Revised and Posted: March 14, 2022

Asheville Housing Authority

Moving to Work (MTW) Supplement to the 2022 Annual Plan

Policy Provisions

Introduction:

Asheville Housing Authority is proposing a new "stepped rent" model for eligible working-age families to encourage them to seek employment without experiencing a drastic increase in rent at their next annual reexamination. Under this stepped rent policy, eligible families initial rent will be set based on their income at program enrollment, or a $50 minimum rent, whichever is higher. It will then step up annually by a modest predictable amount. (See policy details starting on page 4, below.)

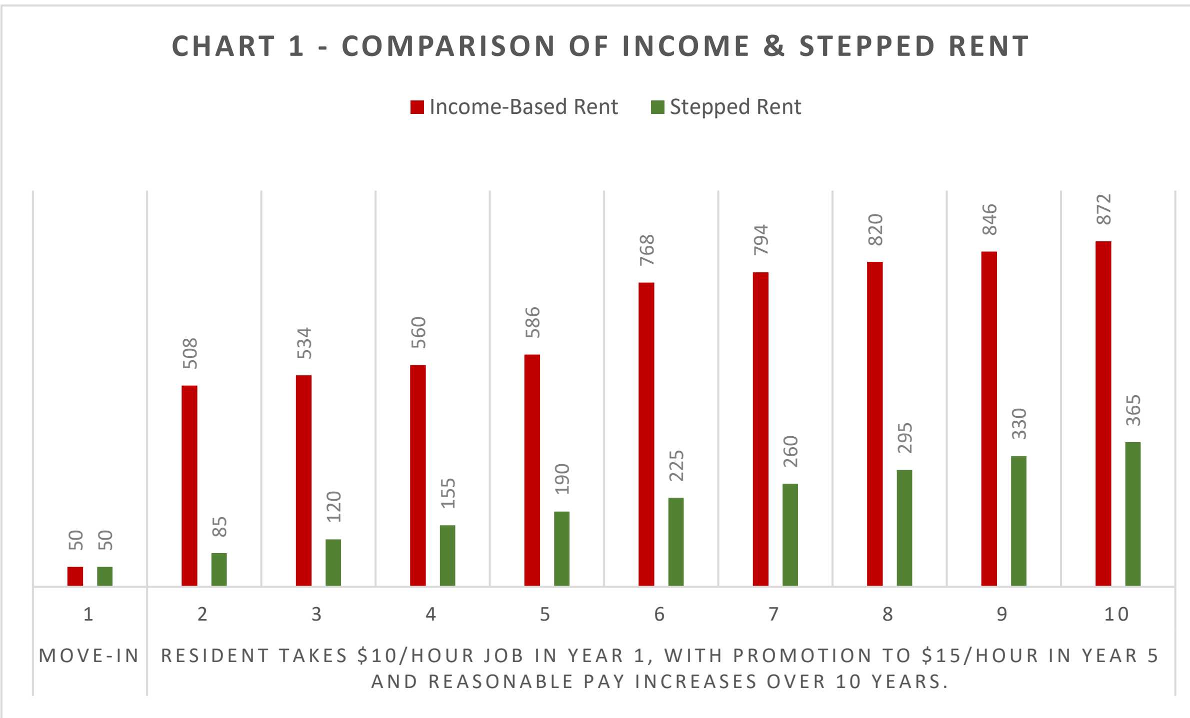
The traditional income-based rent creates a significant barrier for families who want to join the work force. In listening sessions over the years and in planning for this policy change, we have identified consistent messages from our residents. The most essential is that 30% of adjusted gross income results in a rent that is approximately 45% of the family's take home pay. That means, essentially, that one out of two paychecks they receive every month goes to rent. That harsh reality is compounded by the fact that a job often means loss of SNAP benefits needed to feed the family, along with increased transportation, child care, and other expenses.

The current rent structure results in a "rent cliff" that families have to climb to accomplish a basic first step toward self-sufficiency – taking a job. In our resident input sessions, participants have described the rent cliff as "unfair" and "unsustainable" and pointed out that working families often "have to choose between paying rent and putting food on the table."

We have confirmed in our input sessions that the current income-based rent structure results in many residents feeling forced to make choices that are contrary to long-term self-sufficiency. First, many residents who could work simply do not, getting by on family or public assistance to pay the minimum rent. Second, some employed family members choose to live elsewhere to avoid their income being counted toward rent, depriving the children of the benefits of two parents living in the home. Third, some residents work under-the-table in jobs that are difficult or impossible to detect in income verification systems, which puts them at risk of a program-fraud termination and prevents them from receiving credit for Social Security benefits. And finally, some of those families working under-the-table choose to earn a living from criminal activity, putting themselves and their children at even greater risk and undermining the safety of the entire community.

Asheville Housing's stepped rent plan is focused on replacing this destructive system of negative incentives with one that decouples rent from income and encourages work, through reasonable annual step increases. The chart below demonstrates the difference between the stepped and income-based rent. The sample family is a single parent with one child (typical of many of our families) who moves in without a job, gets settled in a two-bedroom apartment, and then takes a full-time $10/hour job in Year 1, with a promotion to $15/hour in Year 5 and reasonable hourly pay increases in other years. Under the current income-based calculation (represented by the red bars), the rent for this family would increase more than 1,000%, from

$50/month in Year 1 to over $500/month in Year 2 and continue increasing annually based on later wage increases. Under the MTW stepped rent proposal (represented in green), the rent for this family will start at the same level and increase predictably each year by $35/month regardless of income. In our resident input sessions, this model was strongly favored as the most fair and sustainable for families. The stepped rent allows a family to better meet their expenses and to plan and save for future self-reliance. It eliminates the economic and psychological barriers to climbing the income-based rent cliff. At the same time the predictable rent steps, which the family knows are scheduled each year, provide encouragement to increase earned income over time.



The stepped rent policy will be supported by important modifications to the Family Self Sufficiency Program. We will develop a modified Contract of Participation to make the program benefits more secure for all participants, and make escrow account deposits based on awards for specific accomplishments, rather than a calculation of income and rent. (See policy details starting on page 12, below.) This change will make the escrow account process more equitable, reducing the variability of escrow awards based on factors beyond the family's control. The new model places families on a level playing field for escrow earnings, emphasizes the importance of specific FSS goals, and makes the calculation of escrow deposits simpler, more transparent, and more reliable.

Residents who take this sustainable moving-to-work opportunity will experience a number of other positive benefits. They will be able to take jobs in the regular economy without having to pay 45% of their take-home pay for rent. Those jobs will, over time, qualify them for Social Security benefits, earning the family credit toward a more sustainable retirement. Depending on the level of pay, those additional earnings may also qualify a family for the IRS Earned

Income Tax Credit. Regular economy jobs are more likely to offer health insurance coverage for the employee and family. Family members with earned income, who currently live elsewhere so their income does not count toward the rent, could move in without economic penalty, providing a more stable environment for the family. The psychological benefits of earning a living to support the family, save for the future, and have a real opportunity for economic self-reliance, including possible homeownership, will release families over time from feeling bound to a government housing program. When families successfully graduate from the program, that will free up opportunities for others who need assistance to begin the process of stabilizing their lives, going to work, and moving their families toward self-reliance.

The stepped rent policy will also foster more productive relationships between Asheville Housing staff and participating families. Employees who currently spend each day processing annual or interim income reevaluations, then verifying that income and calculating rent changes, will see significant changes in their workload when they are able to simply gather income information from residents every three years for data evaluation purposes. That will free up time to focus on building relationships, encourage residents to access supportive services, and reduce the perception and reality that staff are policing people's incomes.

Similarly, in Asheville Housing's residential communities, we expect that families who go to work under a stepped rent policy will have a much easier time paying their rent each month, which will reduce staff time currently focused on rent collection and eviction processing. That will allow staff to focus more on supporting residents as they move toward the future. Reduced evictions will also benefit families seeking housing choice through tenant-mobility by avoiding an eviction record that disqualifies them in many credit screening processes.

We believe these more supportive rent and incentive structures will ultimately begin to heal relationships both inside and outside our affordable housing communities, by reducing the stigma experienced by families living in Asheville Housing communities and changing the broader community narrative about the work our families are doing to move toward self-reliance.

Asheville Housing MTW Activity No. 2022-1 – Stepped Rent Study

Waivers requested:

- MTW Activity 1.d. – Stepped Rent (HCV)
- MTW Activity 1.s. – Elimination of Deductions (HCV)
- MTW Activity 3.b.and Safe Harbor Waiver – Alternative Reexamination Schedule

1. Introduction

Asheville Housing is implementing a new rent policy known as "stepped rent." Under stepped rent, your rent is not tied to your income. Rent will start at $50/month or your income-based rent at the time of implementation, whichever is greater. Then it will increase by a set monthly amount each year, based on your bedroom size. See Table 1, below for the increase amounts.

Stepped rent will allow you to work – or add a working family member to your lease – without that income increasing your rent. Instead, your rent will step up each year, allowing you to plan for the future. When you go to work, stepped rent will let you keep more of your earnings for other expenses and savings.

Stepped rent will not apply if you are elderly, disabled, participating at the time of implementation in the Family Self-Sufficiency Program, or if you have a special purpose voucher such as a HUD-VASH, Mainstream, Non-Elderly Disabled, or Emergency Housing Voucher. For these groups we will continue to calculate your rent based on income.

HUD and Asheville Housing must study the impacts of this policy for six years. For study purposes, during the first year of implementation, eligible families will be selected randomly, and approximately half will be assigned to the stepped rent and half to the traditional income-based rent. After the first year of implementation, we will continue assigning approximately one half of eligible new families to the stepped rent for internal evaluation purposes.

Table 1 shows the current Fair Market Rent, the minimum and maximum annual rent increases allowed by HUD, and Asheville Housing's annual rent increase amounts.

Table 1. Stepped Rent Increase Amounts

	0BR	1BR	2BR	3BR	4BR+
2022 HUD Fair Market Rent	1,188	1,209	1,378	1,879	2,359
Minimum Rent Increase (2%)	24	25	28	38	48
Maximum Rent Increase (4%)	47	48	55	75	94
Annual Stepped Rent Increases	**$25**	**$30**	**$35**	**$40**	**$50**

Prior to implementation, we will review the latest Fair Market Rent and may update this Table. Once we set the annual rent steps, they will be fixed until further notice. We will review the Table annually and may make changes to improve the effectiveness of stepped rent in encouraging work and self-sufficiency, to maintain budget neutrality, or for other reasons.

2. Additional Policy Provisions

a. **Measurement of Income.** When income is measured under this stepped rent policy it will be based on the traditional calculation of adjusted income, except that we will measure the family's actual annual income during the 12 months immediately prior to the reexamination notice letter we send to the family.

b. **Initial Rent Determinations.** Current program participants selected for the stepped rent will be enrolled in the program at a rent (total tenant payment) equal to 28% of their annual adjusted income, or a $50 minimum rent, whichever is higher. These amounts will be set at the family's next recertification date after study implementation, currently projected to begin August 1, 2022. Depending on the circumstances, a hardship adjustment may be available (see Stepped Rent Hardship Policy, below). The initial total tenant payment for new applicants from the waiting list will be based on 28% of the current adjusted income projected forward, rather than prior year income.

c. **Utility Allowance.** The stepped rent will include a utility allowance and we will continue to provide utility reimbursements. If the family is required to pay utilities in their lease, their total tenant payment includes a utility allowance. That combined rent and utility allowance is known as the gross rent. For example, if the family's total tenant payment is $300 and they are required to pay for utilities, they will pay the landlord an amount equal to $300 minus the utility allowance.

d. **Annual Stepped Rent Increase.** At the beginning of the second year and each year after that, the monthly total tenant payment will automatically increase by the amount in Table 1, without the need for an annual income reexamination. This gradual step increase will be applied each year as long as the family is a program participant, allowing families to plan for increases over time.

e. **Triennial Income Reexaminations.** Every three years, we will the document the stepped-rent family's income and any changes in family composition, but those later triennial income reexaminations will not affect the total tenant payment. Income calculated at the triennial reexamination will be based on actual adjusted income during the 12 months prior to the reexamination notice. Stepped rent families are encouraged but not required to report employment successes and income changes between these triennial reexaminations for informational purposes only.

f. **Payment Standard.** The payment standard is the maximum allowed for each bedroom size and is established annually. If the family decides to use a tenant-based voucher for a unit where the gross rent is higher than the payment standard, the family is responsible for paying any amount above the payment standard.

g. **Moves.** When a stepped-rent family moves, adjustments may be made based on the bedroom size and utility allowance changes, but we will not adjust the total tenant payment based on income. The family's total tenant payment will continue as it was prior to the move, with annual increases from Table 1.

h. HUD Safe Harbor Provisions.

i. Stepped rent increases will not occur more than once per year.

ii. Asheville Housing will conduct an annual impact analysis of this stepped rent initiative. See the initial Impact Analysis below.

iii. Elderly and disabled families are excluded from this rent policy. If the family is not currently elderly or disabled, but becomes elderly or disabled in the future, they may request to change to the standard income-based rent.

iv. See Hardship Policy below.

v. Services will be available through the Family Self Sufficiency Program to support families preparing for eventual termination of assistance when their rent reaches maximum levels in the future.

vi. Documentation of rent reasonableness will be provided to HUD upon request.

vii. Initial rents will not exceed 28% of a family's adjusted income, and rent step increases will not be more than 4% of the applicable Fair Market Rent.

i. Stepped Rent Hardship Policy.

As a general rule, each family's rent (total tenant payment) will increase by the stepped rent increase each year after the first year. The sole exception will be if the family is granted a hardship under this policy.

i. Hardship Process:

a. Hardships must be requested by the family in writing, with the exception of the automatic transition hardship described below.

b. When a hardship request is received and it states a valid reason for a hardship, staff will provide a temporary adjustment, consistent with the guidelines below, beginning the first day of the next month after the request is received. This temporary adjustment will apply only during the first month.

c. The family must provide written third-party documentation to support the hardship request within 14 days, to enable staff to verify the hardship. Staff will decide whether to grant the hardship within 14 days after receiving the required third-party documentation.

d. If staff determine that a verified hardship exists, they will provide hardship relief as outlined in the guidelines below.

e. If the family does not provide third-party documentation or staff determines that the request does not meet the hardship requirements, the temporary relief will end on the last day of that first month, and the family may be required to enter into a repayment agreement.

f. If a family is approved for a hardship, and later experiences another adverse event while still in hardship status, they may request an additional hardship that might further reduce their total tenant payment.

g. If a family is approved for a hardship, they are not required to report subsequent income increases during the period of their approved hardship. Once staff approves a hardship, the hardship will not end early.

h. When a family is approved for a temporary hardship, they will be notified when the hardship expires. Prior to that expiration date, the family may request an extension in writing.

i. When a hardship expires, the family will return to paying the stepped rent, including any annual stepped rent increases that were scheduled to take effect during the period of the hardship.

j. The total tenant payment will never be adjusted below the $50 minimum rent.

k. Hardship decisions are subject to second level review under the informal review and hearings procedures in Chapter 16 of the Administrative Plan.

ii. Hardship Guidelines:

a. <u>Hardship Due to High Rent Burden:</u> Families participating in the stepped rent will be eligible for a temporary hardship exemption if the stepped rent causes a rent burden above 40%. The rent burden may be caused by a reduction in income, an increase in eligible deductions or allowances, the annual stepped rent increase, or a combination of factors.

i. *Automatic Transition Hardship:* For families already receiving assistance at the time of enrollment in the stepped rent, when we conduct the transition income examination, we will compare the family's current adjusted income with their prior year adjusted income. If the current adjusted income is lower than their prior year adjusted income, staff will automatically determine if the family is eligible for this hardship, and, if so, apply the hardship adjustment.

ii. *Hardship Requested by Family:* At any other time, this hardship must be requested in writing by the family.

iii. *Eligibility:* A family will be eligible for this hardship adjustment if their rent burden (total tenant payment divided by their current monthly adjusted income) exceeds 40%.

iv. *Remedy:* The family's total tenant payment will be adjusted downward to 40% of their current monthly adjusted income, or the $50 minimum rent, whichever is higher.

v. *Duration:* Three months, which may be extended in three-month increments, if the family requests an extension and provides appropriate verification.

b. Stepped Rent Reset for Sustained Hardships. If a family receives a temporary hardship due to a rent burden above 40%, and the hardship condition persists after 12 consecutive months, the family may request that we reset their stepped rent. Staff will consider these requests on a case-by-case basis and decisions will be made in consultation with a senior Housing Support Specialist.

i. *Eligibility:* The family has been approved for a hardship due to high rent burden, above, and remains in hardship status with approved extensions for at least 12 consecutive months. The family requests a reset, and we determine this remedy would be better than renewing temporary income-based hardships. Except in extraordinary circumstances, this reset will be available only once for each family.

ii. *Remedy:* Staff will calculate a new stepped rent total tenant payment at 28% of prior year adjusted income, or the $50 minimum rent, whichever is higher. This will not be a temporary hardship; the reset total tenant payment will apply for 12 months and will establish a new base on which future annual step increases will be applied.

c. Retirement/Disability. If the head of household, spouse or co-head becomes elderly or disabled, or if a family member becomes disabled requiring full-time home care by the sole head of household, the family may request a hardship.

i. *Eligibility:* The head of household, spouse or co-head reaches age 62 and decides to retire, or becomes disabled, or a family member becomes disabled requiring full-time home care by the sole head of household.

ii. *Remedy:* Transition to the income-based rent.

d. Other Changed Circumstances**.** A family may request a hardship for other circumstances not outlined above, such as the death of a family member, a significant increase in reasonable and necessary out-of-pocket expenses (for example, a large medical bill that the family is required to pay), or if the family is facing eviction due to inability to pay rent. We will consider these requests on a case-by-case basis.

i. *Eligibility:* Staff determine that circumstances beyond the family's control make it difficult for the family to pay the stepped rent total tenant payment, and temporary rent relief is necessary.

ii. *Remedy:* Staff will set the family's total tenant payment to the $50 minimum rent for up to two months.

3. Impact Analysis

a. **Agency finances.** The impact on agency finances is projected to be neutral both in the short and long term. In the first year, the policies implemented in this MTW Supplement, including the increase in our minimum rent from $27 to $50 for all program participants, are estimated to generate at least $200,000 in additional tenant rent, reducing HAP expenses for those families. After the first year, we project the annual step increases to generate approximately $215,000 in additional tenant rent each year, progressively reducing HAP expenses for stepped-rent families. We expect HAP expenses to increase from growth in FSS escrow contributions at the current average rate of approximately $130,000 annually. MTW related staffing and other activities will also add to HAP expenses offsetting the savings above.

b. **Impact on affordability for affected families.** Because families will have the ability to join the workforce without experiencing the penalty of a huge rent increase, affordability will be significantly increased. The sample family shown in Chart 1 would be paying between 5 and 15 percent of their income for rent over the first ten years of their participation. We also appreciate HUD's decision to modify the initial year stepped rent calculation from gross to adjusted income, which will make the rent significantly more affordable for families who are already working and have high deductions for dependents and/or child care.

c. **Impact on waitlists.** We do not anticipate any major impact on waitlist times as a result of this policy. Based on the RAD requirement to provide PBV residents with priority for tenant mobility vouchers, we project that our current PBV turnover rates of approximately 20-25% annually will continue. This will allow regular processing of project-based waitlist applications by opening up homes for families on the wait list. Because of the RAD tenant mobility preference, the tenant-based wait list currently has multi-year wait times for most applicants, and we expect that will continue.

d. **Impact on the termination rate for families.** We expect that families will welcome and accept the opportunity to work without experiencing a significant rent burden and will be better able to afford their share of the rent over time, reducing evictions for non-payment of rent. The termination rate for non-payment of rent should be reduced significantly over time. With the gradual rent increases provided under this stepped rent initiative, we do not expect the termination rate for families approaching zero-HAP status to increase significantly over the first six years.

e. **Impact on the occupancy rate for project-based voucher communities and utilization rate in the HCV Program generally.** We have healthy project- and tenant-based waiting lists and do not anticipate any adverse impact on our occupancy or utilization rates. With other measures, including landlord incentives and an appeal to increase our Fair Market Rent and payment standards, we expect utilization of tenant-based vouchers to increase over time.

f. Impact on MTW statutory goals of cost effectiveness, self-sufficiency, and housing choice. The impacts on self-sufficiency are discussed extensively in the Introduction above, pp. 1-3. To repeat in part, residents on the stepped rent will be able to take jobs in the regular economy without having to pay 45% of their take-home pay for rent. Those jobs will, over time, qualify them for Social Security benefits, earning the family credit toward a more sustainable retirement. Depending on the level of pay, those additional earnings may also qualify a family for the IRS Earned Income Tax Credit. Regular economy jobs are more likely to offer health insurance coverage for the employee and family. Working family members who currently live elsewhere so their income does not count toward the rent, could move in without economic penalty, providing a more stable environment for the family. The psychological benefits of earning a living to support the family, save for the future, and have a real opportunity for economic self-reliance, including possible homeownership, will release families over time from feeling bound to a government housing program.

The stepped rent initiative will be supported by important self-sufficiency modifications in our FSS Program (pp. 12-14 below). We will develop a modified Contract of Participation to make the program benefits more secure for all participants and calculate escrow account deposits based on awards for specific accomplishments, rather than calculations of income and rent. This change will make the escrow account process more equitable, reducing the variability of escrow awards based on factors beyond the family's control. The new model places families on a level playing field for escrow earnings, emphasizes the importance of specific FSS goals, and makes the calculation of escrow deposits simpler, more transparent, and more reliable.

Housing choice will be supported by landlord incentives (see below, p. 16) to encourage participation in our program so that our RAD project-based voucher families who chose to move with a tenant-based vouchers will have more choices and opportunities to effectively use those tenant mobility vouchers.

Cost effectiveness will be supported by shifting to triennial reexaminations for stepped rent families, simpler FSS escrow account calculations, streamlined verification procedures (see pp. 15 and 19, below) and HQS inspections conducted by qualified and independent internal staff rather than outside contractors (see p. 18, below).

g. Impact on the agency's ability to meet the MTW statutory requirements. This initiative will enhance our ability to meet the five statutory requirements:

- We will continue to ensure that at least 75% of families assisted are very low-income. As a 100% HCV agency, Asheville Housing requires that all new admissions meet that income requirement.
- The stepped rent model is a reasonable rent policy designed to encourage employment and self-sufficiency. We believe the rent study will demonstrate that result and/or suggest modifications that will be even more effective in the long

term. The goal of employment and self-sufficiency will be enhanced for all residents through the MTW FSS policy modifications proposed concurrently.

- We will continue to assist substantially the same total number of eligible low-income families as would have been served without MTW flexibility. We anticipate revenue neutrality as described above, which will ensure that the same number of families are served going forward, so long as HUD funding continues to grow to reflect the increasingly competitive housing market.
- We will maintain a comparable mix of families by family size as would have been provided otherwise. The demographics of our applicant pool over the last two decades have trended toward smaller family sizes and we expect that trend to continue. The stepped rent model will serve all family sizes well. To ensure that largest families also receive that benefit, we have reduced the rent step for the largest bedroom sizes to the lowest level (2%) allowed by HUD.
- We will of course continue to ensure that our assisted housing under MTW meets the Secretary's housing quality standards, by assigning well trained staff to carry out those inspections with appropriate quality control follow up.

h. Impact on hardship requests. We seek to avoid a large number of specific hardship requests in the initial implementation year by implementing the automatic transition hardship adjustment. We do expect a modest increase in such requests after the implementation year, which should be manageable with the reduced burden on staff resulting from the shift to triennial reexaminations for stepped rent participants. We appreciate HUD's decision to allow use of adjusted income in setting the first year stepped rents, which will significantly reduce the number of hardships requested.

i. Impact on protected classes. In our review and input sessions, we identified potential impacts on families with children, particularly those who are already working and have a number of dependents and childcare costs. To address those concerns, we adjusted the rent steps lower than originally projected for larger bedroom sizes and negotiated with HUD to allow use of adjusted rather than gross income in setting the initial rent.

From a broader perspective, we acknowledge our role in the disparate structural impacts on BIPOC communities of the real estate market and federal housing policy generally. We believe the income-based rent in particular, over the last 50 years, has adversely impacted communities of color who reside in disproportionate numbers in federally assisted housing. This basic structural component has established a major barrier, making it difficult for families to go to work and separating working family members who could otherwise be living with their loved ones. This MTW plan is a purposeful step toward replacing that structure and repairing those adverse impacts.

MTW Activity No. 2022-2 – Family Self-Sufficiency Program with MTW Flexibility

Waivers requested:

- MTW Activity 10.d. – Modify or Eliminate the Contract of Participation
- MTW Activity 10.e. – Policies for Addressing Increases in Family Income

1. Policy Overview

a. Contract of Participation. Asheville Housing will develop a new MTW FSS Contract of Participation including the following provisions:

i. The Contract will have an initial term of 5 years, and for good cause in the discretion of Asheville Housing, may be extended between 1 and 5 additional years.

ii. Any adult member of an eligible FSS family may sign the Contract and work to complete the individualized training and services plan, not just the head of household, but there will be only one Contract per family.

iii. If the Contract is ended for any reason other than the participant's failure or refusal, without good cause, to comply with the terms of the Contract, then the Contract will be considered nullified rather than terminated, and the FSS escrow funds earned to that date will be distributed to the family.

iv. If the person who signed the Contract becomes permanently disabled and unable to work or dies during the period of the Contract and it is not possible to modify the Contract to designate a new adult in the FSS family, then the Contract will be nullified and escrow funds will be disbursed to the family.

v. If the FSS family's income grows to exceed 30% of the Fair Market Rent, the family will not be required to end their FSS participation, so long as they continue to be an HCV program participant.

vi. If an FSS family joins the HCV Homeownership Program and purchases a home with an HCV homeownership voucher before the end of the Contract, the family will be eligible to continue FSS participation for the then remaining Contract term.

vii. Interest earned in Asheville Housing's combined bank account for FSS escrow funds will be retained for FSS program purposes, including supportive services for FSS participants and training for FSS staff.

viii. In order to successfully graduate from the FSS program the family must be independent from applicable welfare assistance at the time of graduation, but it will not be necessary for that independence to be demonstrated for 12 months.

b. Escrow Accounts. We will change the calculation of HAP funds deposited to escrow/savings as follows:

For FSS escrow accounts established after the effective date of this policy change, escrow funds will be awarded based on specific accomplishments, rather than calculation of income and rent. This change will make the escrow account process more equitable, reducing the variability of escrow awards based on factors beyond the family's control, such as family income at the time they join FSS and differences in earning potential between families. The initial schedule of awards is listed in Table 2, and may be amended from time to time with approval of the Board of Commissioners.

Table 2. FSS Escrow Awards

Category	Goal Achieved	Deposit to Escrow
FSS Engagement	Signed COP & ITSP (Enrollment)	$250
	Active Participation (Quarterly)	$75
	Graduation from FSS	$2,000
Education/Training	Complete High School Equivalency (GED)	$500
	Complete Training/Certificate Program	$750
	Earn Associate Degree or Higher	$2,000
Employment	New Employment (1st entry after enrollment)	$500
	Employment Promotion	$750
	Employment Retention (awarded annually)	$500
	Childcare (voucher or other reliable)	$250
	State Issued Driver's License	$250
	Reliable Transportation (personal vehicle)	$500
Lease	Timely Rent Payments (awarded annually)	$250
	No Lease or Housekeeping Violations (awarded annually)	$250
	Resident Association Leadership (awarded annually)	$250
Financial Strength/ Asset Building	Engage in Financial Education/Counseling Program	$250
	Improve credit score to 640	$1,000
	Increase Personal Savings (match up to $2,000 at graduation)	variable
Homeownership	Complete Homeownership Training Program	$500
	Closing on Purchase of Home	$2,500
	Transition off of Housing Subsidy	$2,500

This modification puts families on a level playing field for escrow earnings and emphasizes the importance of specific FSS goals. It also makes the calculation of escrow deposits simpler, more transparent, and more reliable.

FSS families with existing escrow accounts calculated in the traditional manner on the effective date of the policy change, and new families joining FSS who are assigned to the income-based rent, will have the option to be grandfathered in to the traditional escrow calculation process. In other words, an FSS family with an established escrow account, or a family assigned to the income-based rent newly joining FSS, will continue to receive escrow deposits calculated in the traditional way, unless they choose the new model above voluntarily. If a family chooses to transition to the new model, they will retain escrow account balances previously earned under the traditional calculation and will earn new escrow awards in Table 2 for goals that are achieved after that transition.

c. **MTW Safe Harbor Provisions.**

i. We have reviewed the HUD FSS guidance as required by the Operations Notice including the Promising Practices Guidebook and Online Training.

ii. We will execute a Contract of Participation, or other locally developed agreement, that is at least five years and no more than ten years, with each participant in our FSS program.

iii. Prior to implementation, we will ensure that we have an up-to-date approved FSS Action Plan in accordance with 24 CFR 984.201 that incorporates all modifications to the FSS program approved through this waiver.

iv. We will not require MTW FSS Program participation as a condition for housing subsidy for elderly and disabled families.

v. We do not plan to require MTW FSS Program participation as a condition for receiving a housing subsidy at this time, but if that changes in the future, we will prepare and submit the required impact analysis first.

vi. We do not plan to require MTW FSS Program participation as a condition for housing subsidy at this time, but if that changes in the future, we will prepare and submit the required hardship policy first.

vii. We will not make MTW FSS Program participation mandatory for individuals who do not meet the definition of an eligible family at section 23(n)(3) of the 1937 Act, and those exempted from the Community Service Requirement under section 12(c)(A-E) of the 1937 Act.

viii. We do not plan to require MTW FSS Program participation as a condition for housing subsidy at this time, but if we adopt a mandatory MTW FSS Program in the future and a decision is made to terminate the housing subsidy or tenancy of a family for alleged violation of mandatory MTW FSS Program Participation, the family will be entitled to a Hearing under the HCV informal hearing process (24 CFR part 982.555; Chapter 16 of the Administrative Plan).

ix. We will not use income increases during participation in the MTW FSS Program to change a family's eligibility status for purposes of participation in the MTW FSS Program or for the receipt of public housing or HCV assistance.

Asheville Housing MTW Activity No. 2022-3 – Self Certification of Assets

Waiver requested:

MTW Activity 3.d. – Self Certification of Assets (HCV)

The Asheville Housing Authority will allow participants with asset income to self-certify the value of family assets up to $50,000.

In doing so, the agency expects to alleviate some of the administrative burden falling both to voucher participants and to agency staff who spend time reviewing and calculating the effects of asset income on the individual family.

All other provisions concerning asset income will remain in place, including what types of assets qualify for inclusion in family income, the means of assessing and applying actual or imputed income from the asset, and all additional regulations currently in place pertaining to asset income.

For assets totaling $50,000 or less, the participant may submit a written declaration of the type of asset, its current cash value, and either interest rates for payable dividends or expected payments and their frequency to be received from the asset (if applicable).

For assets valued $50,001 or more, an appropriate form of third-party documentation will be required to satisfy verification requirements for the family.

Asheville Housing MTW Activity No. 2022-4 – Landlord Incentives

Waivers requested:

- MTW Activity 4.a. – Vacancy Loss
- MTW Activity 4.b. – Damage Claims
- MTW Activity 4.c. – Other Landlord Incentives

To incentivize new and continued participation from landlords in an increasingly difficult market, Asheville Housing is authorizing a series of additional payments to individual landlords outlined below. These payments are paid from Asheville Housing's HAP funding, but are not to be considered payment for rent or substitution for any tenant-incurred fees or charges allowable under the lease. The Administrative Plan will be updated to reflect these landlord incentive policies.

The incentives and their terms are as follows:

1) Vacancy Loss – Following the end of a family's lease and HAP Contract, a landlord may offer the unit for lease to another qualified voucher holder and request a vacancy

payment for the time between the end of the former lease and the beginning of the next.

a. The vacancy payment will be equal to no more than one month of the new contract rent and will be prorated if the vacancy period is less than one month.
b. The vacancy loss payment will be paid to the landlord after the next HAP contract is executed between the owner and Asheville Housing.

2) Damage Claims – Following the end of a tenant's lease and HAP Contract, the landlord may submit damage claims for reimbursement of damages caused by the former tenant that are beyond normal wear and tear.

a. The amount of damages claimed may not exceed the cost of repairs or two months contract rent, whichever is lower.
b. The family's security deposit must first be used to cover damages. We will provide up to two months of contract rent minus the security deposit to cover the documented repairs.
c. The damage claim payment will be paid to the landlord when the next HAP contract is executed between the owner and Asheville Housing.
d. To qualify, landlords must contact staff for an inspection of the unit prior to beginning repairs. Following completion of the repairs, they must request a second inspection to verify repairs. The second inspection may coincide with the initial inspection for the new HAP Contract.
e. The landlord must provide thorough documentation of actual costs for the repairs via invoices and receipts for services and materials.

3) Landlord Incentives – Incentives will be paid to new landlords renting units on the program for the first time, and existing landlords executing HAP contracts for units that have not previously been rented to voucher holders within the last two years.

a. Each incentive payment will be equal to one month of the contract rent.
b. The incentive payment will be paid to the landlord after the HAP contract is executed between the owner and Asheville Housing.
c. A landlord may receive either the new landlord incentive or new unit incentive, but may not receive both for a single unit lease-up.
d. Each landlord may receive no more than five incentive payments in a calendar year, except that there is no annual limit on the number incentive payments a landlord may receive for units that are located in high opportunity areas, defined as census tracts with a poverty rate of 20% or less.

Asheville Housing MTW Activity No. 2022-5 – HQS Inspections

Waivers requested:

- MTW Activity 5.c. – Third-Party Inspection Requirement

Asheville Housing Authority will begin using its own trained employees in the Housing Choice Voucher Program to perform regular and interim HQS Inspections of PBV units that Asheville Housing owns and manages.

This provision will in no way alter any aspect of HQS Inspection requirements as pertains to frequency of inspections, performance requirements, acceptability criteria, or certification standards for the individual inspectors completing the assessments as defined by HUD. inspectors will report directly to the HCV Director and will in no way be under the supervision or direction of property management staff or leadership.

To ensure objective analysis in the completion of the HQS Inspections, the PBV units will be folded into the existing quality control metrics currently utilized for non-PBV HQS inspections. This will include an auditing of a minimum sample of units completed within a three-month window following the Inspection. These audits will be conducted by a staff member certified in HQS Inspections, including but not limited to the HCV Director or Assistant Director, a senior inspector, former inspector, or any other sufficiently qualified agency employee.

The table below shows the standard minimum number of quality control inspections to be completed based on the number of units under contract at the end of the agency's fiscal year. <u>For PBV units owned by Asheville Housing, we will conduct quality control inspections at twice the standard rates shown below.</u>

Number of Units	Minimum number of audits to be completed
50 or fewer	5
51-600	5 plus 1 for each 50 (or part of 50) over 50
601-2000	16 plus 1 for each 100 (or part of 100) over 600
Over 2000	30 plus 1 for each 200 (or part of 200) over 2000

Families who request an interim inspection will be provided one. Requests should be made in writing either to the family's assigned Housing Support Specialist or to the Inspection Department directly, and should include a description of any known defects.

HQS inspection standards found at 24 CFR 982.401 will not be altered. At HUD request, Asheville Housing will obtain the services of a third party entity to determine if PHA-owned units pass HQS.

Asheville Housing MTW Activity No. 2022-6 – Verification Hierarchy

Waiver Requested:

- Agency Specific Waiver – PIH Notice 2018-18 and related regulations

1. Proposed MTW Activities.

Asheville Housing Authority will adopt a more streamlined hierarchy for various means of verification of income for participants in all voucher programs. We will modify the PIH Notice 2018-18 verification hierarchy by as follows:

Table 3. Revised Verification Hierarchy

Level	Verification Technique	Ranking
1	HUD's **Enterprise Income Verification (EIV)** system, for use with all income sources and period for which it reports, including Social Security, SSI, SSDI, Wages, and Unemployment	**Highest** (Mandatory when available)
2	**Non-HUD Upfront Income Verification (UIV) system,** such as The Work Number, for all employers available.	**High**
3	**Written Third-Party Verification,** including pay stubs, payroll reporting, payment summary from income providers or official agencies.	**Medium** (used for non-EIV/UIV reported income sources and disputes of EIV reported information)
4	**Self-Certification**, submitted in written form and certified by the family detailing all relevant income for the period in question.	**Acceptable** (when sources above are unavailable; subject to subsequent EIV/UIV review).

Asheville Housing will continue to use EIV as the mandatory and highest form of verification for any information available on that system. We will also continue to use another Upfront Income Verification (UIV) source as a secondary verification source. When EIV or UIV are unavailable for a particular income source or time frame, we will ask the family to provide written third-party verification documents as described above.

If written third-party documentation is unavailable, Asheville Housing will accept the family's self-certification of income. We reserve the right to follow-up on self-certified income in EIV and UIV later, reverse a rent determination, and require a repayment plan if either database shows that the family's annual income is at least $2,400 higher than the self-certified amount.

This verification process applies to all income verifications, including but not limited to new admissions, annual, interim or triennial reexaminations, and hardship rent adjustments. The process applies to families with an income-based rent and, at initial enrollment, to families on the stepped rent. (After initial enrollment, the stepped rent is not based on income, so verification is for information purposes only, unless the family requests a hardship adjustment.)

In addition to the hierarchy changes, we will extend the time that third-party income verification documents are valid for determination of current/anticipated income, For applicants, verifications are valid if dated within 180 days of move-in to a project-based voucher unit, or voucher issuance for a tenant-based voucher participant. For reexamination of ongoing participant families, verifications of current/anticipated income are valid if dated within 180 days of the effective date. For fixed-income sources (such as Social Security award letters and fixed pensions), verifications are valid for the full calendar year they cover.

These verification modifications will streamline the income verification process both for families and staff, relying more on available electronic systems and reducing the burden on participants to submit extensive financial records. It will reduce the administrative burden of multiple follow-ups with voucher participants and their income providers to secure documentation that can be weeks or months past the initial change. This will allow staff more time to serve families in more positive and personalized way.

2. Impact Analysis

a. **Agency finances.** This activity is revenue neutral. Asheville Housing projects that there will no significant change to a family's contribution based on the use of an alternative verification hierarchy. We project some staff time-savings associated with staff using the streamlined verification hierarchy.

b. **Impact on affordability for affected families.** Asheville Housing does not project any impact on the affordability of housing costs for families. The only change is the method of verifying household income.

c. **Impact on waitlists.** Asheville Housing does not expect any impact on the agency's waitlists including on the amount of time families are on the waitlist.

d. **Impact on the termination rate for families.** Asheville Housing expects that this waiver will modestly reduce the termination rate for failure to recertify by simplifying the documentation that families are required to locate and provide to us.

e. **Impact on the occupancy rate for project-based voucher communities and utilization rate in the HCV Program generally.** Asheville Housing does not expect that implementation of the alternative verification hierarchy will have any significant impact on occupancy or HCV utilization rates.

f. **Impact on MTW statutory goals of cost effectiveness, self-sufficiency, and housing choice.** Asheville Housing projects that the alternative verification hierarchy will have a positive effect on the goal of increasing cost effectiveness as it will streamline the income verification process for both families and staff. In conjunction with the stepped rent and other proposed waivers it will reduce the time that families need to spend securing documentation and allow them to focus on self-sufficiency and housing choice goals.

g. **Impact on the agency's ability to meet the MTW statutory requirements.** Implementation of the alternative verification hierarchy will not adversely impact our ability to meet the five statutory requirements:

- We will continue to ensure that at least 75% of families assisted are very low-income.
- This simplified verification process may support employment and self-sufficiency goals by requiring less paperwork and time navigating the bureaucratic process for families who are working or moving to work.
- We will continue to assist substantially the same total number of eligible low-income families as would have been served without MTW flexibility.
- We will maintain a comparable mix of families by family size as would have been provided otherwise.
- We will continue to ensure that our assisted housing under MTW meets the Secretary's housing quality standards.

h. **Impact on hardship requests.** Asheville housing does not anticipate that this waiver will generate additional hardship requests, and expects that it will streamline the process of reviewing hardship requests.

i. **Impact on protected classes.** Asheville Housing does not expect any negative impacts on protected classes as a result of implementing the amended hierarchy. For people with disabilities, families with children, and others, it may enhance access by reducing the paperwork they are required to gather and provide.