Asheville Housing Authority – Proposed 2023 MTW Supplement

Introduction

Asheville Housing Authority is an approved Moving to Work (MTW) agency and as such has broad authority to propose regulatory waivers designed to incentivize family self-sufficiency, promote housing choice, and improve cost effectiveness through regulatory simplification.

In 2023, Asheville Housing will continue these MTW Activities proposed and approved in its 2022 MTW Supplement. See the 2022 MTW Supplement for details.

- 2022-1 – Stepped Rent: This initiative will incentivize self-sufficiency by eliminating the "rent cliff" for certain Asheville Housing families who choose to go to work. The required HUD study is projected to begin on November 1, 2022.
- 2022-2 – Family Self Sufficiency with MTW Flexibilities: We have retooled the FSS incentive program to be more effective for both stepped and standard rent families and the changes will be implemented as soon as our new FSS Action Plan is approved by HUD.
- 2022-3 – Self Certification of Assets: This simplification and cost effectiveness measure has been approved and is being implemented in September 2022.
- 2022-4 – Landlord Incentives: These new incentives to encourage landlord participation and maximize housing choice for Asheville Housing families are being implemented in September 2022.
- 2022-5 – HQS Inspections – Third Party Requirement: This cost effectiveness initiative is being implemented in September 2022.
- 2022-6 – Verification Hierarchy: This agency-specific waiver to increase cost effectiveness is pending HUD approval and will be implemented as soon as it is approved.

We also plan to submit the following new MTW Activities for approval and implementation in 2023. The new policy proposals are attached.

- 2023-1 – Payment Standards – Fair Market Rents
- 2023-2 – Rent Reasonableness – Third Party Requirement
- 2023-3 – Local Non-Traditional Activity – Rental Subsidy Program
- 2023-4 – Local Non-Traditional Activity – Housing Development Program
- 2023-5 – Agency-Specific Waiver – HCV Homeownership

Asheville Housing MTW Activity No. 2023-1 – Payment Standards – Fair Market Rents

Asheville Housing Authority will adjust its payment standards to between 80% and 120% of the Fair Market Rent for standard tenant-based rentals in its Housing Choice Voucher (HCV) Program. This waiver will serve the statutory goal of increasing housing choice by making our families more competitive on the private rental market.

The payment standard is the maximum amount we can pay for gross rent (including both rent and utilities) in the private rental market. In a rapidly increasing rental market, as Asheville has seen over the last decade and particularly since the pandemic, restricted payment standards result in lower success rates for our families, because owners can make more money with less paper work from a non-voucher rental.

The standard HUD Fair Market Rent (FMR) has lagged significantly behind the Asheville market over the last decade. We have requested reevaluation and submitted data to successfully increase the FMR twice since 2019. We have also requested and received approval from the HUD Field Office to use the 50th Percentile Rents based on our low success rate using the standard HUD FMR. As a result, we have increased our success rate and voucher utilization. For 2023, MTW flexibility will allow payment standards within these ranges:

MTW Payment Standard Range					
	0BR	1BR	2BR	3BR	4BR
2023 FMR	1,270	1,298	1,466	1,949	2,497
80%	1,016	1,039	1,173	1,560	1,998
120%	1,524	1,557	1,759	2,338	2,996

To maximize our families' competitiveness in the market, we expect to establish payment standards at or near the high end of that range. If necessary to achieve an appropriate leasing success rate, we may also seek Field Office approval to continue using the 50th percentile rents as the baseline FMR for these calculations.

Waiver requested: MTW Activity 2.b. – Payment Standards – Fair Market Rents (HCV – Tenant-Based Assistance)

Statutory Objective(s): Housing Choice

Cost Implications: Neutral

Applies to: New admissions and currently assisted households; all family types; tenant-based voucher families only.

Safe Harbor Waiver Required? No

Impact Analysis or Hardship Policy Required? Yes

Hardship Policy – Payment Standards

Hardship Due to Reduced Payment Standard: Because Asheville Housing will be setting payment standards at or near the high end of the approved range and we do not as a matter of policy reduce established housing assistance payments downward as a result of a subsequent reduction in the payment standard, we do not anticipate many hardships. However, if payment standards are reduced in the future and that reduction results in a family rent burden exceeding 40% of adjusted income, the family may request a hardship.

i. *Eligibility:* A family will be eligible for this hardship adjustment if a reduction in the payment standard causes a rent burden (total Family Share divided by current monthly adjusted income) that exceeds 40%.

ii. *Remedy:* The payment standard reduction will be limited to an amount that results in a total Family Share of 40% of monthly adjusted income.

iii. *Duration:* The hardship adjustment will remain in effect until the family's next interim or annual recertification, at which time it will be reassessed based on family composition and income at that time.

Asheville Housing MTW Activity No. 2023-2 – Rent Reasonableness – Third Party Requirement

Asheville Housing will use its own trained employees in the Housing Choice Voucher (HCV) Program to perform rent reasonableness determinations for project-based voucher units that we own, using AffordableHousing.com or another similar independent third-party online comparability site to gather appropriate data.

Quality Assurance Method: For quality assurance purposes, we will utilize an online rent comparability service (currently AffordableHousing.com) to pull at least three comparable rental units and ensure that rent reasonableness is based on objective third-party data regarding comparable rents in our market. Unit description data will be entered and results determined by our trained inspection staff. Rent reasonableness will not be determined by staff on the property management team. At least 10% of the resulting rent reasonableness determinations will be reviewed for accuracy and reasonableness by a senior HCV staff member.

We will make available the method used to determine that rents charged by owners to voucher participants are reasonable when compared to similar unassisted units in the market area. At HUD request, Asheville Housing will obtain the services of a third-party entity to determine rent reasonableness of PHA-owned units.

Waiver requested: MTW Activity 2.d. – Rent Reasonableness - Third-Party Requirement

Statutory Objective(s): Cost Effectiveness

Cost Implications: Neutral

Applies to: All family types in PHA-owned project-based voucher properties.

Safe Harbor Waiver Required? No

Impact Analysis or Hardship Policy Required? No.

Asheville Housing MTW Activity No. 2023-3 – Local Non-Traditional Activity – Rental Subsidy Program

Asheville Housing will initiate an MTW sponsor-based program to provide rental subsidies to third-party entities (other than a landlord and tenant). Selected entities will manage intake and administration of the subsidy program to implement supportive housing programs and services to help individuals and families experiencing homelessness reach independence. This flexibility may include either shallow subsidies for families who need short-term assistance, or deeper long-term subsidies for families who need permanent supportive housing, or both.

We will implement this initiative in collaboration with the Asheville-Buncombe Continuum of Care (NC-501) and its member agencies to prioritize needs appropriately. Through that collaboration, we will ensure that families, as well as individuals, experiencing homelessness receive appropriate support, and that implementation is reviewed through a racial-equity lens so that members of protected groups experiencing homelessness receive fair housing opportunties.

Asheville Housing will not spend more than 10% of its annual HAP budget on this program, alone or in combination with other local, non-traditional activities. Families receiving housing through this local, non-traditional activity shall meet the HUD definition of low-income (income at or below 80% of AMI). Activities will be subject to PIH Notice 2011-45 or any successor notice/guidance from the HUD MTW Office. MTW funds awarded to a third-party provider will be through a competitive procurement process.

Waiver requested: MTW Activity 17.a. Local Non-Traditional Activities – Rental Subsidy Programs

Statutory Objective(s): Self-Sufficiency and Housing Choice

Cost Implications: Neutral

Applies to: All family types, with priority for current residents of existing properties to be redeveloped.

Safe Harbor Waiver Required? No

Impact Analysis or Hardship Policy Required? No.

Asheville Housing MTW Activity No. 2023-4 – Local Non-Traditional Activity – Housing Development Program

Asheville Housing will initiate an MTW Housing Development Program to use HAP funding to acquire, renovate and/or build affordable units for low-income families that are not public housing units. Activities will include gap financing for development of affordable housing, development of project-based voucher units and tax credit partnerships.

The initial development projects include:

- Reimagining Deaverview, a tax-credit partnership that will include the phased redevelopment of Deaverview Apartments, an Asheville Housing project-based voucher community. New residential buildings will be constructed on vacant land before demolition of any existing units is required, ensuring that families will only have to relocate once, directly into their new apartments. When all phases are complete, the existing 160 apartments will be replaced by 320 new apartments and townhomes, including a combination of tax credit, PBV, and homeownership units.
- A similar phased redevelopment of Pisgah View Apartments, another Asheville Housing PBV community, in the future.
- Development of three new affordable housing apartments on Gaston Street, across the street from the Arthur Edington Career & Education Center.

Asheville Housing will not spend more than 10% of its annual HAP budget on this program, alone or in combination with other local, non-traditional activities. Families receiving housing through this local, non-traditional activity shall meet the HUD definition of low-income (income at or below 80% of AMI). Activities will be subject to PIH Notice 2011-45 or any successor notice/guidance from the HUD MTW Office. Asheville Housing will comply with any applicable provisions of Section 30 of the 1937 Housing Act. Any MTW funds awarded to a third-party provider will be through a competitive procurement process.

These activities will be funded initially from unused HAP funds currently in HUD-Held Reserves to minimize any impact on voucher utilization.

Waiver requested: MTW Activity 17.c. Local Non-Traditional Activities - Housing Development Programs

Statutory Objective(s): Self-Sufficiency, Housing Choice

Cost Implications: Neutral

Applies to: All family types, with priority for current residents of existing properties to be redeveloped.

Safe Harbor Waiver Required? No

Impact Analysis or Hardship Policy Required? No.

Asheville Housing MTW Activity No. 2023-5 – Agency Specific Waiver – HCV Homeownership

Asheville Housing sees HCV Homeownership as an essential tool for racial and economic equity, with a goal of repairing decades of wealth disparity dating back to the Federal redlining program of the 1930s and beyond. HUD recently reaffirmed the critical value of homeownership for HUD-assisted families:

> Homeownership is a pillar of wealth building and for most families, it remains a critical way to build a source of wealth that can be passed down to future generations. Therefore, it needs to be attainable for more families, especially families of color. However, racial disparities in homeownership remain significant. Recent research shows that in 2020, the Black-White homeownership gap reached 31 percentage points, the greatest gap in decades. Notably, this is an even larger disparity than in 1968 when the Fair Housing Act was passed. *Bridging the Wealth Gap*, U.S. Department of Housing and Urban Development, 8-4-2022, p. 11.

To date, Asheville Housing has assisted 76 families in achieving the goal of homeownership through HCV Homeownership. That goal, however, is threatened by rapid increases in the cost of homes in recent years, especially since the pandemic, and recent interest rate increases. As of July 2022, Zillow reported that the typical home value for the middle price tier of homes in Asheville has increased 20.8% over the last year, to $437,626. This agency specific waiver will expand opportunities in our highly competitive market for HCV Homeownership families. To support expansion of HCV Homeownership, we seek the following regulatory flexibilities:

1. For HCV Homeownership families only, we seek to implement a monthly payment standard as necessary up to 140% of the Fair Market Rent (24 CFR 982.503).
2. If needed to bring an HCV Homeownership family's monthly homeownership expenses (24 CFR 982.635(c)) within the approved payment standard, Asheville Housing may also use HAP funds for assistance in the form a deferred second mortgage that will begin to amortize when the primary mortgage is paid in full. Such a deferred loan will be due and payable if the property is sold and will not be forgiven. Repayment proceeds will be used to fund homeownership assistance for future home buyers.
3. During the final year of the initial 10- or 15-year term of assistance (24 CFR 982.634(a)), we will allow an HCV Homeownership family to request an extension of the term. If we determine that the family, through no fault of their own, needs an extension to continue building equity in their home, we will grant the extension for an additional term of one to 20 years. In no event will the term of the monthly HCV Homeownership assistance, including all extensions, exceed 30 years.

With this MTW flexibility, we seek to expand our HCV Homeownership initiative gradually over time to approximately 10% of our total voucher families, supporting them for the long term as they build home equity and generational wealth.

Waivers requested: 24 CFR 982.503 and related regulations; parts of 24 CFR Part 982; Subpart M, Homeownership Option, including 24 CFR 982.634 and 982.643

Statutory Objective(s): Self-Sufficiency and Housing Choice

Cost Implications: Neutral

Applies to: HCV Homeownership families

Safe Harbor Waiver Required? No

Impact Analysis and Hardship Policy Required? Yes

Hardship Policy – HCV Homeownership

Because Asheville Housing will be expanding support and protections for HCV Homeownership families, and we do not as a matter of policy reduce payment standards for families already participating in the program, we do not anticipate many situations that would require a hardship adjustment. However, if a payment standard is reduced in the future or another policy change is implemented that results in a family rent burden exceeding 40% of adjusted income, the family may request a hardship.

i. *Eligibility:* A family will be eligible for this hardship adjustment if a reduction in the payment standard or other change in policy causes a rent burden (total Family Share divided by current monthly adjusted income) that exceeds 40%.

ii. *Remedy:* The payment standard or other policy change will be adjusted to an amount that results in a Family Share of 40% of monthly adjusted income.

Duration: The hardship adjustment will remain in effect until the family's next interim or annual reexamination, at which time it will be reassessed based on family composition and income at that time.

Impact Analysis – HCV Homeownership Agency-Specific Waiver

1. **Agency Finances.** We project that this agency specific waiver, in combination with other approved MTW activities will result in overall revenue neutrality. Although this waiver will likely result in increased HAP payments for future HCV Homeownership families, those increases will occur gradually over time. The relatively small number of homeownership families as compared to our overall HCV program will moderate the impact of those additional payments. We project these gradual increases will be offset by reductions in federal expenditures outlined in our primary impact analysis submitted with this 2023 MTW Supplement.

2. **Impact on affordability for affected families.** This activity will have a significant positive impact on affordability for HCV Homeownership families, making it possible for them to achieve the dream of building equity in a home of their own, rather than being lifetime renters.

3. **Impact on waitlists.** We do not expect any positive or negative impact on the length of our waitlists or the amount of time families are on an admissions waitlist as a result of this activity. HCV Homeownership participation is filled from within our project-based and tenant-based voucher programs as people complete the necessary prerequisites.

4. **Impact on the termination rate for families.** We expect that this waiver will modestly reduce the termination rate for families participating in HCV Homeownership, by extending the time they can be assisted under the program, and by reducing turnover once they are invested in preparing for and achieving homeownership.

5. **Impact on the occupancy rate for project-based voucher communities and utilization rate in the HCV Program generally.** This activity will not impact the occupancy rate for PBV communities. It may have a modest positive impact on HCV utilization due to the projected reduction in turnover discussed above.

6. **Impact on MTW statutory goals of cost effectiveness, self-sufficiency, and housing choice.** Expansion and improvement of HCV Homeownership will have a significant positive impact on *self-sufficiency*, because families are required to work and improve their credit scores to participate in HCV Homeownership and because building wealth through homeowner equity will increase their overall asset building and financial stability over time. It will also expand *housing choice* by making it possible for more families to pursue and attain the dream of homeownership. We do not anticipate any significant impact either positive or negative on *cost effectiveness*.

7. **Impact on the agency's ability to meet the MTW statutory requirements.** Implementation of these HCV Homeownership waiver activities will not adversely impact our ability to meet the five statutory requirements:

   - *Very Low-Income Requirement:* We will continue to ensure that at least 75% of families assisted are very low-income (at or below 50% of AMI). As a 100% HCV agency, Asheville Housing is required to ensure that all new admissions meet that income requirement.

- *Reasonable Rent Policy:* We established a reasonable rent policy in our 2022 MTW Supplement with planning for and implementation of the Stepped Rent, which will support families seeking to become homeowners by allowing them to save more of their earned income as they prepare for homeownership.

- *Substantially the Same Requirement:* 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.

- *Comparable Mix Requirement:* 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. HCV Homeownership is designed to serve all family sizes well.

- *Housing Quality Standards:* We will of course continue to ensure that our assisted housing, including HCV Homeownership units, under MTW meets the Secretary's housing quality standards, by assigning well trained staff to carry out those inspections with appropriate quality control review.

8. **Impact on hardship requests.** We do not anticipate that this waiver will generate additional hardship requests. Because all of the policy recommendations are intended to expand HCV Homeownership opportunities, we have not identified any potential hardships for participating families.

9. **Impact on protected classes.** We seek to promote racial and gender equity by expanding HCV Homeownership success for our families. In *Bridging the Wealth Gap*, HUD has emphasized, "Homeownership is a pillar of wealth building and for most families, it remains a critical way to build a source of wealth that can be passed down to future generations. Therefore, it needs to be attainable for more families, especially families of color." That is exactly what we seek to accomplish with this MTW Activity.

   HCV Homeownership is already designed to provide long term mortgage support for other protected classes like seniors and families with disabilities who pursue homeownership. With this waiver, we plan to extend that support to benefit all of our low-income homeowners, especially families of color.

   It is important to acknowledge that the Housing Choice Voucher program, designed to benefit very low-income families, who in this country are disproportionately Black, Indigenous and other People of Color, actually results in federal funds flowing to build wealth for private rental property owners, who are disproportionately White. From a racial equity perspective, expanding HCV Homeownership is one of the most important ways we can direct some of that wealth building to the families who need it most.

Asheville Housing MTW Supplement 2023

Impact Analysis – Stepped Rent and Payment Standards

This impact analysis covers all aspects of Asheville Housing Authority's 2023 MTW Supplement to the PHA Plan, except the two agency specific waivers listed below.

These MTW Activities are covered by this combined impact analysis:

- 2022-1 – Stepped Rent (including safe harbor waiver)
- 2023-1 – Payment Standards – Fair Market Rents

These agency-specific waiver requests include(d) their own separate impact analyses:

- 2022-6 – Verification Hierarchy
- 2023-5 – HCV Homeownership

These MTW activities do not require an impact analysis:

- 2022-2 – Family Self Sufficiency with MTW Flexibilities
- 2022-3 – Self Certification of Assets
- 2022-4 – Landlord Incentives
- 2022-5 – HQS Inspections – Third Party Requirement
- 2023-2 – Rent Reasonableness – Third Party Requirement
- 2023-3 – Local Non-Traditional – Rental Subsidy Program
- 2023-4 – Local Non-Traditional – Housing Development Program

1. Agency Finances.

The impact on agency finances is projected to be neutral both in the short and long term. In the first year of stepped rent implementation currently scheduled to begin on November 1, 2022, the policies implemented in the 2022 MTW Supplement are estimated to generate at least $200,000 in additional tenant payments, reducing agency HAP expenses for those families. That includes an increase in our minimum rent from $27 to $50 for all program participants, After the first year, we project that annual stepped rent increases will generate approximately $215,000 in additional tenant rent each year, progressively reducing HAP expenses for stepped-rent families.

These HAP savings will offset projected increases in other areas, including gradual increases in per unit costs due to higher payment standards and steady increases in Family Self Sufficiency participation. Once the initial year of stepped rent implementation is behind us, we also project there will be some savings in staffing costs based on triennial reexaminations for stepped rent families, which will offset increased MTW-related staffing expenses increases.

2. Impact on Affordability for Affected Families.

The stepped rent approved in 2022 will significantly enhance affordability, because stepped-rent families will have the ability to join the workforce without experiencing the penalty of a huge rent increase. The sample family shown in Chart 1 below 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.

The payment standard increases proposed for 2023 will also enhance affordability by making more homes in our highly competitive market affordable to renters and homeowners seeking to use their vouchers.

3. Impact on Waitlists.

We do not anticipate any major impact either positive or negative on waitlist times as a result of these policy changes. 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.

4. Impact on the Termination Rate for Families.

We expect that families will welcome the stepped rent 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 six-year stepped rent study period.

Payment standard increases proposed for 2023 will make it easier for our families to compete in the private rental and homeownership markets, so we expect there will be fewer new vouchers terminated because the family could not find an affordable apartment or home.

5. 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. The stepped rent may help control turnover and thereby support strong occupancy in PBV communities by encouraging families to increase income without a sudden income-based increase in their rent.

Payment standard increases will not impact PBV communities but will definitely support utilization in the HCV program generally by making our families more competitive in the private rental and homeownership markets, boosting the success rates both for renters and home buyers.

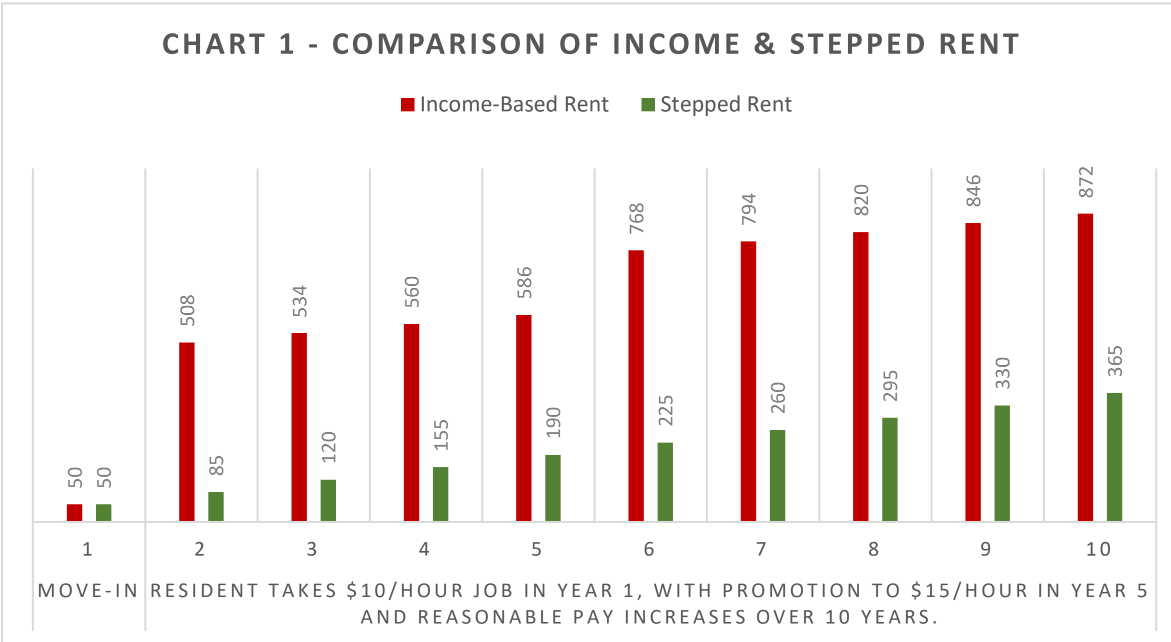
6. Impact on MTW Statutory Goals of Cost Effectiveness, Self-Sufficiency, and Housing Choice.

Self Sufficiency: The traditional income-based rent creates a significant barrier for families who want to join the work force. In listening sessions over several years, 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 work-related 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 with residents 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 toward Social Security benefits. 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 study 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. Chart 1 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. The parent 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 study (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 is supported by important modifications to the Family Self Sufficiency Program. We are developing a modified Contract of Participation to make the program benefits more secure for all participants. We are also offering the option to make escrow account deposits based on awards for specific accomplishments, rather than a calculation of income and rent. This change will make the escrow 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.

Families enrolled in the stepped rent 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, the 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 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 with a tenant-mobility voucher by avoiding an eviction record that disqualifies them in many credit screening processes.

We believe this supportive rent and incentive structure will ultimately begin to heal relationships 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.

In addition to the stepped rent, our 2023 proposal to increase payment standards will help families work toward self-sufficiency by successfully moving to the private rental market. Our safe harbor waiver request to raise certain families' payment standards as high as 140% of the Fair Market Rent will strongly support self-sufficiency by making it possible for more working families to build equity through the HCV Homeownership program. The safe harbor waiver should also support self-sufficiency for working families with tenant-based vouchers who choose to move their families to low-poverty areas of opportunity.

Housing Choice will be supported by our 2023 proposals to increase payment standards up to 120% of the Fair Market Rent. These higher payment standards will make our families more competitive in the rapidly rising rental and homeownership markets.

Housing choice is also supported by the landlord incentives approved in 2022 to encourage landlord participation in the program, and will be supported by the housing development program proposed in 2023.

Cost Effectiveness will be supported by triennial reexaminations for stepped rent families. Spreading that annual process out over three years will reduce staff time required for that function and allow staff to focus on supporting families in other more productive ways.

Cost effectiveness is also supported by other MTW activities approved in 2022 and proposed in 2023, including new simplified FSS escrow account calculations, self-certification of assets, HQS inspections and rent reasonableness determinations conducted by independent internal staff rather than outside contractors, and streamlined verification procedures.

7. Impact on the agency's ability to meet the MTW statutory requirements.

The initiatives covered by this impact analysis will enhance our ability to meet the five statutory requirements:

- *Very Low-Income Requirement:* We will continue to ensure that at least 75% of families assisted are very low-income (at or below 50% of AMI). As a 100% HCV agency, Asheville Housing is required to ensure that all new admissions meet that income requirement.

- *Reasonable Rent Policy:* The stepped rent model approved in 2022 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 approved in 2022.

- *Substantially the Same Requirement:* 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 meet the increasingly competitive housing market.

- *Comparable Mix Requirement:* 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.

- *Housing Quality Standards:* 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 review.

8. Impact on Hardship Requests.

In the initial stepped rent study enrollment year (currently projected to begin November 1, 2022), we are seeking to avoid a large number of specific hardship requests by implementing the automatic transition hardship adjustment. We do expect a modest increase in such requests after that implementation year, which should be manageable with the reduced burden on staff resulting from the shift to triennial reexaminations for stepped rent families. We appreciate HUD's decision to allow the use of adjusted income in setting the first year stepped rents, which will significantly reduce the number of hardships needed.

We have developed hardship policies where required for the new MTW Activities proposed in 2023. For payment standards flexibility, we do not anticipate any significant number of hardships, because we will need to set our payment standards at or near the upper limit so our families can be competitive in the local market.

9. Impact on Protected Classes.

We acknowledge our role in the adverse structural impacts of the real estate market and federal housing policy generally on Black, Indigenous and other People of Color. 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. The stepped rent is a purposeful action intended to replace that structure and begin repairing the lives impacted by that structure.

Additionally, in our review and input sessions for the stepped rent, we identified potential impacts on families with children, particularly those who are already working and/or 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.

With the payment standard increases proposed in 2023, we working to make our families, including the large proportion who are families of color, more competitive in the local rental and home ownership markets. We also seek to promote racial and gender equity for our families through the agency specific waiver we are proposing to expand on HCV Homeownership success.