EVERETT
HOUSING AUTHORITY

Moving to Work Application
Cohort 2: Rent Reform

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EVERETT HOUSING AUTHORITY MTW PLAN

I. VISION FOR LOCAL MTW PROGRAM

Thriving resident households is the central driving force behind EHA's MTW vision and reason for its interest in MTW. All MTW initiatives, whether they relate to increased housing choice, household self-sufficiency, and/or efficiency and cost effectiveness, will focus directly or indirectly on the ability of households to thrive, especially through greater long-term economic independence.

MTW provides new tools to address the many challenges and barriers faced by EHA residents in their efforts to thrive, including:

- Concentration of subsidized housing in the highest-poverty Census Tract in Snohomish County;
- Over 1,100 homeless school children and their families;
- Declining percentage of subsidized housing opportunities for families with children;
- Relatively low median household incomes but extraordinarily high housing development and rental costs driven by the neighboring King County market;
- Program regulations limiting EHA's ability to address local circumstances, for example, the Project-Based Voucher rules;
- A rent policy that does not reward work and support households' potential to thrive;
- Limited federal and local resources to invest in self-sufficiency and support services;

MTW flexibility will enhance EHA's ability to pursue the agency's mission and strategic objectives in a manner that prioritizes helping residents to thrive. MTW flexibilities will help EHA households have access to:

- 1,500 new housing units in mixed-income developments throughout EHA's jurisdiction

- Access to housing options in communities of opportunity through a redesigned HCV Program and strategic PBV program changes
- Staff in all departments and levels organized to maximize household success

The exciting MTW opportunities that EHA believes are key to the ability of its households to thrive include:

- **A New Rent Policy.** EHA's preferred rent policy option will provide households with very strong incentives to become employed, retain employment, increase their earned income, and progress in their careers. EHA will explore ways to strengthen the effectiveness of these incentives during and after the first six years.
- **Project-Based Voucher (PBV) Innovations.** Not only will an expanded and strengthened PBV program result in increased housing choices, it will strengthen EHA's and our key partners' ability to address systemic racism in the housing market, especially for families with children, as well as contribute to households' long-term economic success.
- **Funding Flexibility.** MTW flexibility would allow EHA to use up to 10% of its HAP funding for local non-traditional activities. In addition, EHA will invest cost savings from administrative efficiencies and some HAP funds directly in services and other efforts to increase household self-sufficiency and stability. In addition, the use of HAP funds for gap financing will leverage millions of dollars for equitable housing development during the first 6 to 10 years of EHA's participation in MTW.
- **Community, Resident, and Staff Engagement.** Statutory and regulatory flexibilities create a substantial responsibility to utilize community partner, resident, and staff ideas and creativity to address our jurisdiction's needs. EHA values inclusion as a key strategy to

improve program outcomes. EHA believes that greater, ongoing and authentic engagement with our stakeholders will result in exponential program success.

Experience and Skills of EHA Personnel Administering the MTW Program

EHA has been successful in attracting highly educated, skilled, and experienced staff at every level of the organization. EHA's key staff who will be involved in administering MTW have significant experience managing HUD programs.

MTW Capacity	Key MTW Team Members
Staff critical to the success of EHA's MTW Demonstration include 11 leaders with over 100 years of combined experience operating and leading HUD programs. The two most senior staff have 29 years of MTW experience. The Executive Director's Master's Thesis analyzed rent policy and recommended a new policy focused on employment, job retention, and income growth incentives. This work informed Seattle Housing Authority's first MTW rent policy, which received a HUD National Best Practice award for resident engagement in the development process. EHA's team possesses strong analytical (qualitative and quantitative) talent well	• **Ashley Lommers-Johnson,** PHM, MA, MPA, Executive Director • **John Forsyth,** MPA, Housing Operations Director • **Janinna Attick,** MPA, Senior Policy Analyst; prospective MTW Coordinator • **Wendy Blain,** BSc, Finance Director • **Wendy Westby,** BA, HCV Prog. Director • **Tony Nabors,** BA, Diversity, Equity & Inclusion Director • **Jason Morrow,** MA, PhD, Development Director • **Kristen Cane,** MPA, Senior Real Estate Advisor • **Vanessa Figueroa,** MSW, HCV Prog. Manager & PBV Administrator

suited for a rigorous demonstration requiring thoughtful policy analysis and program evaluation.	• **Donelle Kienholz,** MSW, Resident Services Manager • **Abby Karpowitz,** BA, FSS Coordinator

Fair Housing and Other Civil Rights Goals, Strategies, and Specific Actions

EHA's commitment to civil rights and affirmatively furthering fair housing is explicit in its new mission statement: "We create affordable housing, foster healthy communities where households thrive, and *replace systemic racism with equity for all*."

In addition, one of EHA's four strategic plan objectives prioritizes Fair Housing and Civil Rights: *The race—as well as other physical or social or characteristics or sexual orientation—of any client or staff will have no impact on how they fare in EHA's programs or their potential in the organization*. EHA's MTW Plan will not only be guided by Fair Housing and Civil Rights goals, it will be explicitly designed to achieve them.

To implement EHA's Fair Housing and Civil Rights commitment, a new Director of Diversity, Equity and Inclusion led the development of the plan to operationalize the DEI strategic objective. Aside from this strategic commitment and direction, EHA will continue past practices to further fair housing objectives:

- EHA's mission includes an explicit commitment to undoing systemic racism. EHA has a director-level position with a sole focus on furthering diversity, equity and inclusion.
- EHA administers a content-rich Fair Housing training to all staff in three modules via its e-learning platform as part of the onboarding process and annually thereafter.
- EHA successfully relocated all Baker Heights public housing tenants, mainly through Tenant Protection Vouchers, from Snohomish County's highest poverty neighborhood to

many new communities between 2017 and 2019. EHA staff supported the many LEP tenants with language-specific relocation services and briefings in eight different languages.

- For the past few years, EHA staff have included information on the benefits of moving to areas of opportunity and a map showing areas of opportunity as determined by the Kirwan Institute methodology in the HCV oral briefing, and added information about the benefits of moving to opportunity areas to the briefing and mover's packets in 2020.
- In 2018, EHA engaged a fair housing consultant to complete an Analysis of Impediments to Fair Housing Choice and a Language Access Plan, including a Four-Factor Analysis, for those with Limited English Proficiency on EHA programs and in the Everett community. To implement the results of the report, EHA created an LEP staff committee that is developing improved LEP policies and procedures. EHA intends to expand this committee to include program participants and a representative from a local human services agency.

II. PLAN FOR FUTURE COMMUNITY/RESIDENT ENGAGEMENT

Plan for Continued Engagement of Assisted Households and Community Stakeholders

Building on its existing relationships, EHA has developed a robust community and participant engagement plan for its MTW program. The plan includes the following components:

- **Creation of a Resident Advisory Group** comprised of EHA residents and participants. EHA commits to consulting with the Advisory Group on development of the agency's initial and annual MTW Plans and any new major initiatives implemented or discontinued as part of MTW, including the new rent policy to be implemented.
    - Several residents and program participants have expressed interest in participating. EHA will continue to do outreach through mail, e-mail, the EHA website, postings at EHA properties, and direct staff outreach to identify additional members.

- Experience has shown resident advisory and focus groups are larger and more diverse when participants are compensated for their time and expertise. Therefore, EHA will commit resources to compensate members of the Resident Advisory Group for their contributions.

- **Creation of an MTW Advisory Board** that includes one or more representatives from the Resident Advisory Group as well as participants from community stakeholder groups. EHA has gotten preliminary agreement from the following organizations to participate in the MTW Advisory Board: Housing Hope, Washington State University (WSU) [Additional organizations currently in development.]
- **Outreach to existing community groups**, including community groups comprised of and working with immigrants, people with limited English proficiency (LEP), and communities of color, to ensure a diversity of voices. EHA has done outreach to the following community groups: [List of organizations currently in development.]

Planned Affirmative Outreach

EHA will seek to include diverse voices in the MTW planning and implementation processes by:

- Seeking representation on the Resident Advisory Group and feedback on MTW plans and initiatives that is representative of the community and EHA's resident population through targeted outreach such as language-specific materials, and through multiple communication methods including mailings, flyers at EHA properties, text messaging, and direct outreach by EHA's Resident Services department, which has trusting relationships with residents.
- Including representatives on the MTW Advisory Group from local organizations that serve the wide diversity of populations in the local community. EHA has identified the following community partners: [List of organizations currently in development.]

- Translating important documents and communications about policy changes and rent reform into the most common languages, and actively notifying families in multiple languages that documents can be translated into additional languages upon request.

III. PHA OPERATING AND INVENTORY INFORMATION

EHA is the housing authority for the City of Everett, Washington, which has a population of about 110,000 people and is the county seat of Snohomish County. EHA administers 3,160 Housing Choice Vouchers and has a real estate portfolio of nearly 1,500 units, 70% of which are designated for older adults, either age 55 and older or 62 and older. 74% of EHA's portfolio is subsidized with traditional PBVs, RAD PBVs, or Section 202 PRAC or PBRA contracts. 37% of EHA's units are in the Delta neighborhood of North Everett, parts of which have high concentrations of poverty. Over the past seven years, EHA has invested about $110 million in revitalizing the Delta neighborhood.

EHA has nearly completed a seven-year effort to reposition its public housing portfolio. Most of its public housing units have been recapitalized with RAD PBV contracts. EHA is in the process of disposing of its remaining public housing inventory, which consists of 44 scattered site units and a 244-unit wartime housing development, Baker Heights. All of the tenants of these units have been relocated and have received Housing Choice Vouchers. EHA's portfolio consists of the following vouchers and units:

Program	Units/Vouchers	Population(s) Served
Housing Choice Vouchers	3,160	Elderly (32%), non-elderly people with disabilities (28%), families with children (32%), general low-income (8%)
Non-Elderly Disabled	*200*	*Non-elderly people with disabilities*
Mainstream	*78*	*Non-elderly people with disabilities*
Project-Based Vouchers (PBV)	*568*	*People experiencing homelessness, veterans, victims of domestic violence,*

		elderly, people with disabilities, young parents
RAD PBV (former Public Housing)	333	Elderly people (62+), people with disabilities, low-income households
Section 202	443	Elderly people (62+)
Affordable Housing (LIHTC, etc.)	386	Seniors (55+), elderly people (62+), parents in recovery, low-income households

Plans for Housing Stock as a Result of MTW Participation

In furtherance of EHA's strategic objective to create 1,500 units in communities of opportunity over the next 10 years, EHA has been building its reserves and enhancing its internal development staff capacity, including hiring a Director of Development who has significant private sector multifamily development experience. Despite EHA's success in leveraging local, state, and federal resources for development and recapitalization of its existing portfolio, high construction costs in the greater Seattle area have pushed up the cost of new development and will require EHA to invest its own resources to reach its development goal. EHA has observed how other MTW agencies in the region have successfully used MTW flexibility with project-basing and gap financing to expand their development and preservation activities.

EHA is also analyzing the feasibility of a RAD conversion for 369 units at 9 HUD 202 PRAC properties that the agency controls. These properties struggle due to their smaller sizes and lack of secure funding and EHA sees a RAD conversion as a possible way to address capital needs and stabilize the properties. MTW participation would give EHA the flexibility to augment rents or provide additional capital funding, which could make the difference for a successful RAD conversion.

Challenges in Leasing Units and Vouchers and Serving the Needs of Specific Populations

EHA operates in a tight rental market, with voucher holders facing competition from households pushed out of Seattle in search of more affordable housing options. Despite that, the agency consistently utilizes 100% of its HCV HAP budget authority.

Although voucher leasing rates are high and EHA has HAP contracts with hundreds of unique landlords, success rates have historically been in the 70% range and most voucher holders lease units in lower-opportunity areas. During EHA's MTW participant meetings, voucher participants identified challenges in leasing, particularly in high opportunity areas, despite a statewide law prohibiting discrimination in renting based on source of income. EHA intends to use MTW flexibility to make the program more desirable for landlords, as well as to expand landlord and participant education around the voucher program and source of income protections. EHA's units consistently operate at occupancy rates above 98%.

The share of HCVs used by families with children has decreased over the last 10+ years, while all of EHA's new vouchers, aside from tenant protection vouchers, have been for non-elderly disabled or Mainstream participants. Furthermore, elderly and disabled voucher holders have very low turnover. The high housing cost in the region puts market rate housing out of reach for modest income working families, retirees on low fixed incomes, and people with disabilities living on Social Security income.

Examples of Innovation and Creativity

EHA has a long track record of applying innovation and creativity to its implementation of HUD programs to meet the needs of the Everett community.

- 2020 will be the sixth year in which EHA's HCV Program has averaged close to 100% voucher utilization, a rare accomplishment requiring a high level of innovation and careful

planning. Maximizing the number of households served has been the highest priority for EHA for the past seven years. EHA's 2020 innovations also include 96% lease-up success for new Mainstream vouchers awarded in 2019.

- EHA has been a key partner in addressing homelessness in the Everett community through PBVs. Three new developments serving homeless households in over 110 PBV-supported units began lease-up in 2019. EHA provided Housing Hope, Catholic Housing Services, and Cocoon House with vouchers needed to make these projects a reality. EHA has five such PBV partner agencies throughout Everett.
- EHA's pioneering implementation of online recertifications using YARDI's RENTCafé platform led to a NAHRO National Award of Excellence in 2018. EHA staff assisted in the development and refinement of this ground-breaking efficiency tool. Having implemented RENTCafé for new applicants and voucher holders as well as annual recertification, EHA staff seamlessly conducted their work with residents paperlessly through remote work.
- In addition to multiple local awards, EHA received a NAHRO National Award of Excellence nomination and a Merit Award in 2018 for a resident-centered and highly efficient temporary relocation process for an 80-unit LIHTC/PBV re-syndication at Wiggums Park Place. All residents stayed within walking distance of their development, and all children attended their same school without needing transportation. EHA leased 16 units near the development for the duration of the renovation, which was done in five phases of two months each.
- In 2015, EHA also received a NAHRO National Award of Excellence for Pivotal Point, a 20-unit LIHTC/PBV project serving survivors of domestic violence. In partnership with Domestic Violence Services of Snohomish County (DVS), the City of Everett, the Army Reserve and a number of funders, EHA was instrumental in transforming an Army Reserve

Base into a domestic violence shelter, new permanent housing, and an Everett Police Department annex. Vacancies at Pivotal Point are filled by clients from the shelter and receive services provided by DVS case managers. The project financing was made possible with a combination of PBVs, tax credit equity, state, and local funding.

- Through an agreement with the neighboring housing authority, HASCO, EHA's voucher holders can access rental units throughout Snohomish County without the administrative burden of porting, expanding voucher holders' access to units in surrounding suburban areas with low poverty rates and high-performing schools.
- In 2014, EHA became one of the first PHAs to take advantage of HUD's Rental Demonstration Program (RAD), converting three of its five Public Housing developments (Grandview, Bakerview, and Pineview) to RAD PBV. EHA secured funding for the long-term capital needs of these three developments and seven other affordable housing properties by forming two tax credit partnerships that leveraged bond financing and tax credit equity. EHA's unique and creative financing strategies for the two RAD projects received a NAHRO National Merit Award in 2015.
- EHA has operated a highly successful local Family Self-Sufficiency (FSS) program since 2014. In 2018, 74% of FSS participants increased their earned income. The program initially was funded from internal resources; in 2020, EHA was one of only 18 applicants to receive a HUD FSS Coordinator grant. EHA recently received another HUD award for 2021.
- EHA also partnered with Housing Hope on their HopeWorks Station development, which combines PBV units with on-site job training and social services for homeless and low-income individuals and families. HopeWorks Station offers training in culinary careers on-

site in their Kindred Kitchen restaurant and catering facility, and in retail through their home and décor consignment shop, ReNewWorks.

- EHA is currently developing the 105-unit Baker Heights Legacy project on the site of the former Baker Heights public housing development in the Delta neighborhood of Everett, which will be assisted with PBVs. In furtherance of EHA's goal to end schoolchild homelessness in Everett, 75% of the units will house homeless families with children who attend Everett School District schools in North Everett.

IV. PLAN FOR LOCAL MTW PROGRAM

EHA's local MTW program innovations, whether they are self-sufficiency, housing choice or streamlining efforts, will be squarely focused to help residents prosper and thrive. For example:

- All cost savings from administrative streamlining and other initiatives will be invested in services and programs (e.g., expanded FSS) to increase long-term resident self-sufficiency. For example, capping tenant-based HCV rents at LIHTC properties to maximum tax credit rents would save $308,000 a year, a significant potential investment in resident success.
- Leveraging HAP funds as gap financing to develop housing in healthy communities of opportunity with access to jobs, transportation, good schools, and other amenities to help residents prosper. EHA will use up to $3 million per year for the first 6-10 years under MTW.
- The HCV Program will be transformed by policy and other initiatives to also expand choice throughout EHA's jurisdiction, using MTW to design a local Mobility Demonstration.
- EHA's PBV Program will use MTW flexibility in a comprehensive way to contribute to ending homelessness among families with children in Everett schools. We will seek a partner (e.g., WSU) to evaluate the long-term benefits to children and families over two decades.

- All MTW initiatives, combined with a radical commitment to Fair Housing and Civil Rights, will seek to end race and other demographic characteristics as determinants of success.

EHA has identified the following initiatives as initial priorities for its local MTW program, organized under the three MTW statutory objectives.

Cost Effectiveness

- Streamline the reexamination process for elderly and disabled households to reduce staff time managing resident files.
- Streamline the utility allowance schedule to be simpler for participants to understand and decrease administrative time spent preparing and calculating utility allowances. EHA has reviewed the approach taken by the four MTW agencies in the current Rent Reform demonstration have done, focusing more on unit size with adjustments for more expensive utilities in the local market, and would like to implement a similar approach program-wide.
- Streamline HQS inspections by allowing EHA to inspect its own units and decrease the frequency of HQS inspections for units that receive regular inspections from other entities.
- Cap rents for tenant-based voucher participants living in low-income housing tax credit units to at or slightly above the 60% AMI tax credit maximum rent.
- Continue identifying administrative efficiencies to free up resources that can be used to serve more families and/or increase services provided to existing residents/participants.

Self-Sufficiency

- Implement Tiered Rents as part of the rent reform study to incentivize participating employment-focused (non-elderly, non-disabled) families to increase their earned income.
- Streamline local FSS program rules to decrease administrative burden and increase participant success in meeting self-sufficiency goals.

- Align PBV selection. contracting, waiting list and admissions requirements with those of other state and local funders, including with the local Coordinated Entry system used to prioritize people experiencing homelessness for housing.

Housing Choice

- Increase the share of EHA households who live in communities of opportunity, through policies such as increasing payment standards in these areas, creating landlord incentives, project-basing in opportunity areas, and using MTW funding to create and preserve housing in opportunity areas (see Section 5 for more information).

V. PROPOSED USE OF MTW FUNDS

EHA requests authority to use public housing and HCV funds flexibly in the MTW program. EHA expects that eventually all of its MTW funding will be HCV funding, as it is in the process of disposing of its remaining public housing units. Because EHA consistently uses 100% of its HAP funding, spending funds flexibly will require identifying cost savings or very difficult police trade-offs. Through its planning process and consultations with stakeholders, EHA has prioritized the following uses for MTW funding:

- **Provide gap financing for development of affordable housing,** prioritizing housing for families with children and development in communities of opportunity or as part of a plan to transform an existing community.
- **Create a local property-based or sponsor-based rental subsidy program** to better meet the needs of the populations that EHA currently serves using PBVs.
- **Expand supportive services** to EHA participants for housing success, increasing income and self-sufficiency, and housing stability, building on EHA's existing successful programs and partnerships such as FSS and Hope Options. EHA has identified a particular need to

expand its service offerings to tenant-based voucher households, which EHA most likely will need to deliver differently from FSS in view of the number of households to be served. EHA will target savings from lower administrative costs due to streamlining as well as HAP savings from policy changes to expanding supportive services.

- **Provide resources to help voucher participants successfully lease units in communities of opportunity**, such as landlord incentives or funding to assist with security deposit and application fees, which are a current gap in the local community.

VI. EVIDENCE OF SIGNIFICANT PARTNERSHIPS

EHA has developed deep relationships with a number of key agencies in the community, through its work to reimagine the Delta neighborhood referenced earlier, as well as partners on its Family Self-Sufficiency (FSS) Project Coordinating Committee. These partnerships will help make EHA's implementation of MTW successful.

[EHA is continuing to identify partner agencies and leveraged funds or in-kind contributions that partners can bring to strengthen EHA's MTW program.]

Partner Agency	Existing Relationship and Commitments
Housing Hope	EHA partners with Housing Hope to provide service enriched PBV housing for homeless and low-income families at several Housing Hope properties and will be providing PBVs in support of a new Housing Hope development serving homeless schoolchildren and their families. Housing Hope supports EHA residents with College of Hope, which provides adult education classes focused on family life, economic well-being, health and wellness, and housing expertise.

City of Everett	Collaboration on the agencies' Consolidated and PHA Plans, as well as in connection with EHA development activities in the City.
Snohomish County	The County has committed state-funded early childhood vouchers for an on-site preschool at EHA's Baker Heights Legacy project in the Delta neighborhood. EHA shares data with the County's Office of Community and Homeless Services (OCHS), to identify homeless households who are on EHA's voucher waiting list and in Coordinated Entry, allowing these households to access OCHS housing navigator services.
Washington State University (WSU)	WSU, which has a new campus in the Delta neighborhood of Everett, will explore partnering with EHA on early education programs and through their medical school program.
Workforce Snohomish	Workforce Snohomish is the local Workforce Investment Board and has partnered with EHA to offer employment-related workshops and job search assistance to residents of EHA's Baker Heights Legacy project, which is in development. Workforce is also a member of EHA's FSS Program Coordinating Committee.
Everett School District (ESD)	ESD serves the majority of EHA residents and many voucher holders. ESD has partnered with EHA on an early childhood education facility at EHA's Baker Heights Legacy redevelopment. ESD is a key partner in EHA's goal to end homelessness among Everett schoolchildren and their families.
Everett Community College (ECC)	ECC is a key partner in transforming the Delta neighborhood and a provider of workforce training. Part of FSS Program Coordinating Committee.

RENT REFORM INFORMATION

I. ALTERNATIVE RENT POLICY SELECTION AND RATIONALE

For households to thrive financially and to achieve the MTW statutory objective of greater self-sufficiency, EHA believes that a rent policy perceived to reward work is crucial. Of the rent options available under Cohort 2, **it is clear that MTW Test Rent #1, Tiered Rent, rewards work**. For a new rent model to highly successful, it must reward work in a way that rewards/incentivizes:

Getting a job	Keeping a job	Getting a better-paying job or higher income

Residents frequently view sometimes steep rent increases due to income increases under the current policy as punishment for work. The reward for getting a job, keeping it, and increasing income are nonexistent or too weak. The tiered rent model provides far more rewards for work. Triennial recertifications and keeping rent tied to income will likely have two of the desired effects:

- **Incentive to get a job**. For the unemployed, getting a job would be rewarded with higher income for up to three years without an increase in rent.
- **Incentive to increase income.** For the employed, the triennial recertification would incentivize higher earnings because rent increases would be delayed for up to three years. The income earner might work more hours, aspire to a higher paying job, and/or an additional household member can find a job without consequence for up to three years.

Whether the policy has a sufficiently strong job retention incentive when recertifications result in a potentially steep rent increase due to significant income gains over one to three years would be a useful matter for research. The model's job retention incentive could be strengthened by limiting the size of the rent increases, e.g., to four tiers higher than the existing rent. EHA will pursue such

a modification after the first six years of implementation unless HUD allows such a change at the beginning of the demonstration.

- EHA already has a $50 minimum rent, so many of the lowest-income families will see no change in their rent.

The Stepped Rent model (MTW Test Rent #2), instead of rewarding work, appears to be more of a stick approach. In other words, "you better get a job in order for you to afford your rent next year." Such a model is not consistent with EHA's values and desire to provide opportunities as a means to facilitate progress. While some may be motivated by impending hardship, EHA does not believe that it would work for most residents.

Finally, EHA believes in the Jobs Plus hypothesis under which a rent policy that rewards work is one of three elements that together can result in a synergistic effect of exponential increases in self-sufficiency. EHA will supplement the rent policy with greater access to services and jobs and staff who view their jobs as strengthening households' ability to thrive.

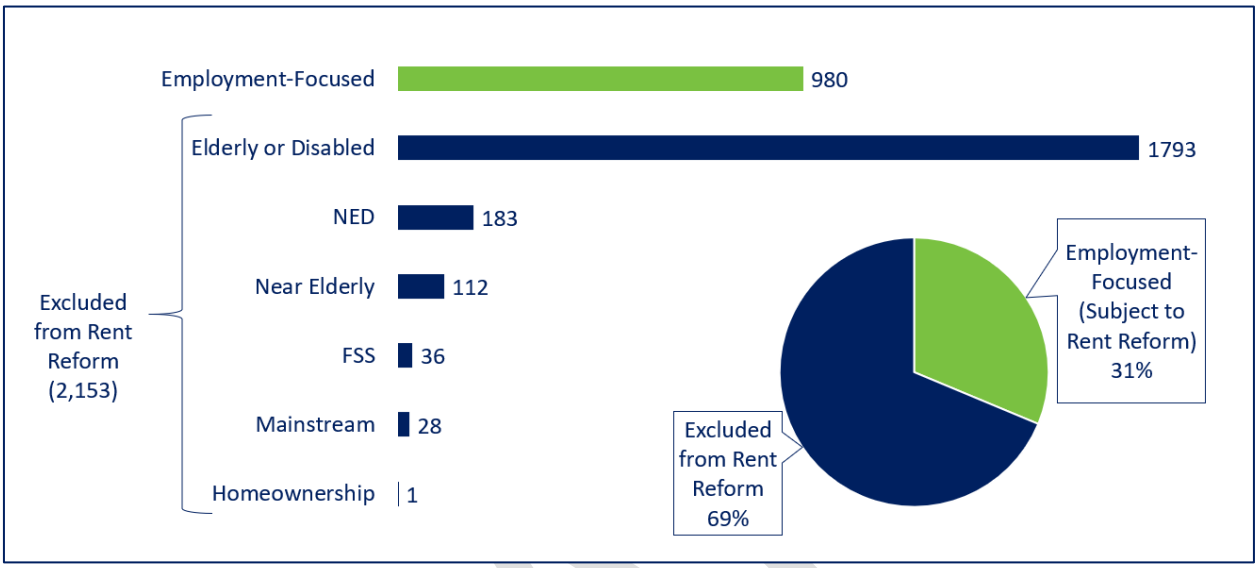
II. DESCRIPTION TO THE PUBLIC OF TIERED RENT POLICY

Eligibility and Enrollment

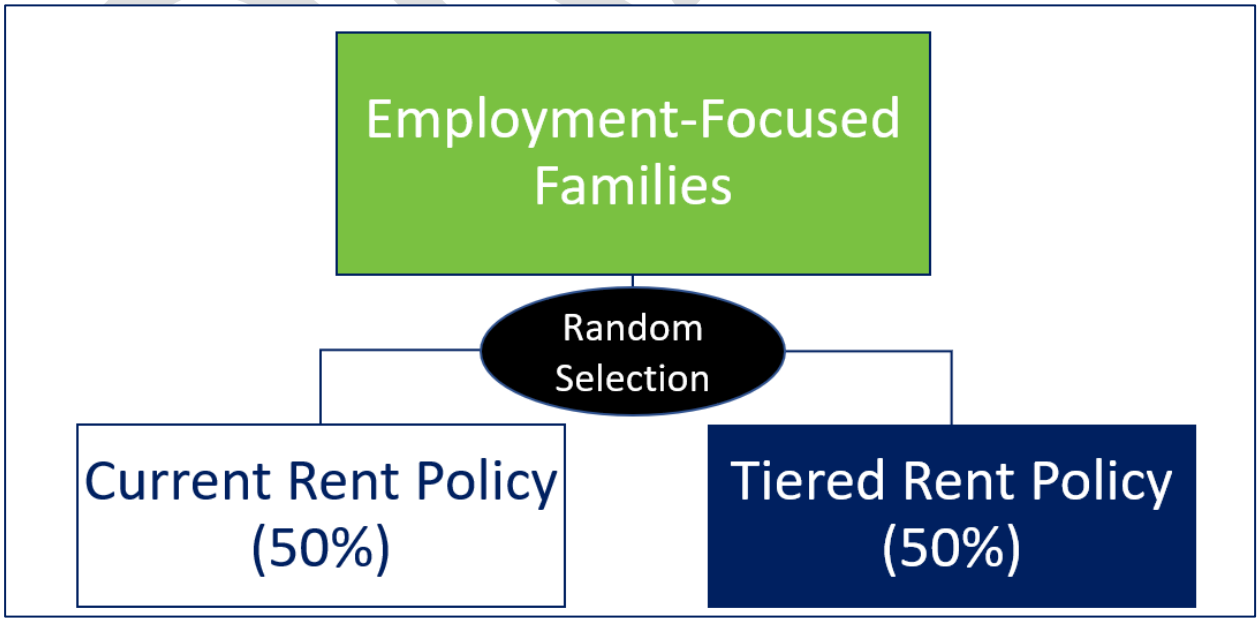
Only some households may participate in the MTW Rent Policy Study. Families (including families with only one member) on the Housing Choice Voucher and Project-Based Voucher programs will be eligible to participate in the Tiered Rent policy if they meet three criteria. They:

- Are not elderly <u>and</u> not disabled at the time of enrollment;
- Will not become elderly at any point during the six-year test rent study period; and
- Do not participate in the Family Self-Sufficiency (FSS) or Homeownership programs.

EHA will refer to these eligible households as "employment-focused" families. Based on a review of EHA participant families, EHA expects about 980 families to be eligible for the rent study and 2,153 to be excluded.



Eligible employment-focused families will be randomly selected (by lottery) to pay rent under either the Tiered Rent policy *(see Tiered Rent Calculation section)* or the Current Policy. Eligible families will be evenly split between the two rent groups. Half of the families will pay Tiered Rent



and half will pay based on the Current Policy. The enrollment process will include significant communication with Tiered Rent families about how their rent may change under the new policy.

Rollout of New Rent Policy

EHA plans on the following schedule for enrollment of families and implementation of Tiered Rents, if the agency is accepted into the MTW demonstration. This schedule may change, depending on HUD timelines and other factors.

- **2021:** HUD expected to announce selection of housing authorities for MTW. If selected, EHA finalizes details of rent policy and prepares for selection and implementation.
- **2022**: Employment-focused participants and new admissions will be randomly selected for either the Tiered Rent group or the Current Policy group.
    - EHA will engage with the Tiered Rent group intensively to explain the details of the policy and how families can maximize their financial benefits, and provide financial counseling to ensure that families do not incur unsustainable debt prior to their second MTW recertification.
- **2023:** Tiered Rent participants will have their first triennial income review under the new rent policy. Families in the Current Policy group will have their income review as usual.
- **January 2024 to December 2028:** EHA will complete annual income reviews for Current Policy group families. Tiered Rent group families will only report income changes every three years. EHA will connect with families in the Tiered Rent group at least annually to provide connections to financial counseling and budgeting resources.

EHA will process hardship requests from families in the Tiered Rent group as requested during the entire rent study period. *See Hardship Policy section for more detail.*

Differences Between Tiered Rent Policy and Current Policy

Tiered Rent differs from the current policy for setting rent in the following ways:

- Rent is based on gross, rather than adjusted income. Gross income means your income before any deductions for dependents, medical expenses, childcare expenses, etc.
- Rent is based on actual income over the year prior to the income review, rather than anticipated income, improving the accuracy of reporting and better representing long-term earnings potential.
- Income is only reviewed every 3 years, rather than annually. (There are exceptions for hardships; see Hardship Policy section below.)
- Rent is set based on tiers (ranges) of income, except for the lowest tier, which is equal to the current minimum rent of $50. (See Tiered Rent table below.)
- Rent stays the same for 3 years.

Some parts of the Tiered Rent policy are the same as the Current Policy rent:

- Rent continues to be based on the family's income.
- Families will still get a utility allowance for tenant-paid utilities. They will still get a utility reimbursement payment, if applicable.
- If a family with a tenant-based voucher chooses to lease a unit where the contract rent with the owner, plus the allowance for tenant-paid utilities, exceeds EHA's payment standard, the family will be responsible for the extra amount.
- The family cannot pay more than the gross rent. If a family rents a unit where their Tiered Rent is more than the gross rent, the family will pay the full rent.
- If a family moves between income reviews, their rent may change.

Benefits of Tiered Rent Policy

- The Tiered Rent policy provides an incentive to gain or increase earnings from employment since families won't face an immediate rent increase from the new income and can choose to save or spend the additional money they earn.
- The hardship policy will protect families who experience a loss of income.
- Less-frequent income reviews will give EHA staff more time to focus on customer service, such as landlord outreach, promoting housing stability, and supporting residents in moving to higher-opportunity areas.

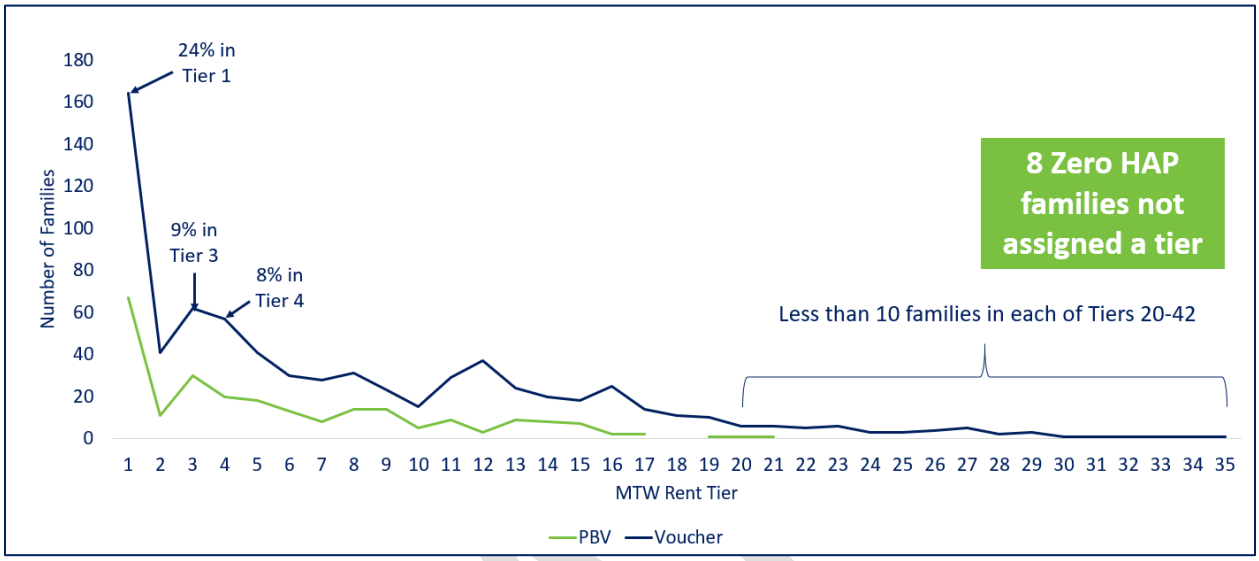
How Tiers are Calculated

On the Tiered Rent policy, rent tiers are set in ranges of $2,500 of annual gross income. Except for the first tier, which is set at the current minimum rent of $50, each tier is set at 30% of the midpoint income amount for each tier, divided by 12 (to represent monthly income). The table shown below represents the ranges of gross income for each tier and the corresponding tiered rent.

The tiered rent represents the amount that the assisted family is responsible for contributing toward rent and utilities (based on the utility allowance). The amount the family pays to the landlord is equal to the Tiered Rent, minus the utility allowance for their unit.

Anticipated Rent Tiers

The chart below shows the anticipated distribution of employment-focused families by rent tier based on current gross income.



Hardship Policy

Families who are in the Tiered Rent group will have the ability to request temporary rent relief in situations where the family has a loss of income. Hardships will be considered according to the following proposed policy, which is modeled on current EHA policies:

- A hardship is a situation where the family's total current/anticipated annual gross income would drop the family into a lower rent tier than the one they are currently in.
- EHA may also be able to approve hardship requests in very limited circumstances if a family faces an unanticipated situation, such as a major medical expense, and requires temporary rent relief to avoid eviction or similar consequences.
- If a family in the Tiered Rent group has a hardship between the triennial (every three years) income review, the family can request a hardship rent. EHA is proposing to have the hardship request process be started through the Interim Review workflow in RENTCafe, which is how a family normally notifies EHA of a decrease in income.

- EHA will strive to review hardship requests within 10 business days of receiving a request and all documentation needed to process the request. EHA will prioritize requests where the family is at imminent risk of eviction or similar consequences.
- The hardship rent will be the rent in the tier that matches the family's new, lower income.
- The hardship rent is temporary and will last between 1 and 12 months. EHA will work with the requesting family to determine how long the hardship rent should last, based on the family's circumstances, including how long the family is expected to have the lower income.
- The family can request a renewal of the hardship rent, if it is expiring and the family continues to experience a hardship.
- Once the hardship rent expires, the family's rent will return to the tiered rent assigned at their most recent triennial income review until its next triennial income review is completed.

Impacts on Specific Groups

EHA has identified two groups of employment-focused families who are few in number but expected to experience more significant increases in rent and make more hardship requests under the Tiered Rent policy:

1. Families who have significant deductions for dependent care expenses (29 families have significant annual unreimbursed child care expenses of $1,000 or more, and two families have significant annual unreimbursed disability expenses of $4,900 or more), and

2. Mixed immigration status families who receive prorated assistance (17 families).

Families with Significant Child Care or Disability Assistance Expenses

Under current HUD rules, families with dependent children receive a deduction of $480 from their gross income for each dependent (members who are under 18, over 18 and have a disability, or

full-time students of any age). In addition, current rules allow families to deduct certain unreimbursed child care expenses from gross income, if the child care allows a family member to work, seek employment, or attend school.

The loss of the child care deduction under the tiered rent calculation in particular would result in a small number of families experiencing significant increases in rent. There are currently 29 families on EHA's voucher program that would qualify for tiered rents and are currently receiving a child care deduction of at least $1,000. These families have an average gross income of $35,000 and average unreimbursed child care expenses of $6,239. **Under tiered rents, these families would experience an average rent increase of $180,** with individual estimated rent increases ranging from $44 to $443.

Another 28 families receive a child care expense deduction of less than $1,000 annually and would see less of an impact from a change in the rent calculation. These families have an average gross income of $17,500 and average unreimbursed child care expenses of $478. Under tiered rents, these families would experience an average rent increase of $35, with individual estimated rent changes ranging from a rent decrease of $1 to an increase of $72.

Families living in Everett and Snohomish County, which are close to the high-wage Seattle job market, struggle with high child care costs, which can approach or even exceed housing costs. A 2019 report by Child Care Aware found that the average annual cost for infant care in the Seattle area (outside of city limits) was $13,299 for family child care settings, and for center-based care was $16,604, which equaled 38.4% to 45.2% of the median income for a single parent. The same report found that the cost of preschool care consumes 25.1% to 26.8% of the median income for a single parent.

In addition, EHA has identified two families who have significant expenses for auxiliary assistance for a household member with disabilities that allow a member of the family to work or go to school.

EHA is concerned that the rent increase as a result of losing these deductions could act as a negative incentive for work, or alternatively, could force families to enter into less-reliable child or disability care arrangements or to pull older children out of care, for financial reasons, which is inconsistent with EHA's vision of thriving resident households.

Mixed Families

Under current HUD rules, assistance for mixed families that include both members who are citizens or have eligible immigration status and members who do not have eligible immigration status (or elect not to state that they have eligible status) is prorated based on the number of household members who are citizens or eligible immigrants in relation to the total number of members in the family.

EHA has identified 17 mixed families who would qualify to be part of rent reform. These households have average gross household income of $17,000, and 5 have annual gross incomes of less than $2,500. Assuming that mixed families continue to receive prorated HAP under the tiered rent calculation, **EHA estimates these families will experience a rent increase of $65 on average under the tiered rent calculation.** This is significantly higher than the average estimated $26 increase for full assistance families under the tiered rent calculation.

The rent increase is primarily attributed to calculating rent based on gross rather than adjusted income. EHA's mixed families have average income adjustments of $1,910 and an average of 2.76 dependents, while full assistance families have average income adjustments of $1,089 and average of 2.15 dependents. In addition, two of these families have unreimbursed child care

expenses of over $1,000 and would be negatively impacted by the loss of the deduction for that expense. All 17 mixed families already pay 39% or more of their gross income toward rent and utilities, and eight of the 17 pay over 50% of their gross income, so the estimated rent increase would likely present an additional hardship.

Hardship Mitigation

If EHA is accepted into the MTW demonstration, EHA looks forward to working with HUD and the research consultant to determine how the tiered rent policy can be implemented to minimize the negative impact on these families. **EHA's preferred strategy would be to exclude these families from the rent reform demonstration.** If that is not possible, alternative mitigation approaches could be to either phase in rent increases over several years or cap them at no more than a certain percentage increase (such as 10%).

Tiered Rent Table

Tier	Tier Annual Gross Income Minimum	Tier Annual Gross Income Maximum	Tiered Rent (Tenant/Participant Cost for Rent + Utility Allowance)
1	$0	$2,499	$50
2	$2,500	$4,999	$94
3	$5,000	$7,499	$156
4	$7,500	$9,999	$219
5	$10,000	$12,499	$281
6	$12,500	$14,999	$344
7	$15,000	$17,499	$406
8	$17,500	$19,999	$469
9	$20,000	$22,499	$531
10	$22,500	$24,999	$594
11	$25,000	$27,499	$656
12	$27,500	$29,999	$719
13	$30,000	$32,499	$781
14	$32,500	$34,999	$844
15	$35,000	$37,499	$906
16	$37,500	$39,999	$969
17	$40,000	$42,499	$1,031
18	$42,500	$44,999	$1,094
19	$45,000	$47,499	$1,156
20	$47,500	$49,999	$1,219
21	$50,000	$52,499	$1,281
22	$52,500	$54,999	$1,344
23	$55,000	$57,499	$1,406
24	$57,500	$59,999	$1,469
25	$60,000	$62,499	$1,531
26	$62,500	$64,999	$1,594
27	$65,000	$67,499	$1,656
28	$67,500	$69,999	$1,719
29	$70,000	$72,499	$1,781
30	$72,500	$74,999	$1,844
31	$75,000	$77,499	$1,906
32	$77,500	$79,999	$1,969
33	$80,000	$82,499	$2,031
34	$82,500	$84,999	$2,094
35	$85,000	$87,499	$2,156
36	$87,500	$89,999	$2,219
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Tier	**Tier Annual Gross Income Minimum**	**Tier Annual Gross Income Maximum**	**Tiered Rent (Tenant/Participant Cost for Rent + Utility Allowance)**
37	$90,000	$92,499	$2,281
38	$92,500	$94,999	$2,344
39	$95,000	$97,499	$2,406
40	$97,500	$99,999	$2,469
41	$100,000	$102,499	$2,531
42	$102,500	$104,999	$2,594
43	$105,000	$107,499	$2,656
44	$107,500	$109,999	$2,719
45	$110,000	$112,499	$2,781
46	$112,500	$114,999	$2,844

The 2020 Median Family Income for the Seattle-Bellevue Metropolitan Area, as determined by HUD, is $113,300, which is partway through Rent Tier 46.

III. INFORMATION TECHNOLOGY PLAN

EHA converted from Emphasys' LIB software to Yardi in 2014. The conversion involved the entire agency and the agency systematically converted all operations, including property management, voucher operations, accounting, and financial reporting to the platform. The conversion involved learning the new system, converting data, and then verifying that the converted data was accurate. In order to accomplish this, EHA staff attended training and the agency hired consultants to help staff navigate the process.

Since implementing Yardi, EHA staff have continued to work closely with the company as they have launched new products. EHA was the first PHA to open its HCV waiting list using their RENTCafé portal. In 2018, EHA partnered with Yardi to be part of HUD's eVMS demonstration. EHA's relationship with Yardi allowed the agency to successfully produce the required custom reports to be part of the demonstration. Also in 2018, EHA became the first PHA to launch their Annual Review workflow and won a 2019 NAHRO Award of Excellence for how it implemented

online recertifications. EHA has also moved interim recertifications to RENTCafé. Since then, EHA has continued to partner with Yardi to enhance and improve the product. Being a RENTCafé innovator, EHA has been able to shape the product in a way that works for the agency, while making the product better for other clients. EHA's three HCV managers are truly Yardi experts and can thoroughly test new products. As a result, EHA staff are regularly asked to provide feedback about new products. EHA's adoption of technology has also allowed the agency to seamlessly transition to working remotely during the COVID-19 pandemic.

EHA is confident that its partnership with Yardi and the skills developed through six years of implementations will provide the necessary expertise to implement software changes as the result of MTW waivers and financial tracking and reporting. Yardi has confirmed that they are fully capable of supporting EHA in implementing MTW changes, including the new proposed rent policy. Yardi currently works with several MTW agencies, including many who have implemented new rent policies.

APPENDIX 1
MOVING TO WORK CERTIFICATIONS OF COMPLIANCE

[To be included with final application]

APPENDIX 2
PUBLIC PROCESS DOCUMENTATION

[To be included with final application]

APPENDIX 3
REQUIRED STANDARD FORMS

[To be included with final application]

APPENDIX 4
OTHER SUPPORTING DOCUMENTATION

[To be included with final application]