

**United States Department of Housing and Urban Development**

**Moving to Work Demonstration Program**

**Promising Practices Report for**

**PHILADELPHIA HOUSING AUTHORITY (PHA)**

**October 2008**

## INTRODUCTION

The Philadelphia Housing Authority (PHA) signed their Moving to Work (MTW) agreement with the Department of Housing and Urban Development (HUD) in February 2002. PHA's mission is to "provide quality housing for Philadelphia's low and very low-income families by improving facilities, achieving excellence in property management, providing opportunities for resident economic enhancement and workforce development, and by forming strategic partnerships with surrounding communities."

The Philadelphia Housing Authority is the largest housing provider in Pennsylvania and one of the largest public housing authorities in the country. PHA owns and manages approximately 22,400 housing units and administers approximately 14,850 tenant-based housing choice vouchers (HCV) serving over 80,000 people with vastly different demographics and income levels. According to the U.S. Census Bureau North American Industry Classification System County Business Patterns for 2005, the industries with the most employees in the city of Philadelphia include health care and social assistance, accommodation and food services, retail trade, and educational services.

The Philadelphia Housing Authority was admitted into MTW as a block grant site, which allows PHA greater flexibility in utilizing its public housing and HCV funding. Unlike most other MTW agencies, PHA faced some long-standing deeply rooted problems when it entered the MTW demonstration. MTW authorizations enabled PHA to more effectively address these challenges. Utilizing MTW flexibilities, PHA's investments and program activities have focused on the following general areas:

- Comprehensive rehabilitation and neighborhood revitalization activities;
- Support for resident economic self-sufficiency;
- Process simplification;
- Quality control; and
- Continuous management and administrative improvement efforts.

The key obstacle PHA faces, according to agency staff, is progressing with their housing policies and innovations in the midst of reductions in Federal public housing financial assistance. PHA has dealt with this by reducing their workforce by over 20%, as well as making other adjustments. PHA's ability to flexibly utilize funding under their MTW authority has helped them achieve administrative savings and increased cost efficiency.

This document highlights PHA's MTW program activities, including promising practices and lessons learned since the inception of the program. The document is based on interviews with housing authority staff, HUD field staff, and HUD MTW coordinators. It also draws on reports and data submitted by PHA to HUD, as well as reports prepared by the Optimal Solutions Group, LLC and Abt Associates Inc.

The report is organized according to the stated goals of the Moving to Work Demonstration Program: (1) providing work incentives to encourage resident self-sufficiency (2) implementing administrative simplicity and program cost reduction (3)

increasing housing choice and homeownership. Many of the PHA programs fall under multiple goals, but will be highlighted in the most relevant section.

## **SELF-SUFFICIENCY**

The Philadelphia Housing Authority has engaged in a number of activities aimed at increasing resident self-sufficiency. One of the agency's main strategic operating goals is to incorporate the many programs and activities undertaken by PHA and its web of community partners to promote resident self-sufficiency, encourage the healthy development of children, offer support to seniors and those with disabilities, and maximize the potential among residents to live independently. PHA has been able to successfully implement numerous programs designed to help families achieve self-sufficiency and shed their dependency on public housing assistance. PHA has reformed its HCV program for employable households by implementing time limits coupled with supportive services, has operated family self-sufficiency centers along with more than twenty (20) community partners, and has altered its rent structure to increase incentives for families to work and move towards economic independence.

### HCV Time Limited Assistance and Family Economic Development Action Plans

Recipients of HCVs from PHA have a seven-year time limit on their vouchers.

Exceptions are given to seniors and people with disabilities. HCV participants subjected to the seven-year limits must work with PHA to develop a Family Economic Development Action Plan (FEDAP). The FEDAP is used to help families establish self-sufficiency goals with the idea that meeting these goals will help them improve their overall economic status.

"No other housing authority in the country is trying [the seven year time limit] approach, which was based in part on discussions with neighborhood advisory groups." –  
*Editorial, Philadelphia Daily News*

While the FEDAP subjects residents to the seven-year time limit, it also makes a commitment to assist the family in securing the necessary services that will help a family make the transition from housing assistance to self-sufficiency. The adoption of HCV time limits could not have been possible without MTW authorization and the development of these plans and the delivery of these services could not have been accomplished without utilizing MTW funding fungibility.

**Current Status:** As of November 2007, a total of 7,668 households have developed and signed FEDAPs. No family had yet reached the seven-year time limit, but families refusing to execute a FEDAP have lost their vouchers.

### Customer Support Services Department

PHA operates a Customer Support Services Department that helps provide residents with services needed to help them achieve their FEDAP self-sufficiency goals by the end of their seven years on housing assistance. This is done through direct services and referrals to a broad network of PHA community partners with proven track records in employment, training and the provision of outcome-oriented supported services. Services are provided at the One Stop Center at Blumberg Apartments, five Community Based

Management Offices and other PHA and partner locations throughout the City. PHA's Community Partners are providing residents with highly specialized employment training in areas including: medical billing, pharmacy technician, Certified Nursing Assistant, hospitality and hotel services, commercial drivers certification, culinary services, environmental services and other areas. PHA also operates a highly successful Pre-Apprenticeship Program, which trains residents for union jobs in the construction industry. These efforts include helping participants find and keep jobs. These Pre-Apprenticeship and Community Partners programs emphasize a holistic approach to working with residents. Case management services, GED classes, drivers license training, child care and other referrals are provided to residents to assist them in overcoming the numerous obstacles to economic self-sufficiency. PHA's self-sufficiency services also include operation of computer labs at locations throughout the City, augmented by two (2) mobile computer labs.

### Rent Simplification

The Philadelphia Housing Authority has simplified the rent structure for public housing residents and HCV participants not only to ease the administrative and paperwork burden on both families and staff but also to help promote increased household savings and self-sufficiency. These rent system changes were adopted in 2004 and 2005. Additionally, the agency was motivated to promote a model differing from the welfare model. In the welfare model, every time a family's income changes, their rent payments must be adjusted. PHA's reformed rent structure, outlined below, provides for less intrusive contacts between the residents and the housing authority while maintaining a focus on program integrity. MTW has allowed PHA to adopt the following changes:

"MTW designation has allowed PHA to tailor its housing programs to meet the specific needs of the city of Philadelphia, and to implement creative, entrepreneurial solutions to the fiscal and management challenges of the new millennium." -*Year Seven Annual Plan, Philadelphia Housing Authority*

### Rent Structure:

- The first \$500 of asset income is excluded, and households self-certify their assets. Non-MTW agencies must count and verify all income received from assets;
- All statutory deductions are eliminated. Only the following two deductions will be utilized:
  - A \$500 working family deduction for families with one or more members employed full time or at least 20 hours per week
  - A full deduction for Medicare/Medicaid/health insurance premiums for elderly and disabled individuals
- Total tenant payment (TTP) is based on family size. Non-MTW agencies utilize a TTP based on the greater of 10 percent of income, 30% of adjusted income, or minimum rent, regardless of family size.
  - 1-2 person households pay 28% of adjusted monthly income
  - 3-5 person households pay 27% of adjusted monthly income
  - 6+ person households pay 26% of adjusted monthly income

- Families can request a hardship waiver, and during initial implementation increases of more than \$50 per month were phased in.

***Promising Practices:*** PHA has identified a number of economic self-sufficiency outcome objectives for these efforts. These include increasing household incomes, increasing household savings and assisting residents obtain living wage jobs so that these families will no longer need housing assistance. Following are the PHA achievements in these areas as of November 2007:

Increasing Household Incomes: From 2004-2006, 156 HCV families increased their income to the point where they no longer needed HCV assistance. In total, 603 former HCV households have graduated to self-sufficiency and have left the HCV program since 2002. Overall, HCV household average incomes increased a total of 16.4% from 2004 to 2006. This compares to only a 7.7% increase in public housing household incomes during the same period. PHA has not adopted a time limit policy or FEDAP requirement for its public housing families but has adopted the Rent Simplification policy changes. In addition, through PHA's self-sufficiency efforts, the number of households reporting zero income has been reduced by 58%.

Employment: As of September 2006, the Pre-Apprenticeship Training Program has graduated 468 residents, 275 of whom have entered the construction trades. PHA's Section 3 Compliance Program produced 399 resident jobs in 2006. In addition, 944 residents have entered the Certified Nursing Assistant Program, with ninety percent graduating and becoming employed as state-certified nurses. As of November 2007, the Pharmacy Technician Program has graduated and secured employment for 321 residents, and the Medical Billing Program has graduated and secured employment for 186 residents. PHA was able to pay for the pre-apprenticeship program from funds, made available due to their MTW status.

Although PHA has not yet studied all of the factors contributing to these achievements, PHA is confident that, based on historical patterns, these results stem largely from the MTW supported policies and programs adopted by the agency. No data has yet been presented on the impacts these policies have had on household savings.

## **ADMINISTRATIVE EFFICIENCY**

The Philadelphia Housing Authority has undertaken significant efforts to improve administrative efficiency. Effective management on the part of PHA enables it to improve its existing public housing and HCV programs, as well as initiate new and innovative MTW policies within the limited resources that are available. Following is a list of MTW related policies adopted by PHA to streamline and improve its operations and to enhance its housing portfolio:

### Two and Three Year Recertifications

Utilizing MTW authority, PHA has implemented a policy of conducting most recertifications on a two-year cycle, with exception for zero income households. Zero income households are reviewed every 90 days. Residents paying ceiling rents are recertified every three years. Interim recertifications are only required when resident incomes decrease. Non-MTW agencies must recertify employable households every year and complete an interim recertification when incomes increase. Adopting a two and three year recertification policy and limiting interim recertifications reduces overhead costs by reducing recertification staff time and paperwork burdens. On the other hand, delaying recertifications prevents PHA from promptly receiving increased rental revenue from those households when their incomes increase.

"MTW designation has allowed PHA to tailor its housing programs to meet the specific needs of the city of Philadelphia, and to implement creative, entrepreneurial solutions to the fiscal and management challenges of the new millennium." –*Year Seven Annual Plan, Philadelphia Housing Authority*

### Rent Simplification

As noted in the previous section, the Philadelphia Housing Authority has simplified the rent structure for public housing residents and HCV participants to, in part, ease the administrative and paperwork burden on both families and staff. By limiting allowable deductions and modifying the definition of household income, the process for determining a household's rent amount has been streamlined. This simplified system is easier to understand and to administer and should result in fewer staff errors and a reduced opportunity for client fraud. PHA conducts quality control reviews of all participant/resident files to ensure that these policies are administered correctly. .

### Flexibility to Leverage Funds

PHA has been able to effectively use its MTW block grant funding flexibility to pursue the agency's affordable housing objectives. By allowing PHA flexible use of its block grant funding, which is only possible with MTW authorization, PHA was able to access non-federal funds that otherwise would have not been available. Specifically, PHA has redirected a substantial amount of HCV funding, using MTW funding fungibility, to pursue major redevelopment and rehabilitation activities at a number of PHA's distressed public housing developments. For example, PHA used \$10.6 million in MTW block grant funds (about 40% of the total cost of the project) in order leverage the additional private funding needed to complete the redevelopment of Cambridge Plaza. This and other such efforts were pursued with substantial investments from the private sector and local and state governments.

"The MTW program enables the [Philadelphia Housing] Authority to operate more efficiently, which in turn attracts private investment and willing local and state government partners." –*Year Seven Annual Plan, Philadelphia Housing Authority*

***Promising Practices:*** The changes PHA has made to its rent and recertification policies were designed, in part, to reduce administrative burdens, while not having a significantly

negative impact on PHA's rental income. PHA's use of MTW funding flexibility was intended to maximize the leveraging potential of PHA's resources to enable to pursue of critically needed asset management and supportive service objectives. Following are the PHA achievements in these areas to date:

Rent and Recertification Policies: PHA has not yet fully assessed the administrative impacts of these policy changes. PHA did reduce its staff by 22% in FY 2006, but this staff reduction was a result of a \$17 million dollar budget shortfall and not a result of improved operational efficiencies. PHA rental income has decreased slightly, but PHA does not attribute this decrease to these new MTW policies. Although PHA believes that there have been positive results, further assessment of these new policies will be needed to determine the full extent of their administrative impacts. As PHA completes quality control reviews of all resident/participant files, data should soon be available to assess the effectiveness of some of these efforts.

Block Grant Funding Flexibility Leveraging: In 2006 alone PHA added an additional \$31.5 million in leveraged financing, including \$7.8 million in state funds, \$23.2 million in LIHTC equity and \$400,000 in local funds. During this same period, PHA raised over \$2.6 million in social service related grant funding. As of November 2007, the agency had raised \$236.3 million in private equity funding through Low Income Housing Tax Credits in support of PHA's affordable housing development and public housing revitalization initiatives. PHA reports that this has been possible as a direct result of MTW funding flexibility.

## HOUSING CHOICE AND HOMEOWNERSHIP

Having MTW flexibilities has helped PHA offer greater housing choice for low-income families in the city. PHA is in the midst of a 10-year, \$1.5 billion capital improvement program. Using mixed-finance development methods and the extensive leveraging described in the preceding section, PHA has increased the supply of and significantly improved the quality of affordable and market-rate housing in previously blighted neighborhoods. PHA has also partnered with other agencies to provide service enriched housing opportunities for those with special needs.

"The ability to tailor housing policies to meet local needs and respond to local conditions has been essential for PHA to do what it has done." *-Philadelphia Housing Authority Staff*

### Capital Improvements

PHA has used the MTW program to engage in vacancy reduction, affordable housing development and public housing and other neighborhood revitalization efforts. Through a comprehensive planning approach, PHA is addressing complex and long-standing issues relating to both physical needs and operations designed to enhance the size and shape of its housing portfolio. As discussed above, PHA has been able to leverage tens of millions of dollars in additional financing each year. These funds, along with MTW

block grant funding, have enabled PHA to rehabilitate and construct a number of developments.

PHA's redevelopment projects have been cited as key to the transformation of blighted neighborhoods into attractive and increasingly sought-after housing choices. PHA, with the help of MTW flexibilities, has completed the new construction or modernization of approximately 6,100 housing units for low-income households

"In some neighborhoods, homes are selling in the areas right next to public housing for \$750,000." – Shelley James, *Director of Quality Assurance, Philadelphia Housing Authority*

including implementation of a large-scale affordable homeownership program. In addition to utilizing MTW block grant funding flexibility, PHA has also adopted and utilized a number of MTW-authorized policies and practices designed to facilitate these development, redevelopment and rehabilitation efforts. These MTW authorizations include streamlining the site acquisition process, adoption of site-based waiting lists, adoption of reasonable cost limits that replace HUD's Total Development Cost (TDC) limits and Housing Cost Caps (HCC), and adoption of reasonable and modest design standards developed to enhance the livability and marketability of PHA's housing stock.

#### Homeownership

PHA operates four homeownership programs. No MTW homeownership program policy features have been adopted by PHA, but homes utilized for three of these programs were developed with MTW leveraged funds and MTW block grant funding. During one brief period, PHA sold 26 units in 21 days to families at less than 60 percent of AMI. PHA has teamed up with 26 banks to provide support to families interested in homeownership. PHA sponsors a homeownership class (funded through the MTW block grant) and refers families to other organizations for credit repair activities. The program provides units below market costs and includes resale restrictions. Thus far, PHA helped 767 first-time homebuyers purchase homes.

#### Unit-Based Subsidy RFP Program

In order to promote increased neighborhood revitalization, the MTW demonstration program has allowed PHA to partner with a variety of organizations to implement the Unit-Based Subsidy Request for Proposals (RFP) program. This program uses MTW flexibility to adopt a local policy for project-basing HCV funding and by allowing the partnering agencies, through a competitive process, to request MTW block grant funds for the repair, rehabilitation, or construction of new units in order to revitalize neighborhoods. PHA reports that as of November 2007, it had awarded 412 new construction vouchers and 517 rehabilitation vouchers to 37 qualified partners. Approximately 304 units have been newly constructed, and 342 units rehabilitated. Six hundred forty-six families now occupy those units.

#### Homeless Populations

As part of a coordinated, citywide homelessness prevention effort, PHA has committed 400 project-based vouchers funded from the MTW block grant through PHA's Unit-Based Program to support formerly homeless households who have successfully

completed a transitional housing program. PHA has also dedicated existing public housing units to this effort. As of November 2007, PHA has helped house 385 of these households in either PHA's public housing units or PHA's Unit Based Subsidy Program. PHA accepts referrals from the City's homeless service agencies for eligible households.

#### HCV Time Limited Assistance

Recipients of Housing Choice Vouchers from PHA have a seven-year time limit on their vouchers. Exceptions are given to seniors and people with disabilities. As noted previously, the adoption of HCV time limits could not have been possible without MTW authorization. One of PHA's objectives for this initiative is to increase the number of persons served by the HCV program by limiting the time current voucher holders can remain in the program.

***Promising Practices:*** PHA has made a concentrated effort to improve the quality, quantity and variety of housing opportunities offered. Following are the PHA achievements in these areas to date:

Capital Improvements: As noted above, PHA has completed the new construction or modernization of approximately 6,100 housing units from 2002 to 2007 utilizing various MTW strategies. During this period, PHA has also helped 767 first-time homebuyers purchase homes. In 2006, PHA completed rehabilitation of 133 units and a 12,000 sq. ft. comprehensive senior service facility at Germantown House. PHA also completed construction and sales of 90 affordable homeownership units at Martin Luther King Plaza, sales of 122 affordable housing units at Greater Grays Ferry, and construction of 50 rental units and 25 affordable homeownership units at Lucien E. Blackwell Homes. During 2006, PHA also converted a total of 883 tenant-based vouchers to project-based units under PHA's Unit Based Leasing and Development Program. Although these activities were clearly dependent on MTW authorizations, because MTW strategies were used in various combinations, it is difficult to assess the contributions each individual MTW strategy played in achieving these accomplishments. It is clear that MTW, especially MTW block grant funding flexibility, made these efforts possible.

Expanding HCV Opportunities: PHA has not yet provided data on actual increases in HCV turnover resulting from its seven-year time limit policy. It is assumed that once families reach the end of their seven-year time limits and begin leaving the HCV program, the number of new low-income households that will be able to benefit from this program will substantially increase.