginning of the demonstration, HACSM

issued 400 MTW vouchers, but subsequently used fewer than 300 vouchers for MTW participants. All participants were new to housing assistance.

When MTW was instituted, HACSM was a division of the County's Department of Human services. The original MTW goal was to help move people off of welfare. HACSM officials planned that recipients of TANF would become MTW participants. However, due to the welfare-to-work legislation, TANF rolls were relatively low. Thus, HACSM selected participants who were previous TANF recipients and partner agency referrals. The time limit on housing assistance through the MTW initiative was instituted to provide additional motivation for TANF recipients to move to self-sufficiency. The six-year term was selected to coincide with the term of the MTW agreement.

Although HACSM staff emphasized the motivational aspect of time limits, they also felt that because the MTW vouchers were provided to persons who may not have even have applied for housing assistance or who were low on the waiting list, adding a time limit provided a measure of fairness to those persons at the top of the list who were passed over and did not receive an MTW voucher.

In addition to the time limit on assistance, case management and rent changes were considered integral components for a program whose goals included helping its participants to become self sufficient and increase their housing choices. All heads of households in MTW families are required to participate in HACSM's FSS program and, if they are TANF recipients, they are required to comply with TANF requirements throughout the MTW demonstration.

Rent continued to be based on 30 percent of income, but several changes were made to both the voucher rules and the rent calculations in order to promote employment and family reunification. These included:

- 25 percent of an increase in employment income is excluded when calculating rent
- 75 percent of income earned by a member of the household who was not a household member at the time of initial qualification for MTW or during the one-year period preceding qualification is excluded when calculating rent.
- All limits on the proportion of household income that can be spent on housing costs were eliminated.
- \$20,000 or less in assets is excluded when calculating income
- HACSM guarantees half the security deposit for an apartment
- The time allowed to find a unit with a housing voucher was extended from 120 to 180 days

The MTW agreement requires HACSM to target at least 75 percent of the MTW families from those with extremely low incomes (30 percent of the county AMI). The other quarter of families may be drawn from those with very low incomes (up to 50 percent of AMI). Potential MTW applicants were identified through referrals from county or other supportive service agencies providing substance abuse/treatment programs, financial and credit counseling, and assistance to households experiencing recent financial reversals. Preference

was given to families who could demonstrate in some way their commitment and ability to become self-sufficient within the contract term—such as having good landlord references, child care arrangements, and reliable transportation.

After six years, the MTW family must be off welfare and employed and must have met their personal FSS goals in order to receive the balance of the escrow account. HACSM places no restrictions on how recipients spend their escrow account funds. If families do not meet the MTW lease and FSS requirements, they risk losing their housing subsidy. A family can apply and be evaluated on a case-by-case basis for an exemption if a disability or other limiting condition develops precluding self-sufficiency.

### **IMPLEMENTATION OF TIME-LIMIT POLICY**

Because of problems encountered during establishment of procedures and selection of participants, the agency was more than a year into the MTW program before the first households found housing and began receiving assistance. Over the course of the MTW implementation, a lack of resources and staff time became a major challenge. The MTW program required more resources than the housing authority had allocated for it. Part of the drain on resources resulted from a change in the local housing market. Rents are high in San Mateo County and a booming high-tech industry kept the demand for housing high. Landlords were reluctant to spend the extra time and effort required to rent to voucher holders. HACSM anticipated that only one in ten persons seeking housing with vouchers would actually find an apartment. Thus, it only budgeted for a portion of its potential voucher obligation.

However, the dramatic collapse of high-tech employment in 2001 resulted in a glut of rental units on the market. Voucher holders were suddenly welcome in rental units across the county, and the housing authority had more contracts than had been allocated in its budget.

Although it became easier to use a voucher, housing prices did not decrease enough to become affordable to low- to moderate-income households. Both HACSM officials and MTW participants worry that high rents will continue to pose a challenge for MTW participants when the time comes to move into the private market.

Demand on staff time also proved more costly than anticipated. The HACSM MTW demonstration requires that families participate in the FSS program and establish escrow accounts. Two FSS Coordinators on HACSM staff had been working with non-MTW FSS participants. The addition of almost 300 MTW participants was a larger number than anticipated and the households frequently needed more than the required one meeting per year.

Early in the program implementation, a reorganization of county government moved HACSM from Human Service into the Housing Department. Although the staff did not indicate that this had any direct effect on the program, they did acknowledge that it created a distraction that added to the difficulties inherent in implementing any new program.

Another minor problem arose from uncertainties over whether HACSM's MTW initiative would be extended. As the end of the initial six-year period drew close without an authorized extension, staff notified MTW participants that their housing assistance might be ended earlier than the original termination date. Receipt of a "last minute" extension resulted in another flurry of communications with residents to inform them that they would be continuing to receive assistance.

Program implementation did not meet with any local resistance. San Mateo County is located in the San Francisco Bay area, one of the most expensive places to live in the country. During interviews, staff at some local housing and social service organizations reacted positively to time limits as long as elderly and disabled persons were exempted. Because the program included only persons not already receiving housing assistance and affected a comparatively small number of households, local housing advocates did not pay much attention to the time limit on the assistance.

### **EFFECTS AND OUTCOMES OF TIME LIMIT POLICY**

As of September 2006, 190 families were in the MTW program. The first 49 families were scheduled to time out in 2007. According to both MTW participants and staff, HACSM has made every effort to keep participants aware of the time limit on housing assistance. MTW contracts and addendums, orientation meetings, annual reexaminations, and regular correspondence to participants all explicitly state that there is a six-year time limit on housing assistance and its related services.

Estimates suggest that 90 percent of the households will fulfill the goals outlined in their FSS plans and graduate in 2007. In 2008, more than 100 MTW participants were scheduled to time out of the program, but no assessment had been made of the percentage of those households that would meet their goals

HACSM reports that 84 MTW families transferred to the mainstream Housing Choice Voucher program because they were either on the HCV waiting list or qualified for hardship exemption; 98 families were early graduates of the MTW program, meaning that they left voluntarily and received escrow, having gained employment and met their goals; and 28 families left for various other reasons.

Many of the families that left the MTW program had long histories of personal and economic problems and generally had a hard time making ends meet, as opposed to families that had suffered a recent economic setback (i.e. loss of job, sudden illness, and death of spouse). In the latter cases the household may only need temporary housing and financial assistance, while in the former the household frequently needs a variety of social support services in addition to housing assistance.

As of September 30, 2006, 161 MTW families held escrow accounts and the average escrow balance was \$5,520. Escrow balances ranged from \$4 to more than \$30,000. The average income of MTW families was \$23,060. Of MTW families in September 2006, 71 percent had income from employment; 6 percent had some type of social security income; 17 percent

were on public assistance; and 42 percent had other sources of income such as self-employment or child support.

Two focus groups were scheduled for the San Mateo County visit—one with only two participants and one with 12. Participants had generally positive reactions to the MTW demonstration and its time limits. Benefits attributed to the program were the motivation to move out of housing assistance and toward self-sufficiency, income increases, and the ability to attend educational courses. One success story involved a single mother who obtained a Master's Degree in Education and a teacher's certificate while in the MTW program. She seemed extremely determined to reach her goal of buying a home.

Some responses were exceptionally favorable. One participant said the MTW program and its time limits provided a "boost of confidence, allowing me to save money." Another was, "grateful for opportunity to get back on my feet." Several participants agreed that "the six-year plan is more desirable than the lifetime plan, because it allows more people to participate."

Criticisms of the time-limit policy generally concerned high housing prices. The issue was not necessarily with the time limit, but rather with the high rents themselves. When asked about their future housing arrangements, participants said they would need to either move out of the county or double up with friends and relatives after their assistance ended.

Overall, the focus group participants were people who were motivated and working toward self-sufficiency; they may not have been representative of the general MTW population. However, the reasonably high success rate indicates that many of the participants benefited from the program.

The MTW program incurred a loss of more than \$1 million, but the authority hopes to recover the loss with the newly granted three-year extension. To help make up this deficit, HACSM plans to delay issuance of new MTW vouchers until 2007. In addition, staff will be using a new tool to better monitor monthly expenses and thus make more reliable expense projections. Based on the experience of the first MTW cycle and the costs associated with it (escrow, income exclusions, and subsidies), HACSM plans to issue no more than 245 MTW vouchers in 2007 and then add more as residents graduate from the program. New MTW voucher-holders will be informed that a full six-year program is possible, but not guaranteed. The housing authority staff nevertheless said that three years of subsidy and escrow growth will be of help to a number of families.

## CONCLUSIONS

The uncertainties associated with implementing a demonstration program that was itself time-limited created some administrative problems for HACSM and produced considerable anxiety among participants. For several months families lived with the possibility that their housing assistance would be terminated even sooner than they had anticipated. Nonetheless, focus group participants seemed to believe that the overall experience had been positive and had helped them through a difficult period in their lives.

Similarly, even though the MTW demonstration was more of a financial burden than a benefit for the housing authority, HACSM officials indicate a strong commitment to MTW and to time limits. HACSM maintains that the flexibility of the program allows it to test new ideas and strategies and that the time limit both helps to motivate participants and enables the agency to assist a greater number of households.



## **HOUSING AUTHORITY OF TULARE COUNTY VISALIA, CALIFORNIA**

### **SUMMARY**

The Housing Authority of Tulare County's (HATC's) MTW plan entailed a two-part strategy to remove disincentives to self-sufficiency. The first part, a flat rent for public housing residents or a flat subsidy for voucher holders, addressed the disincentive to earning more income, which HATC officials believed resulted from the practice of increasing tenants' rents as their incomes increased. The second part, a time limit on housing assistance, addressed the disincentive officials considered to be inherent in non-time-limited assistance—i.e., that the difference between rents paid by tenants while receiving housing assistance and what they would pay in the private market could discourage people from leaving housing assistance. "Everyone wants to spend less on housing," the argument goes, "so without a time limit households will rationally choose the situation that allows them to spend less on housing as long as possible." In essence, net of other factors, they will choose to receive housing assistance indefinitely; hence, other households eligible for housing assistance will not be served. When HATC's rent and time-limit system was implemented, existing residents were given the option of participating or continuing under non-MTW policies. All new residents, other than elderly or disabled persons, were subject to flat rents and a time limit. Since HATC's MTW initiative focused on providing housing assistance, any families in need of additional assistance were referred to other service-providing agencies. As of March 31, 2006, 638 households had timed out of assistance and another 248 households were within one year of discontinuation.

Focus group discussions with current and former residents revealed various reactions to HATC's flat rent and time-limit policies, depending on individual circumstances. All participants recognized that being able to retain housing assistance indefinitely meant that others did not receive it. However, a dominant concern was that their progress toward self-sufficiency could be, or had sometimes been, hindered by events beyond their control.

HATC officials and staff consider their time-limit and rent policies to be a success. They believe it adds an element of fairness by enabling more households to take advantage of housing assistance, and that it provides an incentive for many families to take control of their circumstances and achieve self-sufficiency. In addition, they believe MTW has increased the efficiency of the agency and made it better able to address its primary goal of providing affordable housing to residents of Tulare County.

### **BACKGROUND**

HATC manages 700 units of public housing and administers 2,471 Housing Choice Vouchers. It also manages housing for farm laborers and seniors, as well as subsidized rental complexes. Unlike most other housing agencies, HATC does not receive operating subsidies from HUD for its public housing units.

In Tulare County, the competitive affordable housing market is reflected in a long waiting list for assistance, which has grown longer in recent years. There are currently more than 9,000 people on the agency's voucher waiting list.

### **MTW INITIATIVE**

HATC's MTW agreement was approved in February 1999 for a period of five years. In 2004 the agency applied for and was granted a two-year extension, followed by a second extension in May 2006 for three additional years. The main features of its MTW plan are:

- Flat rents for public housing residents and flat subsidies based on bedroom size for Housing Choice Voucher (HCV) holders
- Time limits on receipt of housing assistance
- A hardship policy

Under MTW, HATC uses a flat rent system for non-elderly, non-disabled public housing residents and a flat subsidy for HCV recipients. Households whose incomes grow to more than 120 percent of the median income for the county while they are receiving housing assistance become ineligible for assistance. Rents and subsidies are set at approximately 50 percent of the local area Fair Market Rent. The system applies to all who began receiving assistance after May 1999; entrants from the waiting list are notified of the flat rent system and time-limit policy when they are offered assistance. Those who received assistance prior to May 1999 are given the option, during annual recertifications, of paying flat rents/receiving flat voucher subsidies or continuing to have their rents or subsidies calculated as a percentage of income.

In conjunction with its flat rent system, HATC instituted a five-year time limit for all non-elderly, non-disabled recipients of either public housing or vouchers who began receiving assistance after May 1999. Those receiving assistance before that time were not limited to five years of assistance unless they opted into the flat rent system.

Persons who believe they will be adversely affected by the termination of their assistance may appeal to a hardship committee for an extension. The committee is appointed by the HATC Board and consists of five community members who are not affiliated with the agency.

The main purpose of HATC's flat rent/subsidy system and time-limit policy is to provide self-sufficiency incentives for families. The policy rationale provided by the agency is as follows:

MTW gives participants the opportunity to save as their incomes rise, thus providing an incentive to seek out employment or better jobs. The five-year time limit on assistance also increases the impetus for families to gain employment and self-sufficiency skills, so that they will be able to afford alternative housing once their assistance is terminated. The time limits

also reinforce the notion that rental assistance is not a lifetime benefit but a helping hand to families as they move toward employment and self-sufficiency.<sup>43</sup>

According to HATC's Executive Director, the agency's leadership and staff carefully considered their options for use of MTW waiver authority when the demonstration was first announced by HUD. They decided to focus on demonstrating that the Brook Amendments, the first of which was enacted in 1969 and established the percent-of-income rent system, were counterproductive, administratively burdensome, and inequitable. Given that the system "taxed" each additional dollar earned by housing assistance recipients by approximately 30 percent (i.e., raising rents as income rises), they believed it created a disincentive to being employed, working more hours, and moving up the job hierarchy. Agency officials also recognized that such a system contributed to fraudulent underreporting of income by some applicants and recipients. Moreover, they considered the percent-of-income system to be administratively onerous for the agency, particularly for the intake staff that had to obtain and verify household income on a regular basis. Finally, HATC staff personnel deemed the percent-of-income system to be unfair and inequitable because it resulted in families that were living in similar units paying different rents or receiving different subsidies based on their varying incomes, and it produced an uneven distribution of limited, non-entitlement housing assistance across the jurisdiction. Some households received assistance while other equally eligible households did not, because the standard programs permitted the former to continue to receive it indefinitely as long as they qualified.

Concerned about the problem of multiple-generation households receiving housing assistance, HATC officials wanted to develop a policy that encouraged families to view subsidized housing as a temporary, not permanent, resource. The five-year time limit was chosen to reflect the five-year limit on the receipt of cash assistance from the Temporary Assistance to Needy Families (TANF) program, and the general parameters of welfare reform that were taking shape at about the same time the MTW plan was being developed. Leadership and staff said it did not make sense to cut people off of welfare only to have the burden of subsidizing low-income families shift to housing agencies when housing subsidies were increased to compensate for lost welfare income. They also said it was fairer to serve a greater percentage of the eligible population for a shorter period of time than to serve a smaller percentage for a longer time. Finally, staff members were of the opinion that a time limit would serve to motivate families to save money in order to meet market rents or plan for homeownership once their housing subsidy ended.

The HATC mission is "to provide affordable, well-maintained rental housing to qualified low-income and very low-income families." HATC officials decided that its mission did not include duplicating social services that were provided by other organizations. The agency thus decided not to provide intensive resident services. Under MTW, agency clerks conduct annual meetings with households receiving assistance, during which they refer clients to local social service agencies on an as-needed basis.

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<sup>43</sup> See [www.hatc.net](http://www.hatc.net).

Early on, HATC staff recognized that households under its MTW policies would respond in various ways to a time-limited, flat rent/subsidy housing assistance program. They hoped that those whose flat rent payments were lower than what they would have paid under a percent-of-income system would use the opportunity to build assets, increase their incomes, and prepare themselves to pay market rents or buy a home. In short, the MTW policy would stimulate them to become more self-sufficient out of necessity. Others, staff recognized, would spend any extra income on a wide range of non-housing expenses, such as health care, transportation, or other forms of consumption. Still others might use their rent subsidy to increase the quality of their housing, with additional bedrooms for example, or use it to rent housing in a more desirable neighborhood close to a good school or job. Finally, they recognized that those persons who did not save or increase their earning power during the five-year period of assistance could face high housing-cost burdens upon termination from the program and, in the worst-case, could end up homeless.

### **IMPLEMENTATION OF THE RENT AND TIME LIMIT POLICY**

Given the option of paying flat rents/receiving flat subsidies and receiving time-limited assistance or continuing to have rents or subsidies calculated as a percentage of income and not being subject to time limits, 1,691 households that had been receiving assistance prior to May 1999 had chosen the flat rent/subsidy system with time limits as of July 2006. Data are not currently available as to what proportion of these households were elderly or disabled.

HATC staff used annual recertification sessions to explain its new program to those households that were already receiving assistance when the MTW initiative began, in May 1999. Agency clerks showed residents a comparison of the rent they would pay or subsidy they would receive under both the income-based, non-time-limited system and the flat rent, time-limited system. For the most part, the clerks said that households opted into the flat rent system when it was less than the income-based rent, while those for whom the flat rent was more expensive opted not to take it. However, even some households for whom the flat rent was lower found the time-limit aspect of the MTW initiative prohibitive and decided, instead, to continue receiving non-time-limited, income-based assistance despite its higher cost.

Since May 1999, all new non-elderly and non-disabled entrants to public housing and recipients of Housing Choice Vouchers have come under the MTW rules. There have been no major changes to any aspect of HATC's MTW program over time; it remains in operation today as it was first implemented. The only change has been an increase of the subsidies to households renting 0- and 1-bedroom units (and a slight decrease for other types) between the end of 2004 and September 2006.

Also, no major organizational changes attributable to administering the rent system and time limit policy have occurred within the agency. The policy is scheduled to continue until May 2009—the duration of HATC's participation in the MTW demonstration. Agency leadership and staff say they would like to see it continue beyond then, as well.

## EFFECTS AND OUTCOMES OF TIME LIMIT POLICY

Approximately 62 percent of HATC's public housing residents and 59 percent of its voucher recipients are currently subject to the agency's five-year time limit. As of March 31, 2006, 638 households had timed out of assistance and an additional 248 households were within one year of discontinuation. By that time, 27 households had formally requested a hardship exception, with the hardship committee granting less than ten of the requests. The relationship between the number of hardship applications and the actual experience of hardship among households timing out of assistance is not known. It is possible, for example, that the unlikelihood of being granted an exception discourages some households from applying for it.

Agency leadership is convinced that by both reducing the disincentives to self-sufficiency inherent in pegging rents to income and limiting the term of housing assistance, HATC's policies have motivated program participants to find jobs, work additional hours, or seek out jobs that offer higher pay. This conclusion follows from agency administrative data showing increased labor market participation and average incomes among MTW program participants over time. The extent to which the agency's policies brought about such improvement, however, is not known.<sup>44</sup>

The median annual income at enrollment of all HATC program recipients who entered between 1999 and 2005 and were subject to flat rents/subsidies and the five-year time limit was \$13,605 (converted to 2005 dollars).<sup>45</sup> For those households who stayed in the program for a full five years, median annual income grew to \$20,691. Including those who voluntarily left housing assistance prior to the five-year limit, the incomes of all households increased by an average of 7.2 percent per year from their first year until exit.

As indicated in the table on the following page, the largest income increases for each successive year of receipt of public housing or voucher assistance under HATC's MTW rules (for example, income at enrollment compared to the first annual income recertification, income at the first recertification compared to that of the second recertification, and so forth) occurred between enrollment and the first income recertification—17.2 percent.

Apart from the impact of flat rents and time limits on labor force participation and incomes, there is the question of whether the incomes of program participants at time of departure are sufficient for renting (or purchasing) in the private market. HATC does not formally track what happens to formerly assisted households, so this can only be estimated by calculating the proportion of their income they would likely pay for rent. Assuming they would pay the full Fair Market Rent for Tulare County for a housing unit of the size needed, about one-half would have to spend more than 40 percent of their incomes for rent while the remainder would have to spend less than that proportion.

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<sup>44</sup> According to informal observation, those who chose not to participate in the flat rent/subsidy system with time limits are not sufficiently similar to those who chose to participate to allow for a valid comparison between the two groups.

<sup>45</sup> This figure is calculated for all participating MTW households regardless of their start date and is represented in constant dollars, using the Consumer Price Index to account for inflation.

Average Annual Increase in Household Income by Years Under Flat Rent and Time-limits Policies				
<b>Years under Flat Rent and Times-limit Policies</b>				
<b>0-1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>
17.2%	9.6%	11.2%	3.4%	2.9%

Note: Calculations are based on HATC data for all MTW participants between 1999 and 2006. The number of participants varied from year to year.

Although agency staff reported “considerable” homeownership among formerly assisted households in some areas of the county, there are no data on the extent to which they purchased homes. Given the lack of formal follow-up, any information the agency receives comes mainly through informal conversations between staff and currently assisted households who know some of those who left assistance or from conversations with families, just before they leave assistance, regarding their plans for the future. Staff recognize, however, that while at the start of the demonstration they estimated homeownership to be feasible for many MTW participants, it became less so in subsequent years as the local housing market heated up and fewer affordable units became available for purchase.

As indicated above, HATC focused on providing housing assistance in ways that removed disincentives to work and self-sufficiency and chose not to be a direct provider of social services or case management. Nevertheless, the agency offered workshops on budgeting, homeownership, and credit repair to those who were within one year of program termination (and, later, within three years). Only two people attended these workshops.

### **Participant Views on Outcomes**

During focus group discussions with a small number of current and former program beneficiaries, many agreed that if housing assistance recipients were allowed to continue their assistance indefinitely, it would be difficult for non-recipients to ever receive housing assistance or to receive it in a timely fashion. However, residents had differing interpretations of the effects of a flat rent system and time limits—ranging from motivation to paralysis. Some beneficiaries claimed to have used the opportunity of a time-limited flat rent to save money and plan for when they would no longer receive assistance. Some recognized the importance of the flat rent system for stimulating them to work more or to take a higher paying job, but saw the five-year limit as not giving them time to become self-sufficient in a county where the cost of housing and living is high relative to wages.

Both current and former program beneficiaries were aware, and concerned, that unanticipated and uncontrollable circumstances, including personal situations and rental market changes, could make progress toward self-sufficiency difficult. Examples include a car breaking down, a health problem, or the death of a family member. If a setback such as a health problem that makes work difficult happens just as one is nearing the time limit, one participant noted, it seems “unfair” to terminate that person from assistance. Likewise, increases in rents in Tulare County over the five-year period caused many to worry that it would be difficult to find affordable private-market housing as their time limit neared. One woman who had already hit her time limit was unsure if she would be able to finish the

nursing degree she had started while receiving assistance; she has had to look for a better job in order to afford her unsubsidized rent. Some participants felt anxiety, stress, and vulnerability after their assistance had been terminated, stemming primarily from the fear of being evicted due to nonpayment of rent if they were laid off from a job.

Notwithstanding HATC's efforts to explain its rent and time-limit policies, recipients' understanding of the policies varied. During focus group discussions, some participants stated clearly that their assistance was limited to five years and had an accurate understanding of how much time they had left before their assistance would be terminated. A few showed a hazier understanding: they vaguely remembered an agency clerk mentioning a time limit when they signed up for the program but did not recall when they would hit their limit. Whether focused on their time limit or not, some former program beneficiaries recognized, in retrospect, that they had been woefully unprepared for renting in the private market. They recalled feeling panicked about finding an affordable unit that would meet their families' needs, and the panic got worse as they reached their time limit. One participant attempted to learn about homeownership and clean up her credit within one year of termination, but realized after the fact that one year had not been enough time to accomplish everything required to make homeownership possible.

### **Impacts on Agency Operations**

HATC's flat rent and time limit policies have had some effects on operations and costs, but they have been relatively small according to agency leadership and staff. With respect to cost savings from instituting a flat rent system, HATC personnel noted that because they operate multiple programs, each of which has its own rules and procedures, HATC has not realized any savings in administrative time stemming from the elimination of the rent adjustments or recertifications required under the percent-of-income system. The agency has also not experienced any loss of income by applying a flat rent system. The latter was not entirely anticipated, however. Given that their MTW flat rents were lower, on average, than those residents had been paying under the percent-of-income system and that residents receiving housing assistance before May 1999 could choose to pay rent as a percent of their income if that amount was less than the MTW flat rent, staff initially had projected they might take in less rental revenue under MTW than under the standard system. As of 2006, however, the agency reported no decreases in rental revenues.

HATC personnel reported that their time-limit policy requires them to send regular notices to program participants stating the amount of time they have left until they reach their time limit; this has involved a minor increase in administrative burden. They also reported some additional maintenance costs associated with the turnover caused by time limits, such as the need to paint units more frequently, although some managers noted that conducting more frequent, regular maintenance of units may result in lower long-term maintenance costs.

HATC's area managers stated that some residents fail to move out of their units once they reach their time limit and have to be evicted. Agency leadership, on the other hand, said that most public housing residents vacate their units before a formal eviction process becomes necessary. However, building managers may have to remind some residents several times

before they actually vacate the property. Building managers said that HATC administrative data showed no increase in the number of formal evictions carried out during MTW as compared to before MTW.

Despite there being little observable cost savings due to utilization of a flat rent system, HATC personnel noted that it is administratively easier for clerks to explain the MTW rent policy to households than it is to explain the percent-of-income system. Likewise, MTW is easier to administer, requiring only an annual verification of income for continued eligibility rather than a rent calculation based on income. HATC staff said that agency morale has also improved under MTW because personnel think the program is fairer to both current and potential recipients of housing assistance. Under flat rents, households are charged the same rent for comparable units, while time limits allow the available assistance to reach a larger proportion of the County's eligible households. Under their non-time-limited system, staff recalled, some residents had received assistance for generations while others had stayed on the waiting list indefinitely.

Another reason why the flat rent system has improved staff morale is that staff members no longer suspect program participants of lying to them about their incomes. Under a percent-of-income system, they claimed, households had an incentive to not report all of their income since that would result in a lower rent. And, if rent is unaffected by a change in income, the presumption is that households have no incentive not to report the increase, unless, of course, that would make them ineligible for assistance.

Both HATC's leadership and its area managers said their MTW policy is favored by landlords, and this has made it easier for the agency to recruit landlords to participate in the HCV program. One manager noted, however, that a few landlords prefer the non-time-limited system because it allows their "good" tenants to continue renting through times of income loss and provides them with stable rental income.

In sum, HATC leadership stated that the agency's time limit on assistance has allowed it to better accomplish its mission of providing affordable, well-maintained rental housing to qualified low- and very low-income families. The time limit allows the agency to reach more of the county's eligible families, albeit for a limited amount of time, than their non-time-limited programs. Indeed, the average length of stay in assisted housing is decreasing overall, according to agency officials, in part because households that would have stayed on assistance longer than five years are no longer able to do so and because some households are so motivated by the time limit that they leave prior to timing out. The policy, they hypothesize, has changed the way people view housing assistance—from a permanent to a temporary good. Aware that they will not have a subsidy in the future, households are motivated to find housing they can afford earlier than they would have had their assistance not been time-limited. Given the absence of data on the pre-MTW duration of assistance received for comparable groups of assisted households in Tulare County, however, the extent to which the time limit contributed to this trend is not known.



**VANCOUVER HOUSING AUTHORITY (VHA)  
VANCOUVER, WASHINGTON**

**SUMMARY**

The Vancouver Housing Authority (VHA) instituted a five-year time limit on housing assistance as a key element in an integrated program to promote self-sufficiency among public housing residents and HCV holders. The time limit was applicable to all persons receiving housing assistance, except the elderly and disabled. All persons subject to the time limit were also enrolled in the agency's FSS program and encouraged to establish escrow accounts. The time limit could be extended for up to two years if the family had progressed toward its goals. Although a broad hardship exemption policy was developed, it was never well defined or tested.

When implemented, the program proved costly and inefficient. Case management under the expanded FSS program was less intensive than it had been for families enrolled in the program prior to MTW, and the escrow accounts became so expensive that they were capped at \$6,000 per account. As designed and implemented, the time limit policy had several problems and it was discontinued before any families timed-out. Although originally set to coincide with the five-year length of MTW, the implementation of the time limit lagged the implementation of the MTW agreement. This lag in implementation, coupled with the prospect of a two-year extension, made the continuation of the time limit policy dependent on the extension of MTW. It appeared that an extension might not be granted and the time limit was rescinded before any participants timed-out.

The high cost of implementing the program resulted in a reduction in support services and capping of the escrow accounts. Both of these actions diminished the potential for persons to move off of housing assistance and may have reduced the effectiveness of the time limit as a motivational tool to promote self-sufficiency.

**BACKGROUND**

In 2005 the Vancouver Housing Authority (VHA) had 513 public housing units and 1,942 HCVs. Of the 513 households in public housing, 275 were families and 238 were elderly or disabled. Of the 1,942 HCVs, 774 were held by families and 1,168 were held by elderly/disabled households. As of March 31, 2005, 9,868 households (5,703 family households and 4,165 elderly/disabled households) were on waiting lists for public housing and HCVs. The waiting list included 2,409 family households waiting for public housing and 3,294 waiting for HCVs.

## **MTW INITIATIVE**

HUD signed VHA's MTW agreement on April 21, 1999, authorizing the program to run from April 1999 to April 2004. In May 2004 HUD granted VHA a one-year extension of the MTW agreement. It granted a further extension of three years in May 2006.

Vancouver's MTW program covered all public housing and HCV assistance and all existing and future VHA residents, with the exception of elderly and disabled residents. Its key components included extending FSS to all MTW participants, limiting housing assistance to five years (with the possibility of a two-year extension), and some minor adjustments in the way rents were calculated. Requiring all residents to participate in FSS and establish escrow accounts emphasizes the importance that VHA placed on promoting self-sufficiency, as well as the agency's philosophy that all residents should be treated equally. The time limit was set at five years, primarily to coincide with the length of the MTW agreement. The potential for a two-year extension for households making progress toward self-sufficiency was based on an assumption that MTW would be extended indefinitely.

In addition to promoting self-sufficiency, VHA anticipated that the MTW initiative would enable it to operate more efficiently and save money because it would be receiving all its HUD funds as a block grant rather than having those funds dedicated for specific uses.

Residents who timed out of the program could reapply for housing assistance but they would be at the bottom of the waiting list. This policy appears to be a recognition that some households might not be completely self-sufficient within the time limit. Therefore, they were not completely excluded from receiving assistance in the future. However, as they moved to the bottom of the waiting list, other households would have an opportunity for assistance.

## **PLANNING FOR TIME LIMITS**

A time limit on housing assistance was always included in the planning for MTW. Originally, a three-year time limit was suggested but objections from residents on the Moving-to-Work Advisory Committee ultimately led to the development of the five-year time limit with the potential for extension of up to two years.

Local housing advocates opposed time limits altogether, but they finally agreed to the concept, provided VHA establish a "hardship" policy. VHA's hardship policy stated that residents who timed out would lose assistance unless they could show that it was through no fault of their own that they were not fully self-sufficient. (In this case, residents could remain in VHA housing or retain HCV assistance). However, VHA developed no guidelines to define what circumstances would qualify as "no fault of their own." Nor did it establish procedures to determine when the conditions had been met.

## **IMPLEMENTATION OF TIME LIMIT POLICY**

VHA had two problems in implementing limits. First, contracts with the first participants were not signed until several months after MTW officially commenced and new participants continued to be added. This meant that MTW could conceivably end before the participants were timed out. VHA assumed that they would receive an extension and did not plan for this eventuality.

The second problem involved the lack of a well-defined hardship policy for extending housing assistance beyond the time limit for participants who failed to become self-sufficient because of a disability or some other extraordinary circumstance. Housing advocates continued to raise objections to time limits, pointing specifically to the inadequacy of VHA's hardship policy.

Both of these problems moved to the forefront in 2004 as the MTW termination date approached without an extension. According to the VHA staff, VHA did not know how to treat time limit participants if MTW ended. If households were continued on time limits after MTW ended and new residents were not subject to time limits, a situation would exist that ran counter to the agency's policy of treating everyone equally. On the other hand, it would not be fair to terminate the time-limited participants a year or more before they were scheduled to time out.

With pressure from housing advocates growing and MTW expiring, VHA finally decided to terminate time limits. Participants who were progressing in the program were allowed to leave housing assistance with their escrow accounts, but those who chose to retain housing assistance had to forfeit their accounts. Participants could also choose to continue to work toward their goals, and a small group did so.

VHA had assumed it would obtain from HUD at least a two-year extension of its participation in the MTW demonstration and would, then, have a total of a seven-year program, but the extension beyond five years did not occur in an appropriate timeframe. Instead, a one-year extension was granted in May 2004, one month after the end of the five-year participation period. By then, however, the agency's time limits policy had been officially rescinded.

### **Other MTW Implementation Problems**

Difficulties with implementing the time limit policy were vastly overshadowed by the problems encountered with other aspects of the MTW initiative. VHA's already functioning FSS program became part of the MTW program. What had been a small, easily managed program suddenly became a huge program serving hundreds of persons. VHA underestimated both the cost and burden on staff of expanding this comparatively labor-intensive effort to promote self-sufficiency.

VHA also overestimated the reduction in administrative costs that would result from MTW. HUD reporting was still required even though there were fewer restrictions on how funds were used. Overestimating resources and underestimating costs soon resulted in a severe strain on VHA's finances.

The strain was aggravated by changes in the local housing market. Prior to commencement of the MTW initiative in 1999, rent levels had been fairly stable. However, rents started increasing in 2000. And even though the Portland/Vancouver area was hit hard by layoffs in the technology sector in 2001, rents continued to increase, especially in Portland. In addition to paying higher rents for its existing tenants, VHA was absorbing 12 to 15 port-ins each month, mostly from Portland, where rents were soaring above the payment standard and affordable units were becoming scarce.

VHA also discovered that establishing escrow accounts for all participants was more expensive than anticipated. In response to the growing cost of the program, VHA capped escrow accounts at \$6,000 in 2001 (accounts that contained more than \$6,000 were capped at their current amounts).

#### **EFFECTS AND OUTCOMES OF TIME LIMIT POLICY**

Although the time limit policy, as implemented, had several deficiencies, the breakdown of the other components of the MTW initiative contributed to the ultimate failure of the time limit policy in Vancouver. A failure to fully understand the cost implications of the various MTW policies placed a severe strain on the agency's finances and resulted in considerably lower levels of case management than had been anticipated. Residents who participated in focus group discussions indicated that assistance with financial planning and other skills needed to meet self-sufficiency goals was available when requested but that participants who were not proactive had minimal contact with their case workers. The VHA staff was so overburdened that they operated totally in a response mode rather than establishing a regular pattern of counseling and assistance.

Although residents saw the time limit as a motivating factor, they said that the ability to develop an escrow account was their main incentive. When the escrow accounts were capped at \$6,000 in 2001, this diminished the incentive and, according to some participants, distracted them from the reality of the time limit. When time limits ended, the residents who chose to take their escrow and leave housing assistance was about equal to the number who forfeited their escrow and chose to stay. Those who left were primarily households that had been in FSS prior to MTW and had accumulated larger escrow accounts before they were capped.

Many participants had homeownership as their major goal. At the time the MTW program was launched, jobs were available, homeownership was attainable because mortgage rates were low and houses were priced reasonably, and a \$6,000 escrow would have gone far toward a downpayment. Both the job and housing markets had changed dramatically by 2004 when the time limit was rescinded and \$6,000 was no longer considered a significant sum.

## CONCLUSIONS

VHA's MTW initiative appeared to suffer from inadequate planning, for the time limit policy itself and for the support programs that could have contributed to its success. The time limit policy assumed that MTW would be extended beyond the initial five years and there was no plan for how households would be treated if MTW expired before they reached their time limit. In addition, the agency's hardship policy for households that became unable to achieve self-sufficiency due to disability or other unusual circumstances was broad and poorly defined.

Inadequate planning and a failure to assess the potential financial implications of MTW policies also resulted in considerable stress on the agency's staff and finances. This contributed to inadequate case management for residents and made it more difficult for some families to achieve self-sufficiency within the time limit.

Because the time limit was eliminated before households actually timed out, it is impossible to assess its potential effect on households. What is known is that many households were already applying for extensions more than a year before they were scheduled to time out. This may have reflected the lack of support they received rather than their not having been sufficiently motivated by the time limit policy. On the other hand, many families did take their escrows and leave the program, and others left voluntarily without an escrow. This is an indication that the program may have had at least a modicum of success in helping some households focus on achieving self-sufficiency. But there is no data available on the number of households that became self-sufficient within a similar time frame prior to MTW. Therefore, it is impossible to ascertain the role the time limit on housing assistance played in motivating households to improve their financial circumstances and exit housing assistance.

## Time Limits on Non-Housing Assistance

Five housing authorities experimented with time limits on some aspect of their MTW initiative other than housing assistance. These MTW initiatives were typically limited demonstration programs targeted to a small segment of the agency's constituency. Only San Antonio's time limit requiring participants to become employed within 90 days in order to remain in the program was still in place in 2006.

## **GREENE METROPOLITAN HOUSING AUTHORITY XENIA, OHIO**

### **BACKGROUND**

The Greene Metropolitan Housing Authority (GMHA) manages 361 public housing units in five communities and administers 1,172 vouchers. GMHA also owns and manages a 17-unit multifamily development, manages a 99-unit multifamily elderly development, and developed and manages an 18-unit Low-Income Housing Tax Credit development.

### **MTW INITIATIVE**

HUD approved GMHA's Moving-to-Work (MTW) agreement in February 1999 for a five-year period. The initiative focused on a rent reform that was intended to remove perceived disincentives to working that the agency considered to be associated with income-based rents. Following a two-year start-up and participant selection process, 100 families were placed on a stepped-rent system that was not based on income. MTW families paid \$50 per month for rent in year one, \$100 per month for rent in year two, and \$150 per month for rent in year three. This had the effect of lowering tenants' rents.

Because the MTW demonstration was expected to expire after three years, participants were limited to three years on the stepped-rent system. The time limit, therefore, was on how long the stepped rent system was in place, not on housing assistance. Families that did not achieve self-sufficiency within the three-year period did not lose their housing assistance but reverted to the standard income-based rent system.

GMHA partnered with the Greene County Department of Human Services (DHS) and limited MTW participation to DHS clients. GMHA residents wanting to participate in MTW had to be receiving some form of assistance from DHS. Also, DHS clients who were not public housing or voucher residents and who qualified for MTW received a preference for housing assistance. Families admitted to the program were required to attend money management, maintenance, and homebuyer-education classes; develop and follow a budget; perform selected maintenance tasks; follow maintenance guidelines; and work at least 30 hours per week.

### **EFFECTS AND OUTCOMES OF POLICY**

When its five-year MTW agreement was about to conclude, GMHA was unsure whether HUD would renew the agreement. The agency took steps to formally end MTW participation. MTW families were reviewed for housing assistance eligibility using standard program rules. This review resulted in some residents losing their subsidy because they were no longer income eligible. Others continued to receive either public housing or voucher assistance using standard rent subsidy calculations.

According to GMHA officials, voucher households were slightly more likely to have lost their eligibility than public housing residents because of differences in program eligibility.

The agency does not have information regarding how many families stayed and how many left as a result of the income recertification process.



## **LINCOLN HOUSING AUTHORITY LINCOLN, NEBRASKA**

### **BACKGROUND**

The Lincoln Housing Authority (LHA) is primarily a provider of tenant-based rental assistance, with 90 percent of its housing assistance provided as Housing Choice Vouchers (HCV) and roughly 10 percent offered through the Public Housing program. As of 2005, LHA owned and managed 200 family public housing units and 120 units for elderly or disabled persons.

### **MTW INITIATIVE**

LHA's MTW program began on May 21, 1999 and was scheduled to end on March 31, 2005. Its MTW initiative included rent, occupancy, and self-sufficiency policies. The initial MTW agreement proposed the institution of a time limit related to ceiling rents, which was not implemented.

LHA's MTW initiative was designed to promote and encourage employment. It applied to all new recipients of housing assistance and all existing recipients following their first annual review after the implementation of MTW. It was anticipated that each household with an able-bodied adult would have earned income equivalent to 25 hours per week per at minimum wage. Income deductions were provided for out-of-pocket costs of health and dental insurance programs. Families participating in training, education, or work programs leading to employment and self-sufficiency were given Housing Choice Voucher (HCV) preference; low-income families that were working were given a preference for public housing units; and homeless families or victims of domestic violence were given preference for housing assistance. No interim reviews were conducted, except in the case of changes in family composition that increased or decreased the total tenant payment (TTP) or changes in income that resulted in a lower TTP.

Under the MTW demonstration, LHA continued its previous Family Self-Sufficiency (FSS) program but removed the five-year time limit and replaced it with time frames based on each family's goal plan. The program was marketed to working families that pursued education and training while continuing to work. Families that participated in FSS were exempt from the agency's minimum earned-income standards for up to three years.

### **TIME LIMIT RESCINDED**

LHA's original MTW plan called for a three-year limit on the amount of time a family in public housing could be at the ceiling rent. LHA officials decided not to implement the time-limit provision. In reviewing its proposed policy, the agency concluded that the limit would be a burden for both tenants and the agency. Under time limits, tenants whose incomes pushed them to the ceiling would be forced to move when they were performing well, which was not the message the LHA wanted to send. In addition, LHA officials said it would lose some of its best rent payers, which would result in a financial hardship to the agency.

When LHA officials were deciding about implementing the ceiling-rent time limit, prior to reaching the end of their third year of participation in the MTW demonstration, there were only a handful of families who would have been affected. As of the end of 2005, only 26 households in family units were at ceiling rent. LHA has no plans to resurrect its ceiling-rent time-limit proposal.

## **MINNEAPOLIS PUBLIC HOUSING AUTHORITY MINNEAPOLIS, MINNESOTA**

### **BACKGROUND**

In 1990, the Minneapolis Public Housing Authority (MPHA) separated from the Minneapolis Community Development Agency and became a distinct entity. MPHA owns 6,949 units of public housing in 78 developments and administers a HCV program with 4,907 vouchers. As of August 2006, the public housing wait list was open with 8,612 applications. The HCV wait list was also open with 6,917 applicants waiting for assistance.

### **MTW INITIATIVE**

HUD executed the original MPHA MTW nine-year agreement on August 27, 1998; it was due to expire in August 2007. The MTW agreement focused on a pilot HCV homeownership program later named the Moving Home Program. Under the original agreement, up to 50 families were eligible to receive mortgage payment assistance using funding from the consolidated annual contributions contract for the Section 8 certificate and voucher programs. Families that participated in the Moving Home Program were guaranteed enrollment in MPHA's Family Self-Sufficiency (FSS) program and received priority for other services offered by MPHA and its community partners.

Families participating in the Moving Home Program had to take title of the home within three years of the date of execution of the MTW Agreement (2001).

### **TIME LIMIT**

Families were limited to five years of mortgage assistance payments (MAP) under the Moving Home Program. MAP can be applied to principal and interest for the mortgage loan, real estate taxes, and insurance (PITI) as long as the initial loan is outstanding. The amount of assistance for each participating family is the lower of PITI or the applicable payment standard minus 30 percent of the family's adjusted income. The MTW agreement allowed MPHA to terminate assistance, in accordance with HUD regulations, if funding is not available for the program.

MPHA did not consider time limits on assistance for any of its other housing programs, including the tenant-based HCV program. There was no rental reform implemented with the time limit policy.

Moving Home Program participants could request a one-year extension to the time limit approved by MPHA. To determine whether the family would receive an extension, MPHA uses the FSS rule on extensions. The family must complete a work plan to: 1) address the challenge that led to the extension request (e.g., job loss) and 2) identify how they will transition once the one-year extension has ended. They must meet with the homeownership coordinator monthly and provide an update on their progress in addressing the challenge

stated in the work plan. If MPHA determines at any time that the family is not following the work plan, the housing authority can terminate the MAP within 60 days.

### **Hardship Exemption**

There is no hardship exemption for the five-year time limit policy. If an MTW participant is unable to pay the mortgage and defaults or faces impending defaults, the participant can seek readmission to the tenant-based HCV program. This option is only available under the following conditions:

- The default is the result of an unforeseen hardship (such as illness or job loss)
- The family agrees to work with a counselor to avoid foreclosure
- The family has a history of making mortgage payments on time
- The family vacated the home in good condition in accordance with the mortgage lender's terms
- The family agrees to reimburse MPHA and the FSS escrow account for any funds drawn for repairs, closing costs, and downpayment
- The family is eligible for the HCV program under MPHA and HUD admission policies

The Moving Home Program came about in large part because of the *Hollman v. Cisernos* Consent Decree and the Home Ownership Made Easy (HOME) program. The consent decree required MPHA to take a number of actions to address historical patterns of segregation in the location and administration of its public housing and HCV programs. These actions include establishing a voluntary mobility counseling program as well as a homeownership program.

The HOME program provides downpayment and closing cost assistance to public housing and HCV program participants who are also provided access to below-market-rate loans. The program has been in place since 1994 and has helped 170 families purchase homes.

The mayor of Minneapolis identified the MTW Demonstration Program as the best vehicle to implement a new homeownership program that could provide ongoing assistance to families. At the time the MTW agreement was signed, the Final Section 8 Homeownership Rule (24 C.F.R. §982) did not exist and the idea of using housing assistance payments for mortgage loans was essentially untested. The MTW agreement provided MPHA with the regulatory flexibility necessary to launch the pilot program. The Moving Home Program also allowed MPHA to expand the housing choices available to families receiving assistance from the housing authority.

MPHA agreed to provide MTW participants with five years of assistance—considered enough time for families to become economically self-sufficient. The length of the MTW agreement provides enough time for families to complete counseling and close on a home (three years); receive assistance up to the time limit (five years); and allow for a possible extension of assistance (one year) for a total of nine years. Time limiting the assistance also provides families with an incentive to become economically self-sufficient.

## **Challenges of Implementation**

When MPHA and HUD signed the original MTW agreement in 1998, it was assumed that implementation would begin immediately. However, full implementation was delayed while financing was secured for program implementation and partnerships were established with local lending institutions.

MPHA needed additional funding for the Moving Home Program to finance participants' downpayment assistance and for the extensive homeownership counseling. MPHA did not receive the MTW Technical Assistance Grant until 2000, two years after the MTW agreement was signed. The grant provided financing to support the Moving Home Program implementation, including the homebuying counseling and downpayment assistance.

In December 2002, HUD executed an amendment to the MTW agreement that allowed MPHA to use its voucher program reserves for program implementation and supportive services. Under normal operating rules, MPHA's Section 8 reserves are subject to recapture by HUD. The MTW Agreement Amendment Number One protects the fiscal years 2000-2003 reserves from recapture and allocates up to \$ million of the reserves for MTW-related self-sufficiency activities including \$2,000 (initially \$1,000) for each MTW participant for education, job training or support, or other services necessary for participants to reach their self-sufficiency goals.

The Moving Home Program was initially envisioned with Fannie Mae acting as the lender. When an agreement was not made with Fannie Mae, MPHA reached out to local lending institutions in Minneapolis. Many of the lenders were not interested in the program because of concerns about providing loans to low-income households. Also, the lending institutions were not organized to accept dual payments for the loan—one from the Moving Home Program participant and one from MPHA.

MPHA was eventually able to establish a partnership with Wells Fargo Home Mortgage to finance a community housing mortgage program. The loans were then serviced by Community Reinvestment Fund, a nonprofit organization that assists community development lenders by purchasing loans and selling them on the secondary market. In 2004, Wells Fargo Bank and Wells Fargo Home Mortgage separated, therefore loans made after this time are not serviced by Community Reinvestment Fund.

MPHA began implementation and the first homebuyer closed on his/her unit in 2000. The next four homebuyers closed on their homes in 2001. Initially, most Moving Home Program participants funded their downpayments with their FSS escrow accounts and the \$1,000 from the technical assistance grants. However, several MTW participants entered the FSS program at the same time they began the Moving Home Program and did not have large escrow accounts available for downpayments and closing costs. During this time, the Minneapolis housing market began to change. The initial downpayment assistance of \$1,000 per family was no longer sufficient. MPHA requested that HUD approve increasing the

downpayment assistance to \$2,000 per family. HUD approved the request and Moving Home Program participants were provided \$2,000 for downpayment assistance.

MPHA established a partnership with the Family Housing Fund (the Fund) in 2002 to further increase downpayment assistance to MTW families. The goal of the Fund was to produce and preserve affordable housing in Minneapolis. Toward that goal, the Fund provided financial assistance to increase downpayments to as much as \$20,000 per family. The Fund would not have committed the assistance without the five-year time limit because the policy moved participants into the private market, making HCVs available for other low-income individuals.

Full implementation of the Moving Home Program did not begin until 2002. The delay led MPHA and HUD to change the MTW agreement, reducing the total number of families who could be assisted under it from 50 to 20. The MTW agreement was also revised to expand the timeframe in which families had to close on a home. Under MTW Agreement Amendment Number Two, families had to take title of the home within six years (2004) of the MTW agreement date of execution.

#### **EFFECTS AND OUTCOMES OF TIME LIMIT POLICY**

Through the time limit policy, participating families are encouraged to consider how they will pay their mortgage without assistance from MPHA. This has led participants to identify a variety of methods to increase their income. One participant has begun talking with local battered women's shelters about using her home as a shelter in exchange for monthly rent.

Of the 21 families who purchased homes through the Moving Home Program, one was scheduled to stop receiving assistance in 2005 but left the program early. Others were scheduled to stop receiving assistance on the following schedule:

- Four in 2006
- Two in 2007
- Seven in 2008
- Seven in 2009

Of the four families who were scheduled to stop receiving assistance in 2006, two had requested one-year extensions. Both families had household members who were laid off from their jobs and MPHA has granted both extension requests. In one family, the household member was going to vocational school and in the second family, the household member was able to obtain a new job.

All of the 21 MTW program participating families were still in the original homes that they purchased through the Moving Home Program. At the time of this study, the Moving Home Program lenders were conducting an annual escrow analysis, so participant income and mortgage information was not available.

MPHA believes that the Moving Home Program has been successful in increasing economic self-sufficiency—as demonstrated by the 21 families who have purchased homes. The program has encouraged economic self-sufficiency through the counseling provided in group and one-on-one sessions. MPHA feels that the counseling format is the key to its success. Participants who completed counseling and chose not to buy a home are successes as well. These participants utilized the counseling to become more informed and realized that homeownership was not the best option for them.

## **PORTAGE COUNTY METROPOLITAN HOUSING AUTHORITY RAVENNA, OHIO**

### **BACKGROUND**

The Portage Metropolitan Housing Authority (PMHA) manages 305 conventional public housing units, 39 scattered-site public housing units, and 205 Section 8 moderate-rehabilitation units. It administers 992 Housing Choice Vouchers.

### **MTW INITIATIVE**

PMHA's MTW agreement was approved in May 1999 for a period of five years.<sup>46</sup> The agency requested and was awarded a one-year extension of agreement in May 2004. PMHA's MTW initiative is called Housing Opportunities Promoting Economic Self-Sufficiency (HOPES). According to the agency's former Executive Director, its overriding purpose is to "enhance the community reputation of residents." The program included changes in rent policies, enhanced case management, and, for the 39 families that were assigned to scattered-site units, a five-year time limit on residency in those units. In its original MTW agreement, PMHA proposed a time limit of three years for residents of scattered-site units who could not demonstrate economic progress. Based on discussions with residents and staff, however, that limit was extended to five years in October 2003.

An underlying assumption of the time-limit policy, based in part on surveys of public housing residents conducted by PMHA, was that because the scattered-site units were more spacious and had more amenities than the agency's other multifamily units, they were considered more desirable. As such, they were to serve as stepping-stones to renting or buying in the private market, with the time limit intended as an incentive to move toward self-sufficiency. Occupancy in the homes was considered a reward for households that had demonstrated positive tenant behaviors. Limiting occupancy of scattered-site units to households that had complied with their lease requirements (such as adequate housekeeping) was also designed to help improve community views of assisted households.

In effect, the time-limit policy on residency in a scattered-site unit would have been a time-limit on housing assistance. It was assumed that a household would be able to move into private housing within the time limit. If they were unable to do so, their public housing residency would be terminated.

One of PMHA's primary goals for its MTW initiative is to "remove disincentives to employment for assisted families." To further this aim the agency made several changes to its traditional rent rules: they phased in rent increases stemming from increases in employment income over a period of five months, disregarded \$100 per month of income from overtime and bonuses, and provided deductions for children and full-time employment.

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<sup>46</sup> The agency's Executive Director who prepared the original MTW agreement and implemented the MTW initiative left PMHA in April 2006.



Agency officials believed that the only way that time limits could be fairly and successfully imposed was for households to be provided with the support services necessary for them to reach self-sufficiency. Case managers worked with residents to assess the services needed and then referred to local social service agencies. Case managers notified public housing residents during rent recertification meetings and, eventually, eligible households from the waiting list, of the time limit on the scattered-site units.

### **PROGRAM IMPLEMENTATION**

From May 1999 through 2005, PMHA transferred families that met the criteria for demonstrated economic progress and lease compliance from its public housing units to its 39 scattered-site units. While some residents initially volunteered to move to the units, PMHA staff soon discovered that the time-limit feature seemed prohibitive to many eligible families. When combined with the additional deterrent of a lack of public transportation in the neighborhoods of many of the scattered-site homes, most families opted for the security of the multifamily units rather than transfer to the scattered-site homes. Thus, as households succeeded and moved into market-rate housing, the units remained vacant.

To reduce the perception of risk associated with the scattered-site option, PMHA extended the limit to five years, but found that any limit was still too prohibitive for most families. Then, to avoid vacancies in the scattered-site units, the agency had to begin filling them with households from its waiting list. Ultimately, in its 2006 Annual Plan, PMHA recommended suspending the time-limited aspect of its initiative.

In practice, no households were terminated from scattered-site residency as a result of the time-limit policy. Those households that left the scattered-site units did so voluntarily. PMHA officials concluded that a downturn in the local labor market made it impossible for the 13 scattered-site households that had reached their five-year limit to meet the requirement to demonstrate progress toward self-sufficiency or to leave the public housing. They thus allowed them to stay.

### **EFFECTS AND OUTCOMES OF TIME-LIMIT POLICY**

According to the agency's former Executive Director, by increasing vacancy periods PMHA's time-limit policy also reduced the amount of rental revenue collected on the scattered-site units. In a summary of the MTW program, she wrote:

“Bottom line – for any housing authority, the promotion of time limits and even self-sufficiency creates more turnover and a higher vacancy rate in public housing. Between the costs associated with longer vacancy time, and the negative impact upon PHAS scores, the implementation of time limits was not a wise policy for housing authorities from a business standpoint. HUD provides no incentive for MTW housing authorities to increase tenant turnover. For other housing authorities, HUD wisely created a new funding incentive that provides a small financial incentive for PHAs reporting high turnover. However, to our

dismay, we were not eligible for this funding as HUD did not include MTW agencies as eligible recipients.”<sup>47</sup>

In practice, the time limit was voluntary and applied only to those households that agreed to accept a scattered-site unit. PMHA does not have data to suggest how the time limit may have affected residents because the agency chose not to enforce the policy when the first households reached their time limit. While the local economy was favorable, households often left before they reached their time limit. Then, when the job market worsened, several families were unable to move out of the scattered-site units within the five-year period, and PMHA allowed them to remain.

The time-limit provision may have helped motivate a few families to reach self-sufficiency but it did not work as planned by the housing agency and was thus terminated.

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<sup>47</sup> Christine Anderson, Summary of MTW Time Limit Feature (undated).

## **SAN ANTONIO HOUSING AUTHORITY SAN ANTONIO, TEXAS**

### **BACKGROUND**

The San Antonio Housing Authority (SAHA) owns and manages 6,169 units plus 181 scattered-site homes. It also administers approximately 12,000 HCVs. As of August 1, 2005, the public housing waiting list had 15,300 applicants while the HCV waiting list had 4,000 applicants.

### **MTW INITIATIVE**

SAHA's MTW began May 1, 2000. The initial five-year agreement was extended for a year in May 2004 and another recent amendment extended the agreement to May 2009.

SAHA considered placing a time limit on housing assistance in its MTW initiative, but the agency believed that setting a time limit on assistance would not be acceptable locally. Instead, it set a 90-day time limit on how long a person could remain in the MTW program without becoming employed. Those that failed to become employed within the time limit lost many of the benefits of participating in the program

The MTW initiative was designed to encourage residents to work; thus the emphasis on becoming employed. In addition, the MTW program was limited to the residents of three public housing developments. Two of the developments were located in the center of the city and were in only fair condition; existing residents in these complexes were given the option to participate in MTW, and new move-ins were required to participate. In the third housing complex, a recently renovated facility located on the fringe of the city, all residents were new move-ins and were required to participate in the MTW initiative.

All MTW participants were required to enroll in FSS. Participants who became employed received escrow accounts, income disregards in rent calculations, and priority on the HCV waiting list. Participants had a minimum rent of \$25 with additional deductions for earned income. The three housing complexes in which the MTW participants lived were among the least desirable complexes in San Antonio. Thus the potential for obtaining a HCV and moving into the private rental market was viewed as an incentive for residents to become employed. Participants who failed to become employed within 90 days reverted to a higher minimum rent (\$45), lost their income disregards, and became ineligible to accumulate an escrow account or receive priority status for an HCV.

FSS counselors and support services—including the Texas Department of Human Services, Jobs for Progress, and day care centers—were available on-site at each of the three public housing complexes where participants resided. Counselors encouraged participants to gain additional education or seek a better job. Those participants who remained employed for 18 months and had qualified for HCV priority status could also gain access to their escrow

accounts. Participants could use these escrow funds for whatever purpose they chose, but were encouraged to use it for education or homeownership.

### **EFFECTS AND OUTCOMES OF TIME LIMIT POLICY**

SAHA staff indicate that their MTW initiative did not always function as envisioned, but they still believe it has been beneficial to many residents. Although the primary emphasis of the MTW initiative was to move households to employment rather than complete self-sufficiency, several households did become self-sufficient. The relatively affordable housing market made it possible for successful MTW participants to rent in the private market, and approximately 25 families purchased homes. Another group succeeded sufficiently to move from public housing to HCV assistance. The emphasis of the program was on case management and modified rent structure that would enable participants to gain skills needed to secure employment and improve finances. The time limit was a tool that enabled SAHA staff to focus their resources on those households that demonstrated the desire and ability to become employed and improve their financial circumstances. However, there is no indication of what role the time limit played in motivating participants to secure employment