



# A New Approach to **PUBLIC** Housing

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**T**he past six years have been difficult for public housing. The war on terror, the national debt, and the ongoing trade deficit are putting pressure on the federal government to rein in discretionary domestic spending.

Unfortunately, social programs bear the brunt. Affordable housing programs—particularly public housing’s operating and capital programs—are being hit hard. Couple diminishing appropriations with a program based on costly, restrictive regulations, and you have a recipe for failure.

Within this context, a small, decade-old experiment in housing policy is taking on increasing significance.

## **Moving to Work**

In 1996, the Moving to Work (MTW) Demonstration was born.<sup>1</sup> It was based on a simple premise: If a limited number of public housing agencies (PHAs) were permitted to merge funds from various programs (fungibility) and were exempted from most regulations, they might administer programs better, serve more low-income households, and reduce costs. Ten years

later, many see MTW as the best hope for public housing’s survival.

Congress designed Moving to Work as an experiment to see if relaxing the regulatory requirements of the 1937 Housing Act would improve public housing agencies’ delivery of services to the nation’s neediest. Twenty-four PHAs are currently participating. MTW public housing agencies include state, county, and city PHAs

**Grand opening of a building developed in conjunction with the Cambridge Housing Authority.**



Photographs courtesy of the Cambridge Housing Authority

varying in program size and services. Thanks to MTW’s flexibility, they can design and test new approaches for providing and administering housing assistance. The goal is to reduce cost, increase the choices for low-income families, and boost residents’ self-sufficiency.

**New England Tests the Program**

The four New England sites participating in the demonstration (Cambridge Housing Authority, Massachusetts Department of Housing and Community Development, Keene Housing Authority in New Hampshire, and Housing Authority of the City of New Haven) apply their MTW options in a number of ways. (See the exhibit “Moving to Work Activity.”) The differences reflect each agency’s response to local conditions—markets, housing needs, political cultures, and philosophies about housing assistance.

Moving to Work is allowing New England public housing agencies to innovate in four areas: merging U.S. Department of Housing and Urban Development (HUD) subsidies for increased flexibility, changing rent rules and subsidy formulas, designing administrative reforms, and increasing family self-sufficiency through social welfare programs.

**Fungibility**

Using Moving to Work flexibility, some agencies have merged their funding streams. Non-MTW public housing agencies have three separate streams—operating subsidies for public housing, modernization grants (Capital Funds), and tenant-based assistance (housing choice vouchers, or HCVs)—and each has a requisite use. Merged assistance enables PHAs to use funds from all three sources for any type of housing assistance or transition-to-work service.

Moving to Work Activity	Cambridge	Keene	Mass. DHCD	New Haven
Alternative rent-subsidy formula	X	X		
Self-sufficiency program		X	X	X
Administrative reforms	X	X		X
Site-based waiting list	X	X		X
Time limits		X	X	
Change to inspection rules		X	X	
Fungibility	X	X	X	X



Lincoln Way, Cambridge, Massachusetts.

## Public housing agencies argue vigorously that Moving to Work enables them to improve the quality of housing stock, enhance services to residents, and increase affordable housing opportunities.

All four New England agencies take advantage of this fungibility. Cambridge Housing Authority is able to leverage its reserves, save on energy, use operating and voucher subsidies for financing modernization projects at its public housing development, and go after acquisition and development opportunities. As a result, Cambridge has added 437 units (some affordable, some market rate) to its housing stock.

### Rules and Formulas

The rules and formulas that non-MTW agencies use to calculate rent are complex and often cause residents to hide income. They require time-consuming

and tedious verification and reporting. HUD's rules also increase rents each time a resident's income increases, which discourages residents from moving toward economic self-sufficiency.

Several Moving to Work sites have experimented with alternatives to the traditional percent-of-income approach for calculating tenant rent. Rent structures and optional deductions can give families incentives to work, decrease intrusion into their lives, and lessen administrative burdens. A wide range of alternative approaches exist nationwide, including some that completely detach rent determination from incomes. In New Hampshire, Keene Housing

Authority has implemented a stepped-rent approach. Cambridge, too, has drastically simplified the process, listing rents by income and bedroom size on a simple one-page chart.

Under Keene's program, tenants pay an increasing share of rent over time, regardless of whether household income increases. A flat rent increases by steps after one and three years. Rental assistance is limited to five years, with a two-year extension for exceptional circumstances. In lieu of a housing-choice voucher (Section 8 voucher), participants receive a housing-assistance coupon. Unlike a housing-choice voucher, the coupon is a fixed subsidy given directly to the tenant, rather than the property owner. Property owners who rent to coupon recipients may self-certify compliance with HUD's Housing Quality Standards.

The flexibility of the MTW program has allowed Cambridge to implement comprehensive rent simplification. Rent simplification establishes an easy-to-understand rent and deduction schedule, creates biannual recertifications, and eliminates policies requiring residents to report income increases between recertifications. In its voucher program, Cambridge Housing Authority increased the amount of assets residents may possess, limited interim recertifications, restricted zero-income rents, and established new minimum rents.

### Administrative Reforms

Under Moving to Work, many public housing agencies are able to alter HUD procedural and reporting requirements that they consider inappropriate and unresponsive to local housing markets. Administrative changes are producing small-scale improvements in efficiency,

# Moving to Work:

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cost savings, and staff time, enabling agencies to divert resources to other objectives. For instance, the Housing Authority of the City of New Haven is focusing on improving and enhancing all department services and operations to transform its management services into a cost-effective and coordinated model promoting self-sufficiency.

### Self-Sufficiency

For MTW agencies, promoting work and self-sufficiency is a central goal, and many report that employment and income levels have risen substantially during the demonstration.

Massachusetts Department of Housing and Community Development's Moving to Work initiative redesigns a section of its housing-choice-voucher account to help 180 families receiving public assistance make the transition to work. Its program provides an annual stipend to participants, divided into three targeted uses: an automatic contribution to a monthly escrow account, a budget for work-related expenses, and a shallow rent subsidy. (*Shallow* means a relatively small subsidy. Participants contribute more than the typical 30 percent of income toward rent because some subsidy dollars are going toward the escrow account and the work-related expenses.)

Keene requires that participants join its self-sufficiency program, Resident Self-Reliance, which provides individualized case management, supportive services, and workshops on setting goals and developing skills.

### Proponents & Opponents

Recent cuts to housing programs plus HUD's increasingly proscriptive oversight are generating calls for MTW expansion. Many industry leaders believe that tapping the program's flexibility offers the best hope for public housing agencies. Federal legislators seem to be listening. In 2006 two new bills were introduced. A bipartisan bill in the House of Representatives (H. 5443) would increase the number of MTW agencies to 40 and would make the program permanent. The Senate's far more ambitious bill (S. 3508) proposes making 250 agencies MTW agencies, establishes an accreditation board, and makes the program permanent.

As PHAs and industry groups clamor for expansion, some advocacy groups are worried that, to cut costs, public housing agencies will circumvent existing regulations requiring them to serve established percentages of extremely low-income households. Both the Center on Budget and Policy Priorities and the National Low Income Housing Coalition have advocated against expanding the MTW program.

Public housing agencies argue vigorously that Moving to Work enables them to improve the quality of housing stock, enhance services to residents, and increase affordable housing opportunities. Unfortunately, few studies evaluate the outcomes of the HUD demonstration.

Given increasing calls for expansion, MTW agencies, supportive industry groups, and low-income advocacy organizations (including opponents) are calling for further evaluation. In response, HUD and MTW authorities have begun designing outcome measurements.

### What the Future Holds

As the Moving to Work debate builds in Congress and in the public arena, three things are clear. First, MTW is widely supported by those in the trenches of the public housing industry, with executive directors anxious to have its regulatory relief and financial flexibility. Second, opponents and proponents alike seek more outcome measurements. MTW agencies want to have their accomplishments measured against those of non-MTW agencies—and even against their own pre-MTW policies. Moving to Work opponents want to see whether MTW agencies are using their flexibility to shift services and funds from those who need it most to higher-income households.

Finally, what began as a small, obscure experiment in 1996 has entered the consciousness of public housing and stands a chance of creating a new vision—a dramatically altered business model that could serve communities for years to come.

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### Endnote

<sup>1</sup> See <http://www.hud.gov/offices/pih/programs/ph/mtw>.