

**From Local Innovation to National Implementation:
The Moving to Work (MTW) Demonstration's Influence on Low-
Income Housing Policy**



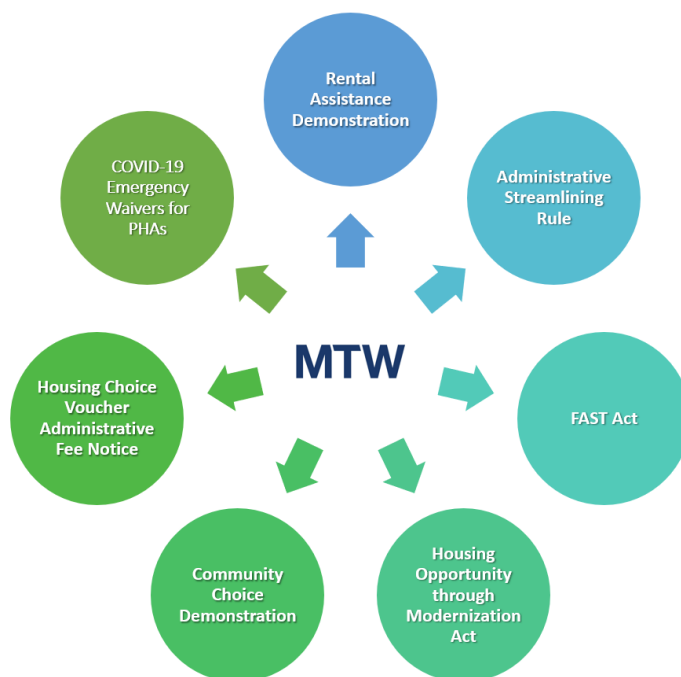
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Introduction

First authorized by Congress in 1996, the United States Department of Housing and Urban Development (HUD) [Moving to Work Demonstration](#) (MTW) provides public housing authorities (PHAs) the opportunity to design and test innovative, locally designed strategies. Three [statutory objectives](#) guide MTW: use federal dollars more efficiently; help residents find employment and become self-sufficient; and increase housing choices for low-income families. MTW PHAs can replace many public housing and voucher program rules and have flexibility in regard to how funds are utilized.

PHAs participating in the MTW Demonstration have been critical contributors toward developing new innovative policy interventions. This influence can be seen in various forms, such as acts and notices amending the United States Housing Act of 1937 (“1937 Act”) or other demonstrations in which select PHAs experiment with alternative, often locally designed policies and programs. This report will outline ways in which the work of the initial 39 MTW agencies made contributions to seven of HUD’s most important affordable housing policy changes in the last decade. Those contributions came in different forms:

- MTW agencies were the source of the idea leading to the policy change.
- MTW agencies were where an idea was tested and refined, eventually leading to the policy change.
- MTW agencies broadened and enhanced some policies already in action and thus supported the further development of the policy.



Purpose and Sources

The purpose of this report is to illustrate how interventions designed, resourced, tested, and continuously improved by MTW PHAs have inspired and/or were integrated into nation-wide housing policy changes and new programs. This report does not provide a rigorous evaluation of the MTW Demonstration or present a detailed timeline of how the policy changes and new programs came to be. The authors of this report consulted with subject matter experts across HUD, and with MTW PHAs and industry groups.

MTW agencies were the source of many of the ideas leading to the policy changes.

COVID-19 Emergency Waivers for PHAs (2020)

In response to the COVID-19 pandemic, the [Coronavirus Aid, Relief and Economic Security \(CARES\) Act](#) of 2020 sought to help PHAs prevent, prepare for, and respond to the virus in their communities. HUD exercised its authority under the CARES Act to establish temporary waivers and administrative flexibilities to provide relief to PHAs, Native American tribes, and tribally designated housing entities

(TDHEs). The CARES Act also provided supplemental funding for the PH and HCV programs as well as additional funding fungibility for using traditionally restricted funds. Like the MTW Demonstration, the CARES Act encouraged PHAs to use their discretion in applying the flexibilities based on local housing needs. In developing the statutory and regulatory waivers to provide to PHAs, HUD reviewed MTW PHA flexibilities and consulted the MTW Office to inform the development of the COVID-19 emergency waiver notices.^{1 2 3} The following COVID-19 emergency waiver notice flexibilities can be traced to earlier innovations by MTW agencies:

- **Delay of Reexamination:** PHAs are required to conduct a reexamination of family income and composition at least annually. HUD waived this statutory and regulatory requirement to permit PHAs to delay annual reexaminations.
- **Waiving Income Verification Requirements:** HUD waived the requirements to use the income hierarchy described by PIH Notice 2018-18 and allowed PHAs to forgo third-party income verification requirements for annual and interim reexaminations, including the use of Enterprise Income Verification (EIV) system, if the PHA wished to conduct the recertification rather than delaying the family's recertification.
- **Increased Payment Standards:** HUD waived the requirements around increased payment standards, allowing PHAs to apply the increased payment standard at any time after the effective date, as opposed to at the effective date of the family's first regular reexamination.
- **Alternative Processes for HQS Inspections:** HUD waived the requirements and provided alternative processes for initial, interim, quality control, annual and biennial HQS inspections.
- **Flexible Use of Funding:** The CARES Act provided supplemental funding to housing programs to address the COVID-19 pandemic and permitted PHAs to use the funding, along with some types of funding from prior years, flexibly for expenses related to preventing, preparing for, and responding to COVID-19.

Housing Choice Voucher Administrative Fee Notice (2022)

HCV and Mainstream Voucher administrative fees, authorized under the 1937 Act, are provided to PHAs to cover the costs of administering the HCV program. The fees are meant to cover administrative and "other expenses," but HUD had not provided guidance on what activities qualify under the latter category until the publication of [Notice PIH 2022-18](#) in June 2022. The notice expanded upon the use of administrative fees for other expenses to assist families in leasing units, with several of them deriving from MTW innovations.

Before the notice, MTW agencies had used their flexibilities to implement additional administrative policies to facilitate the successful leasing and use of vouchers. Due to the success of these efforts amid a highly competitive housing market, the following flexibilities were included as eligible uses of administrative fees by both MTW and non-MTW agencies:^{4 5 6}

- **Owner Incentive/Retention Payments:** The PHA may make incentive (e.g., signing bonuses) or retention payments to owners that agree to initially lease their unit to an HCV family and/or renew the lease of an HCV family. The PHA may design the activity to meet specific needs (e.g., limiting to new owners or owners in high opportunity neighborhoods or partially as a damages or unpaid rent mitigation fund, customizing the payment schedule).
- **Security Deposit Assistance:** The PHA may provide security deposit assistance for the family and may place conditions on the assistance.
- **Utility Deposit Assistance/Utility Arrears:** The PHA may provide utility deposit assistance for some or all the family's utility deposit expenses and may place conditions upon the assistance.

The PHA may also provide assistance to address utility arrears accrued prior to admission to the HCV program to facilitate leasing and admission.

- **Application Fees/Non-Refundable Administrative or Processing Fees/Refundable Application Deposit Assistance/Broker Fees:** The PHA may choose to assist the family with some or all these expenses and may limit the amount of assistance provided for each individual expense.

Administrative Streamlining Rule (2016)

The 2014 Appropriations Act made several changes to the 1937 Act to streamline and align regulatory requirements across housing programs and reduce the administrative burden on PHAs and owners. [The final rule](#) was published in March 2016. This rule applied a few regulatory flexibilities that MTW agencies pioneered to allow PHAs to meet the local needs.⁷ These activities included:

- **Fewer Inspections:** All PHAs may conduct biennial instead of annual inspections for certain properties.
- **Alternative Inspection Methods:** PHAs may use alternative inspections methods as long as the alternative methods meet or exceed quality standards established by the HUD Secretary.
- **Allowance of Reinspection Fees:** PHAs may charge a reinspection fee in the case that a deficiency in an HCV unit remains after the owner has stated that it was fixed or after the expiration of the timeframe for repairs.
- **Increasing Payment Standards:** PHAs have the flexibility to increase payment standards up to 120 percent for reasonable accommodation for families including a person with disabilities.

MTW agencies were where an idea was tested and refined eventually leading to the policy change.

Fixing America's Surface Transportation (FAST) Act (2015)

On December 4, 2015, President Barack Obama signed the Fixing America's Surface Transportation Act (FAST Act) into law. While primarily a transportation law, section 78001 of the FAST Act also [amended the 1937 Act](#) to allow PHAs and owners in the HCV, public housing (PH), and PBRA programs to eliminate annual income reviews in some years. PHAs were permitted to apply a cost-of-living adjustment (COLA) determined by the Secretary to fixed-income sources for families with incomes that are made up of at least 90 percent fixed income. The PHA or owner is not required to verify non-fixed income amounts for these families in years where no fixed-income review is required but is still required to use third-party documentation for a full income recertification every 3 years. These FAST Act amendments providing more flexibility to PHAs reflected innovations that many MTW agencies had successfully implemented in efforts to streamline operations and improve administrative efficiencies.^{8 9}

Housing Opportunity through Modernization Act (HOTMA) (2016)

The [Housing Opportunity Through Modernization Act](#) (HOTMA) was enacted on July 29, 2016. HOTMA amends the 1937 Act and other housing laws with the goal of streamlining administration of housing programs, easing the burden on PHAs and private owners. Ultimately, the changes aimed to improve conditions of housing and support asset building by residents. Amendments applied by HOTMA stem from flexibilities that MTW agencies had previously tested and found valuable to program administration and tenant outcomes.¹⁰ Those amendments are as follows:

- **Fewer Interim Reexaminations:** HOTMA creates a 10 percent adjusted income increase/decrease threshold for conducting Interim Reexaminations, and in many cases requires

that increases in earned income are not processed until the next Annual Reexamination, allowing families to keep more of their earnings before receiving a rent increase. The new requirements should lead to fewer Interim Reexaminations overall, alleviating burden for both participants and PHAs.

- **Income Determinations from Other Programs:** HOTMA allows PHAs to adopt a “safe harbor” method to verify income (i.e., use documentation from other means-tested public assistance to determine income).
- **Adults Only Need to Sign Consent Form Once:** HOTMA revises the required consent form (i.e., Form HUD 9886-A) that all adult household members sign, allowing them to sign the form only once instead of annually.
- **Self-Certification of Assets Under \$50,000:** HOTMA allows self-certification of net assets if estimated to be at or below \$50,000. This will be a time-savings for families and lower administrative burden for PHAs recertifying income.
- **Additional Income Exclusions:** HOTMA codifies additional income and asset exclusions, including:
 - o Amounts received from Medicaid or other state/local programs meant to keep a family member with a disability living at home;
 - o Veterans’ aide and attendant care;
 - o Distributions of principal from non-revocable trusts, including Special Needs Trusts.
- **Threshold For Claiming Medical/Disability Expenses Increased:** HOTMA increases the allowance for unreimbursed health and medical care expenses from 3 percent of annual income to 10 percent, phased-in over two years.
- **Higher Threshold for Imputing Asset Income:** HOTMA raises the imputed asset threshold from \$5,000 to \$50,000, incentivizing families to build wealth without imputing income on those assets.
- **Public Housing Income Limitation:** HOTMA imposes continued program participation limits for families exceeding the statutory income limitation in the Public Housing program, also known as the “over-income” provision.
- **PBV Lease and Voucher Periods:** HOTMA allows that the initial term of a HAP contract may be up to 20 years (increased from 15 years) and that a contract may be extended for an additional 20 years (again, increased from 15 years).
- **Higher PBV Program Cap with Exceptions:** Under HOTMA, a PHA may project-base up to 20 percent of its Consolidated Annual Contributions Contract (ACC) authorized units, instead of 20 percent of its voucher budget authority. HOTMA also establishes a 10 percent exception for units that meet the exception criteria of being in a census tract with a poverty rate of 20 percent or less, or serving persons experiencing homelessness, veterans, or those eligible for supportive services.
- **Higher PBV Project Cap with Exceptions:** HOTMA also amends the income-mixing requirement for an individual project so that the limitation on the number of PBVs in a project is now the greater of 25 units or 25 percent of the units in a project. Previously, the limitation was 25 percent of the units in a project. HOTMA also makes changes to the exceptions to the project cap, excluding units serving elderly families and those eligible for supportive services, allowing for a total of up to 30 percent of vouchers to be project-based.
- **Competitive Selection Not Required:** HOTMA allows a PHA to attach PBV assistance to units in a project in which the PHA has an ownership interest or over which the PHA has control without following a competitive process. In order to exercise this authority, the PHA must be engaged in an initiative to improve, develop, or replace a public housing property or site.

MTW agencies expanded and enhanced some policies already in action and thus supported the further development of the policy.

Community Choice Demonstration (CCD) (2019)

Despite government rental assistance, low-income families in the United States tend to live in neighborhoods that offer limited opportunities for upward income mobility. Since the beginning of the MTW Demonstration, MTW agencies have made use of their flexibilities to fund housing mobility programs targeting this issue.^{11 12}

In the 1990s, [the Moving to Opportunity \(MTO\) experiment](#) examined whether providing low-income families assistance in moving to better neighborhoods could improve their economic and health outcomes. Later, researchers found that children of families who moved experienced better outcomes, such as increased chances of attending college and higher incomes as adults.

Relatedly, prior to the creation of Small Area Fair Market Rents (SAFMRs), MTW PHAs were innovating by creating submarket based rental markets by neighborhood, tiers, ZIP codes, etc. This early work, combined with the national rollout of SAFMRs, created greater opportunities for households to move to areas of opportunity.

Bringing mobility research to low-income housing programs, the Seattle Housing Authority and King County Housing Authority (Washington) used their MTW waiver flexibilities, providing landlord incentives and setting higher payment standards for high opportunity neighborhoods, to participate in a randomized control trial between 2018 and 2020. The study, known as Creating Moves to Opportunity (CMTO), aimed to understand why these families with children were not moving into higher-opportunity areas (such as those with high-performing schools, access to jobs, low crime, parks, and other amenities) and to reduce barriers to do so through three supportive services: customized housing search assistance, landlord engagement, and short-term financial assistance¹³.

CMTO revealed that many low-income families do not have a strong preference to stay in low-opportunity areas but face barriers to moving to higher-opportunity areas. Further, the results imply that designing housing programs to address these barriers may positively impact residential segregation by race and socioeconomic status and potentially increase intergenerational income mobility for the families who do move into higher-opportunity areas.

The research results and positive reception of CMTO helped to drive momentum around housing mobility and neighborhood choice, paving the way for the [Community Choice Demonstration](#) (CCD), (previously the HCV Mobility Demonstration) to receive funding through the 2019 and 2020 Appropriations Acts.¹⁴

Like CMTO, CCD provides housing mobility-related services and will study how they facilitate moves to opportunity areas by families with children. Building on CMTO's model, CCD launched in 2022 at eight PHAs and provides a wider breadth of services, adding pre- and post-move support and landlord incentives, and allowing PHAs to make changes to administrative policies to decrease burdens related to affordability and timing of unit inspections. In addition, the team behind CCD has developed resources for all PHAs on implementing housing mobility programs.

While many factors contributed to the growth and transformation of HUD's housing mobility programs over the last few decades, the fungibility flexibilities at MTW PHAs were instrumental to initial partnerships and innovations.

Rental Assistance Demonstration (RAD) (2012)

Maintaining the public housing stock is one of the most pressing challenges in affordable housing today. Addressing this, the [Rental Assistance Demonstration](#) (RAD) was first authorized through the Appropriations Act of 2012 to preserve and improve public housing and address the backlog of deferred maintenance. Through a RAD conversion, a property moves from its original regulatory platform to Section 8 project-based assistance – either a Project-Based Voucher (PBV) contract under a PHA’s Housing Choice Voucher (HCV) program or Project-Based Rental Assistance (PBRA) administered by HUD. Under Section 8 project-based assistance, the property can access the new financing tools that the rest of the affordable housing industry safely uses and, with the long-term project-based contract, provides for predictable, stable rental assistance; is flexible for owners; is well understood by lenders and investors; ensures long-term affordability for the residents; and increases resident choice. Public housing properties that convert through RAD remain perpetually affordable through long-term Housing Assistance Payments (HAP) contracts required to renew at each expiration and Use Agreements that preserve HUD’s interest in the property.

The conversion of public housing properties to HCV PBV assistance was first pursued in the 2000s by two MTW agencies: [San Diego Housing Commission](#) (SDHC) (California) and [Keene Housing](#) (New Hampshire).^{15 16} A landmark agreement with HUD transferred ownership and operating authority for 1,366 public housing units to SDHC – the largest public housing conversion at the time.¹⁷ While conversion had been technically possible through Section 18 (demolition and disposition), these PHAs were the first to reposition public housing onto a Section 8 contract, coupled with creative financing solutions to preserve the quantity and significantly improve the condition of their housing stock. The success of these initiatives provided proof of concept and helped inspire the legislative authorization for RAD as a tool to streamline and formalize the conversion and reinvestment process. Further, early adopters of RAD, such as the Cambridge Housing Authority, demonstrated the new opportunity it provided and how MTW flexibilities could be applied to RAD properties and the residents in which they serve.

Further, PHA efforts to preserve the local community and prioritize housing for the residents affected by the conversion informed specific RAD policies that would be necessary for other PHAs to utilize project-based assistance to preserve and improve their public housing communities. Leveraging their MTW flexibilities, the PHAs sought waivers for traditional PBV requirements to allow the community to remain physically intact. Learning from the success, the RAD program adopted program-wide waivers including:

- **No PBV Project Cap (i.e., income-mixing requirement):** HUD waived the cap on the number of units that may receive RAD PBV assistance in each project.
- **No PBV Program Cap:** HUD exempted properties converting through RAD from the cap on the amount of a PHA’s voucher program that could be project-based.
- **Competitive Selection Not Required:** HUD exempted properties converting through RAD from the competitive selection requirements, recognizing the preservation goals of the program.

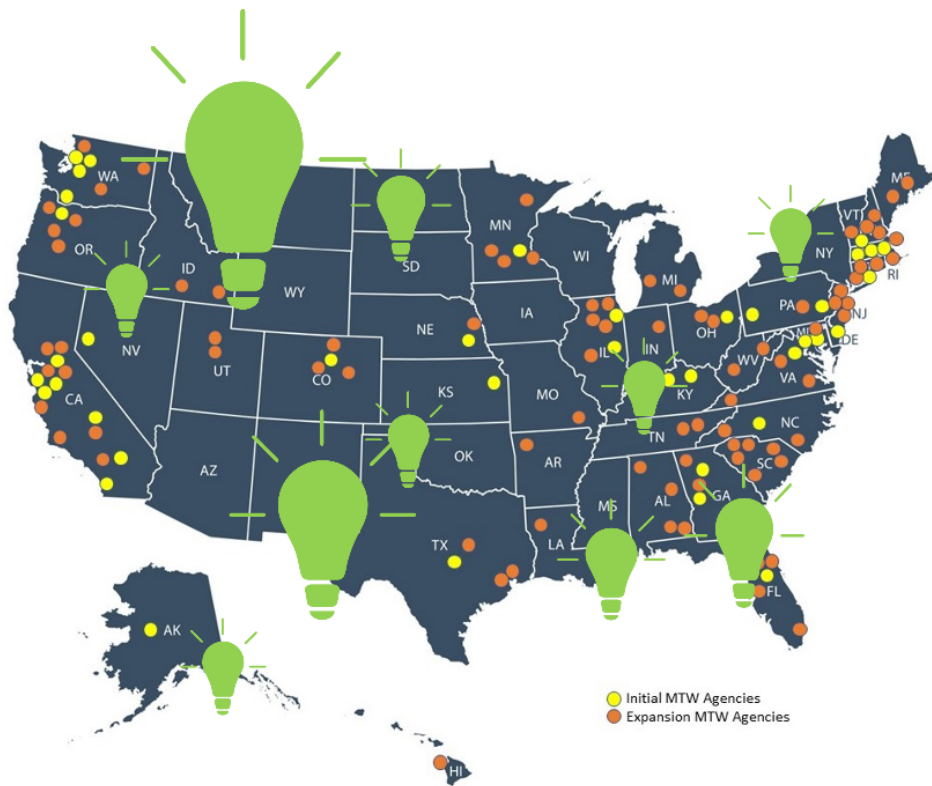
The Housing Opportunity through Modernization Act of 2016 (HOTMA) then further enshrined these exemptions for other scenarios in which a PHA is using the PBV program to preserve and improve formerly assisted properties. Once RAD was authorized, HUD sought opportunities for MTW PHAs to leverage the flexibilities of both MTW and RAD. The fungibility of funds that MTW agencies had employed for years proved critical in allowing these agencies to overcome limitations on revenue and contract rents. More specifically, MTW PHAs may use their funding to augment RAD rents to increase the viability of properties. Having seen the benefit of the ability to augment rents, HUD recently offered it to non-MTW agencies using the Faircloth-to-RAD option, in which PHAs expand their affordable

housing stock by developing new public housing properties and converting to RAD using augmented rents that were essential to the feasibility of the development.

Just as MTW has done for initial and expansion agencies, RAD allows PHAs to pursue innovative, local solutions to improving public housing while ensuring adherence to HUD’s core tenet of providing affordable housing for all.

Conclusion

Since it was first authorized in 1996, the MTW Demonstration has allowed participating PHAs to customize national housing policies to meet their specific local needs. As seen in the preceding report, the resulting innovations have paved thus far the way for over 10 years’ worth of new programs and policy reforms and will continue to do so. In 2021, MTW began expanding through cohorts in which participating PHAs will focus on specific solutions to low-income housing challenges, such as landlord incentives for participation in the HCV program and stepped and tiered rent alternatives. Future evaluations of these interventions as well as innovations that all MTW PHAs continue to implement are expected to grow and refine the lessons that the MTW Demonstration has inspired to date, strengthening its role in improving low-income housing programs across the nation.



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