

# SUMMARY OF MTW COHORT #4 LANDLORD INCENTIVES

Ed Gramlich, NLIHC, January 15, 2021

HUD's Office of Public and Indian Housing (PIH) posted Notices soliciting public housing agencies (PHAs) to apply for two Moving to Work (MTW) Demonstration cohorts, [Notice PIH 2021-02](#) pertains to Cohort #3 – Work Requirements and [Notice PIH 2021-03](#) pertains to Cohort #4 – Landlord Incentives. PHAs that want to be considered for either cohort must submit an eligibility determination request by April 16.

## ***BRIEF BACKGROUND ON MTW EXPANSION***

The “Consolidated Appropriations Act of 2016” authorized HUD to expand the MTW Demonstration to an additional 100 high performing PHAs over a seven-year period to end in 2022. PHAs will be added to the MTW demonstration in groups (cohorts), each of which will be overseen by a research advisory committee to ensure the demonstrations are evaluated with rigorous research protocols, quantitative analysis, and comparisons to control groups. Each cohort of MTW sites will be directed by HUD to test one specific policy change.

The MTW statutory objectives are to reduce costs, give households incentives to achieve economic self-sufficiency, and to increase housing choice. The statute requires MTW agencies to: 1) serve the same number of low-income families as they would without MTW funding flexibility; 2) serve a mix of families by size comparable to the mix they would have served if they were not in MTW; 3) ensure that 75% of the families they assist have income at or below 50% of area median income; 4) ensure that assisted units meet housing quality standards; and 5) establish a reasonable rent policy.

There are now five cohorts.

- Cohort 1 will evaluate the overall impact of MTW flexibilities on PHAs with fewer than 1,000 units.
- Cohort 2, rent reform, will evaluate the impacts of different rent structures.
- Cohort 3 will evaluate the impacts of work requirements.
- Cohort 4 will evaluate incentives to landlords to participate in the Housing Choice Voucher (HCV) program.
- Cohort 5 will evaluate the overall impact of MTW flexibility on PHAs with fewer than 27,000 units.

PIH posted the final “[Operations Notice for the Expansion of the Moving to Work \(MTW\) Demonstration Program](#)” in the *Federal Register* on August 28 (see *Memo*, [8/31/20](#)). This version of the Operations Notice establishes requirements for implementing the MTW demonstration PHAs applying for one of 100 new MTW slots. The original Operations Notice was published on January 23, 2017 (see *Memo*, [1/23/17](#), [5/8/17](#)). The final notice was effective immediately.

PIH issued notices soliciting PHAs to apply to participate in Cohort #1 (see *Memo*, [10/22/18](#)) and Cohort #2 (see *Memo*, [3/18/19](#)). PIH [announced](#) on January 14, 2021 it has selected 30 small PHAs for Cohort #1 (MTW flexibilities) and indicated that it anticipated announcing PHAs to

undertake Cohort #2 (rent reform) in the spring. The [list of the 30 small PHAs](#) selected to participate in Cohort #1 does not reveal specific MTW flexibilities those PHAs will use; the brief descriptions merely present platitudes and generalities.

### ***NOTICE PIH 2021-03: COHORT #4 – LANDLORD INCENTIVES***

This Notice lays out the process by which 30 PHAs will be selected for the fourth cohort of the MTW Demonstration Expansion, which will evaluate landlord incentives and their effect on landlord participation in the HCV program. PIH identified seven MTW activities in the [MTW Operations Notice](#) (see *Memo, 8/31/20*) that have the potential to act as landlord incentives. In addition, two Cohort Specific MTW Waivers are available for PHAs. Together, the MTW Operations Notice and Cohort Specific MTW Waivers are referred to as the “Cohort #4 MTW Activities List.” PHAs in the fourth cohort must implement at least two activities from the Cohort #4 MTW Activities List.

PHAs seeking MTW designation in the fourth cohort may (but are not required to) request an eligibility determination by April 16, 2021. An MTW Plan and application package, however, is due by August 8, 2021. HUD will conduct a lottery of applications to select 30 PHAs to participate.

Those selected (the “treatment” group) will be offered MTW designation and implement landlord incentives under the fourth cohort; applicants not selected will be the “control group” for purposes of evaluation. Evaluation of the fourth cohort will be conducted by an independent research team that will compare outcomes for the PHAs that were selected and the PHAs that were not selected through the lottery.

### **Details of Landlord Incentives MTW Waivers**

#### **Cohort #4 MTW Activities List**

All PHAs that apply for the fourth cohort must choose at least two activities from the Cohort #4 MTW Activities List, which is in Appendix I of the MTW Operations Notice. The numbers below are those used in the MTW Operations Notice Appendix I for major categories of MTW Waiver types.

#### ***MTW Operations Notice MTW Activities List***

#### **2. Payment Standards and Rent Reasonableness**

If an MTW PHA (whether in Cohort #4 or not) uses any of the Small Area FMR waivers, the MTW Operations Notice allows a PHA to use either the SAFMR for a particular ZIP Code or a “grouped” ZIP Code. Safe Harbors: A PHA must have a hardship policy and must conduct an impact analysis. If using a grouped ZIP Code, the payment standard for each grouped ZIP Code area must be within the “basic range” of the SAFMR for each ZIP Code area in the group.

#### **2.a. Payment Standards – Small Area Fair Market Rents (SAFMRS), *see next page***

## 2. Payment Standards and Rent Reasonableness, continued

### **2.a. Payment Standards – Small Area Fair Market Rents (SAFMRs)**

A PHA may establish payment standards between 80% and 150% of the SAFMR [A payment standard sets the value of a voucher. Regular regulation sets the payment standard between 90% and 110% of the Fair Market Rent (FMR) for an entire metropolitan area. A Small Area Fair Market Rent is based on the rents in a specific ZIP code.] PIH strongly encourages a PHA to adopt a hold harmless policy (or a gradual phase-in), to limit the impact of *reductions* in payment standards, because reduced payment standards would likely discourage some landlords from participating [and can cause households that already have a voucher to pay more for rent].

### **2.b. Payment Standards – Fair Market Rents (FMRs)**

A PHA may establish payment standards between 80% and 120% of the FMR. PIH strongly encourages a PHA to adopt a hold harmless policy (or a gradual phase-in), to limit the impact of *reductions* in payment standards, because reduced payment standards would likely discourage some landlords from participating [and can cause households that already have a voucher to pay more for rent].

## 4. Landlord Leasing Incentives

### **4.a. Vacancy Loss**

A PHA may pay a landlord up to one-month contract rent as reimbursement for time a unit is vacant in between voucher households. This applies only when an HCV household leaves a unit, and the next tenant is also an HCV household. If a unit is vacant for one month, a PHA may pay one month of the contract rent. If a unit is vacant for less than one month, a PHA may pay up to the prorated share of the contract rent, based on the number of days the unit was vacant.

### **4.b. Damage Claims**

A PHA may pay a landlord reimbursement for tenant-caused damages after accounting for any security deposit. The amount of compensation may not exceed the lesser of the cost of damages or two months contract rent.

### **4.c. Other Landlord Incentives**

A PHA may provide incentive payments up to one month of contract rent to incentivize landlords to join the HCV program (i.e. a signing bonus).

## 5. Housing Quality Standards (HQS), see next page

## 5. Housing Quality Standards (HQS)

### **5.a. Pre-Qualifying Unit Inspections**

A PHA may allow units to be pre-inspected for Housing Quality Standard (HQS) approval to accelerate the lease-up process and minimize a landlord's lost revenue during a period of vacancy. Pre-inspection must happen within 90 days before a HCV household begins occupancy. [The MTW Operations Notice requires households to be able to request an interim inspection.]

### **5.d. Alternative Inspection Schedule**

A PHA may implement an alternative schedule for conducting HQS inspections. Typically, HCV units must be inspected each year. Under this MTW activity, units can be inspected less frequently but must be inspected at least once every three years. [The MTW Operations Notice requires households to be able to request an interim inspection.]

### ***Cohort Specific MTW Waivers List***

The MTW waivers and associated activities listed here were created specifically for MTW PHAs participating in the fourth cohort; they are not in the MTW Operations Notice.

#### Cohort 4.1 Waiver of Mandatory Initial Inspections

Normally, a unit must pass HQS inspection before an HCV household can move in. This MTW waiver eliminates the requirement for an initial inspection. However one of the following Safe Harbors must be met: a) the unit is less than five years old; b) the unit passed an HQS inspection (or equivalent inspection) within the previous three years; or c) the unit is located in a census tract with a poverty rate less than 10%. A tenant must be able to request an interim inspection.

#### Cohort 4.2 Front-end Vacancy Loss Payment

Unlike the regular MTW Waiver 4.a, this waiver allows a front-end vacancy loss payment when the previous tenant was not an HCV household.

### **Other Landlord Incentive MTW Activities and the Agency-Specific Waiver Process**

*see next page*

## **Other Landlord Incentive MTW Activities and Agency-Specific Waiver Process**

The MTW Operations Notice provides a mechanism for MTW Expansion PHAs to request additional MTW activities through the “Agency-Specific Waiver” process. If a PHA knows that it will seek approval of a landlord incentive MTW activity through the Agency-Specific Waiver process, the PHA may include a description of it in the MTW Plan and application package. Any Agency-Specific Waiver MTW activity will not count towards the required two MTW activities from the Cohort #4 MTW Activities List.

### **Evaluation**

PIH has not determined the full list of outcomes that the evaluation will monitor, but those under consideration include HUD’s evaluator:

- Collecting data to assess how landlords perceive the HCV program and whether they are willing to accept HCV households.
- Monitoring a PHA’s list of landlords known to accept HCVs. Some PHAs also partner with third-party platforms that help landlords list units available to HCV holders. HUD’s evaluator will monitor the landlords and units listed on such platforms, if applicable.
- Analyzing HUD and PHA data to determine what proportion of HCVs issued resulted in a completed lease-up.
- Analyzing HUD data to determine the total number of landlords with HCV households and the geographic distribution of HCV households.

### **Restrictions**

In order to evaluate the impact of a landlord incentive policy, a fourth cohort PHA cannot apply for several MTW waivers for four years (the “evaluation period”). Those MTW waivers are:

- Waiver 1 on Tenant Rent Policies, Activities d, f, l, o, q, and s
- Waiver 5 on Housing Quality Standards, Activity b
- Waiver 7 of Term-Limited Assistance, Activity b

PHAs may propose Safe Harbor Waivers and Agency-Specific Waivers, which HUD will review with the independent research team to assess whether they conflict with the fourth cohort evaluation.

### **Resident and Public Engagement**

*see next page*

## **Resident and Public Engagement**

The fourth cohort MTW Plan and application package must undergo a resident and public engagement process that must include all of the following:

- The PHA must notify public housing residents and/or HCV households of its intention to participate in the MTW Demonstration Expansion. This notification must be in advance of developing the MTW Plan.
- The PHA must hold at least two resident/HCV household meetings (separate from, and before, the required public hearing).
- After the two resident/HCV household meetings, the PHA must publish a notice that a hearing will be held on the full MTW Plan and application package.
- The draft MTW Plan and Landlord Incentive Activity Information must be available for public inspection for at least 30 days before the MTW Plan and application package are submitted to HUD.
- The PHA must conduct a public hearing to discuss the MTW Plan and Landlord Incentive Activity Information and invite public comment.
- The PHA's Board of Commissioners (or equivalent governing body) must approve the MTW Plan and application package by resolution no less than 15 days after that public hearing.

The MTW Plan must discuss how the PHA plans to continue to engage assisted households in its housing programs, as well as engage the broader community and stakeholders, in implementing not only landlord incentives but also any other MTW waivers and related activities. The MTW Plan must describe any planned engagement efforts with the local community, including any outreach to racial and ethnic minorities, persons with limited English proficiency, persons with disabilities, families with children and groups representing such persons.

A PHA must provide documentation of the elements of the required resident and public process.

### **The MTW Plan**

#### *General*

Among other elements, the MTW Plan must describe the types of initiatives the PHA seeks to implement in its local MTW program and explain why it wants to undertake those initiatives.

The PHA must request authority to use public housing and HCV funds flexibly and list or describe the PHA's proposed uses of MTW Funds, including describing whether/how the PHA plans to use funds in a flexible manner across the traditional Section 8 (HCV) and Section 9 (public housing) programs.

The PHA must discuss any significant partnerships between the PHA and other public agencies, city/state/local governments, private nonprofits and/or for-profit entities (particularly local welfare offices and local providers of job training and related services). The PHA should clearly explain how such partnerships will help to achieve its vision for the MTW program. The PHA must discuss how it intends to leverage funding and/or other in-kind resources to implement its MTW program.

## ***Landlord Incentive Activities Information***

### Landlord Needs Assessment

A PHA must provide an assessment discussing rental housing market conditions, the types of landlords active in the local market, and reasons why some landlords do not accept HCVs.

### MTW Cohort #4 Activities

A PHA must identify at least two activities from the Cohort #4 MTW Activities List that it will implement if selected. The PHA must explain why these activities are likely to be effective, given the context discussed in the Landlord Needs Assessment.

### Other Landlord Incentives and Initiatives

If a PHA is planning to request any Agency Specific Waivers related to landlord incentives, a description of such requests should be made and justified. The PHA must also discuss other (non-MTW) initiatives that the PHA has implemented or will implement to improve the HCV program and attract landlords.

Notice PIH 2021-03 (Cohort #4) is at: <https://bit.ly/38MiS09>

Main MTW website is at: <https://www.hud.gov/mtw>

MTW Expansion webpage is at: <https://bit.ly/39PEXdF>

The *Federal Register* version of the Operations Notice is at: <https://bit.ly/2ECV569>

An easier to read version of the Operations Notice is at: <https://bit.ly/3hCrqZf>

More about MTW is on [page 4-57](#) of NLIHC's *2020 Advocates' Guide*.

More information about public housing is on [page 4-30](#) of NLIHC's *2020 Advocates' Guide*.

More information about Housing Choice Vouchers is on [page 4-1](#) of NLIHC's *2020 Advocates' Guide*.

More information about the Annual PHA Plan is on [page 7-61](#) of NLIHC's *2020 Advocates' Guide*.