

Louisville Metro Housing Authority Administrative Plan Addendum Rent Reform Study

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Program Description and Overview of study components

The US Department of Housing and Urban Development (HUD) is conducting a rent reform demonstration program, designed to test and evaluate an alternative rent policy, implemented by several Moving to Work (MTW) public housing agencies (PHAs). The Louisville Metro Housing Authority (LMHA) has agreed to participate in the study, and as such, will modify policies and rent calculations for a group of program participants (the Rent Reform Group), and will compare the results to a group of program participants who are assisted under the rent policies used for all other PHA assisted households (the Control Group).

The study will test an alternative rent policy that includes:

- A revised formula to calculate tenant share of rent and utilities – 28% of gross annual income
- A minimum rent payment from tenants to owners of \$75
- A revised method of determining gross annual income
 - Elimination of deductions and allowances
 - Disregarding asset income of each asset valued below \$25,000
- A triennial recertification procedure
- A limited number of interim recertifications per household per year
- A revised methodology for determining tenant rent to owner
- A simplified utility allowance schedule
- A hardship policy to protect tenants from excessive rent burden

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[Applicability of the Administrative Plan Addendum for Rent Reform Study](#)

This Addendum to the Administrative Plan for the Housing Choice Voucher program outlines how the Louisville Metro Housing Authority will implement the design and policies of HUD's Rent Reform Study. The policies described in this addendum are those that vary from the regular Housing Choice Voucher program design. Policies not specifically addressed within this Addendum are carried out in accordance with the provisions of the Administrative Plan.

Study participants will be selected from among current Housing Choice Voucher participant families, using a random assignment methodology. Households will be selected for either the rent reform or control groups prior to their scheduled recertification interview. The following households will be excluded from the study:

- Vouchers not currently administered under the Moving to Work Program:
 - Veterans Affairs Supportive Housing
 - Moderate Rehabilitation
 - Shelter Plus Care
 - Enhanced Vouchers
- HUD Project Based Vouchers
- Vouchers administered under portability
- Elderly households: Head of Household, co-head, spouse or single member households 59 years or older pursuant to the Administrative Plan
- Households headed by people older than 56 years of age (who will become seniors during the course of the long-term study)
- Disabled households: Head of Household, co-head, spouse or single member households with disability as defined in the Administrative Plan
- Households currently participating in the Family Self Sufficiency (FSS) Program
- Households participating in the Homeownership Program
- Households that contain a mix of eligible and non-eligible household members
- Households that receive case management and/or other supportive services through one of the Housing Authority's Moving to Work Special Referral programs

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Changes to the Administrative Plan

This section of the Addendum describes the Rent Reform Study policy changes to the Louisville Metro Housing Authority’s Administrative Plan. The policies contained in this Addendum apply only to Rent Reform Group participants in the Study. Policies not specifically addressed within this Addendum are carried out in accordance with the provisions of the Administrative Plan.

The Louisville Metro Housing Authority’s Administrative Plan is amended to read as follows:

Key

| Text in this style... | represents: | Example |
|-----------------------|---|---|
| Regular | Original text of the Administrative Plan | Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness are not used as deductions in determining net income. An allowance... |
| Italic/underline | Has been added by the Rent Reform Addendum | <i><u>At the initial certification under the Rent Reform Study, the following one-time deduction will be made from annual...</u></i> |
| Strikethrough | Has been deleted by the Rent Reform Addendum <i>only</i> for Rent Reform Group participants | <i>Once the annual income is determined, the Louisville Metro Housing Authority subtracts all allowable deductions (allowances) as the next step in determining the Total Tenant Payment.</i> |

9.0 DETERMINATION OF FAMILY INCOME

9.1 INCOME, EXCLUSIONS AND DEDUCTIONS FROM INCOME

Section 9.1 is amended:

To determine annual *gross* income, the Louisville Metro Housing Authority counts the income of all family members, excluding the types and sources of income that are specifically excluded. *Once the annual income is determined, the Louisville Metro Housing Authority subtracts all allowable deductions (allowances) as the next step in determining the Total Tenant Payment.*

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9.2 INCOME

A Subsection is replaced with: Annual Income will be determined for two periods:

1. Current/Anticipated income means all amounts, monetary or not, that:

a. Go to (or on behalf of) the family head or spouse (even if temporarily

b. Are anticipated to be received from a source outside the family during the absent) or to any other family member, or 12-month period following admission or annual reexamination effective date; and

c. Are not specifically excluded from annual income.

2. Retrospective income means all amounts, monetary or not, that:

a. Go to (or on behalf of) the family head or spouse (even if temporarily

b. Have been received from a source outside the family during the 12-month period prior to the admission interview, recertification interview or mail-in recertification packet due date.; and

c. Are not specifically excluded from annual income.

B.3. Subsection is amended: Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness are not used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from an investment is included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of ~~\$5,000~~ \$25,000, annual income includes the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD. Income that could have been derived from assets worth more than \$1000 that were disposed of for less than fair market value within the past two years will be counted as income. Income from each and every household asset valued at less than \$25,000 will not be included in the determination of household

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income. Study Participants will not be required to document any asset or assets valued less than \$25,000.

9.4 DEDUCTIONS FROM ANNUAL INCOME

Section is replaced with: The Louisville Metro Housing Authority proposes a new method of calculation, which eliminates the calculation of deductions and allowances from household income. Generally, this section of the Administrative Plan will not be applicable to the determination of annual income with one exception.

At the initial certification under the Rent Reform Study, the following one-time, temporary deduction will be made from annual income:

- A. Reasonable child care expenses in excess of \$200 per month per child for children 12 and younger necessary to enable a member of the family to be employed or to further his or her education. The Louisville Metro Housing Authority defines reasonable child care expenses as \$6,000 per year for one child, \$12,000 per year for two children, and so forth. This deduction shall not exceed the amount of employment income that is included in annual income.

The Housing Authority will use the household's adjusted income to calculate a temporary total tenant payment, as described in Section 11.5.A.2.

11.0 RENT AND HOUSING ASSISTANCE PAYMENT

11.5 ASSISTANCE AND RENT FORMULAS

Subsection is amended as follows: Generally, a household's total tenant payment will depend on its retrospective monthly gross income during a 12-month period prior to certification.

The Louisville Metro Housing Authority will also determine the household's current/anticipated income and review household circumstances that may qualify the family for a temporary total tenant payment.

A.1 Total Tenant Payment

Subsection is amended as follows: The total tenant payment is equal to the greater of:

1. 28% of the household's average monthly retrospective income, or

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2. The Minimum rent.
3. If the family is receiving payments for welfare assistance from a public agency and a part of those payments, adjusted in accordance with the family's actual housing costs, is specifically designated by such agency to meet the family's housing costs, the portion of those payments which is so designated. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this provision is the amount resulting from one application of the percentage.

Plus any rent above the payment standard.

A.2 Temporary Total Tenant Payment

The total tenant payment will be established using the household retrospective income unless the circumstance described below.

1. A temporary total tenant payment will be calculated in the following circumstances:

A. At the household's initial certification as a Rent Reform Group participant and each subsequent triennial recertification, the household's current/anticipated income is less than its retrospective income by more than 10%. The temporary total tenant payment will be the greater of:

1. 28% of current/anticipated monthly gross income, or
2. The Minimum rent.

B. At the household's initial certification as a Rent Reform Group participant, the household qualifies for the one-time child care deduction described in Section 9.4.A of this Addendum. The Louisville Metro Housing Authority will calculate a temporary total tenant payment using the household's annual income, retrospective or current/anticipated, whichever is applicable, less the amount of reasonable child care costs above \$200 per month per child.

C. The household qualifies for a hardship waiver under Section 30 of this Addendum.

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2. Temporary total tenant payment period. The temporary total tenant payment will last for six months, after which time the household's total tenant payment will automatically revert to the greater of 1) 28% of average monthly retrospective income or 2) the minimum rent, unless a hardship exemption is approved under Section 30 of this Addendum.

B. Minimum Rent.

Subsection is amended: The Louisville Metro Housing Authority has set the minimum rent as \$75.

However, if the family requests a hardship exemption, the Louisville Metro Housing Authority will promptly review the request and upon determining whether hardship exists and the nature of the hardship, will apply the most suitable hardship remedy. If the hardship remedy provides relief from the minimum rent, the family may not be required to pay any or all of the minimum rent and the Housing Assistance Payment will be increased accordingly.

The Financial Hardship Policy is described in Section 30 of this Addendum.

11.6 Simplified Utility Allowance

Section is replaced with: The Louisville Metro Housing Authority maintains a simplified utility allowance schedule for all tenant-paid utilities (except telephone and cable television) and for the cost of tenant-supplied refrigerators and ranges.

The simplified utility allowance schedule is determined based on the most common structure type and utility types in the Housing Authority's current voucher portfolio. In developing the schedule, the Housing Authority uses current utility rates and typical cost of utilities and services paid by energy-conservative households that occupy housing of similar size in the same locality.

The simplified utility allowance schedule establishes a standard "base rate" for utility costs that varies according to the number of bedroom size. It also includes an additional payment for households that incur a higher utility cost depending on the type of heat and cooking energy used in the unit, as well as whether the household is responsible for water and sewer costs and whether the household must provide their own appliances (i.e., refrigerator and stove).

The Housing Authority will use the appropriate utility allowance for the lesser of: the actual size of the unit or the size of the voucher as determined under the Housing Authority subsidy standards.

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The Housing Authority reviews the simplified utility allowance annually and revises the allowance schedule if there has been a change of 10% or more in a utility rate since the simplified utility allowance schedule was revised.

When the simplified utility allowance schedule is updated to reflect rate changes, utility allowances, and utility allowance payments will be adjusted only when a household's housing assistance subsidy or total tenant payment are recalculated. More specifically, the updated simplified utility schedule will be applied when a household: 1) Changes their contract rent, or 2) Recertifies and the total tenant payment is recalculated at an interim or triennial reexamination, or 3) Moves to a new unit, or 4) Changes their household composition requiring a change in voucher size.

At each certification and reexamination including a recalculation of total tenant payment, the Housing Authority applies the utility allowance from the most current simplified utility allowance schedule.

The Housing Authority will approve a request for a utility allowance that is higher than the applicable amount on the utility allowance schedule if a higher utility allowance is needed as a reasonable accommodation to make the program accessible to and usable by the family member with a disability.

The utility allowance payment will be the household's maximum subsidy less the contract rent. Any utility cost above the allowance is the responsibility of the participant. Any savings resulting from utility costs below the amount of the allowance belong to the participant.

14.0 RECERTIFICATION

14.1 TRIENNIAL REEXAMINATION

Beginning of the subsection is amended: At least *triennially* (within 1,095 calendar days of the anniversary date of the HAP contract) the Louisville Metro Housing Authority will conduct a reexamination of *current/anticipated and retrospective* household income and circumstances (*i.e., program eligibility, household composition*). The results of the reexamination determine 1) the rent the family will pay, and 2) whether the family subsidy is correct based on the family unit size.

The total tenant payment for Rent Reform Group participants will remain in effect during the three year certification period, with some exceptions related to decreases in income and changes in household composition.

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At the certification at the beginning of the three-year period (and at subsequent triennial reexaminations), if the household's current/anticipated income is less than its retrospective income by more than 10%, the Housing Authority will calculate a temporary total tenant payment that will remain in effect for six months. After that grace period, the total tenant payment will automatically be switched to the total tenant payment amount based on the previously determined average retrospective income. No interim reexamination would be required to reset this total tenant payment.

At the certification at the beginning of the three-year period (and at subsequent triennial reexaminations), if the household's total tenant payment exceeds 40% of current/anticipated income, the household can apply for a hardship exemption.

14.2 INTERIM REEXAMINATIONS

Subsection is amended as follows: During an interim reexamination only the information affected by the changes being reported will be reviewed and verified.

Families will not be required to report any increase in income between *triennial* reexaminations.

Rent Reform Group participants are required to report the changes listed under Section 14.2, Paragraph 3 within the timeframe stated.

The Housing Authority will institute a streamlined process for Rent Reform Group participants to report change of circumstance that does not require an adjustment to housing subsidy. For these types of change, Louisville Metro Housing Authority will not request income information. The streamlined process would apply under the following circumstances:

- A. Changes to household composition. Study participants must report both additions and removal of members to the household to Louisville Metro Housing Authority to determine program eligibility and other required reporting (e.g. deceased tenant reporting). However, unless the addition or removal of a family member qualifies the household for a different voucher bedroom size in order to prevent overcrowding or over-housing, the Housing Authority will not request income information for the new household member until the next scheduled triennial certification.

If the loss of a household member results in a reduction of more than 10% of the most recent retrospective income, the household can request an interim reexamination.

In the event that the new or removed member requires a change to the voucher bedroom size, the Housing Authority will review the retrospective income of the newly added or removed household member, apply the appropriate current utility allowance, and

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calculate the household total tenant payment. The change in subsidy for new voucher bedroom size will be implemented when the current lease ends and new lease begins.

A reexamination due to change in household composition, will not count against the limit on reexaminations.

B. Change of unit. Households seeking to move to a new unit will submit a request for move pursuant to current procedures. However, unless the request for move is due to a change in household composition, the Housing Authority will not request income information or recalculate total tenant payment until the sooner of the next scheduled triennial certification or tenant requested interim certification to reset total tenant payment. The Housing Authority will apply the appropriate utility allowance, to the household at the new lease effective date.

Families are not required to, but may at any time, request an interim reexamination based on a decrease in income, an increase in allowable expenses, or other changes in family circumstances. Upon such request, the Louisville Metro Housing Authority will take timely action to process the interim reexamination and recalculate the family share.

Rent Reform Group participants will be allowed one interim reexamination per year to recalculate their total tenant payment. One year is defined as twelve months from the effective date of the certification. The household's total tenant payment will only be recalculated if the household experiences a reduction of income of more than 10% of the household's retrospective income.

At the interim certification, the Housing Authority will re-calculate the household's total tenant payment based on a new retrospective income review. The total tenant payment will be the greater of 1) 28% gross income or 2) the minimum rent. The new total tenant payment will remain in effect until the sooner of the next triennial certification; or a hardship exemption is granted.

If the limit on interim certification presents a financial hardship, the household can apply for a Hardship Exemption.

NEW SECTION: 30.0 HARDSHIP WAIVERS FOR RENT REFORM GROUP PARTICIPANTS

30.1 FINANCIAL HARDSHIP

A financial hardship may exist when the household cannot pay the minimum rent or has an excessive rent burden.

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1. A hardship exists in the following circumstances:
 - a. The hardship cannot be remedied by the one interim recertification permitted each year (which cannot reduce a household's total tenant payment below the minimum rent); or
 - b. The household is at an income level or experiences a loss of income and/or a total tenant payment increase such that its total tenant payment exceeds 40 percent of its current/anticipated monthly gross income. The current/anticipated income will include imputed income in the same manner as current calculations; or
 - c. The household faces risk of eviction for non-payment of rent – including utility shut-offs for non-payment of utility bills that could lead to eviction; or
 - d. Other circumstances as determined by the Housing Authority.
2. Hardship waiver request. The family may use the hardship waiver procedure to request a hardship review. The process for requesting a review will be as follows:
 1. A household must initiate a request for a hardship review, by completing and submitting a written hardship waiver request to a Louisville Metro Housing Authority Housing Specialist.
 2. The household must supply information and documentation that supports a hardship claim with their written request. For example, a household must provide proof of the following: loss of eligibility for a federal state, or local assistance program; loss of employment or reduction in work hours; or the incapacitation or death of an income-earning household member and amount of lost income.
 - i. If a household claims zero income as part of its hardship waiver request, it must provide a detailed accounting of funds used to cover basic costs of living (food, personal/family care necessities, etc.). This information must be provided every 180 days.
 - ii. To request hardship based on the risk of eviction for non-payment of rent or utilities, a household must provide the Housing Authority a copy of written 7-day eviction notice from the owner of non-payment of rent and the owner's intent to terminate the household's tenancy, or a notice from a utilities company warning of a utilities shut-off. Tenant must promptly

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deliver the 7-day eviction notice from the owner well in advance of a scheduled court date for eviction proceedings.

3. Hardship review process. Generally, the administrative review of the household circumstances will be conducted by the Housing Authority according to current case file review processes.

For hardship claims related to imminent risk of eviction (for non-payment of rent or utility bills), the Housing Authority will conduct an expedited hearing process.

Hardship remedies. The Housing Authority will review the case, and if the Housing Authority determines a hardship exists, a hardship remedy will be applied.

No hardship. If the Housing Authority determines there is no qualifying hardship, the minimum rent will be reinstated.

Appeals. The family may use the informal hearing procedure to appeal the Housing Authority's determination regarding the hardship.

Record keeping. The Louisville Metro Housing Authority will complete all information regarding the request for Hardship and the outcome in the system of record for tracking Hardship requests.

4. Hardship remedies. The Hardship remedies may include any of the following:
- a. Allowing an additional interim recertification beyond the normal one-per-year option. This could lower household's total tenant payment (but only as low at the \$75 minimum rent) until the next triennial recertification.
 - b. Setting the household's total tenant payment at the minimum rent for up to 180 days.
 - c. Setting the household's total tenant payment below the minimum rent, at 28 percent of current income, for up to 180 days.
 - d. Waiving the minimum rent entirely for 180 days.
 - e. A specific time frame for the "temporary" total tenant payment or minimum rent may be established for longer than 180 days based on specific circumstances. However, the time frame will never go pass the triennial recertification date.
 - f. Any combination of the above remedies.

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During the 180-day period when the total tenant payment is reduced, the housing authority will increase its payment to the owner to cover the portion of the rent previously paid by the tenant directly to the owner, and it will notify the owner of the change and the time period of the increased payments.

Limitations. Hardship remedies are subject to the following limitations:

- a. The tenant portion of the rent payments will not be suspended prior to a hardship designation.
 - b. Remedies will not affect any rent attributable to a gross rent that exceeds the applicable payment standard.
 - c. Opting out of the alternative rent policy is not a remedy option.
5. End of hardship waiver period.
- a. If the hardship continues, the household may submit a request for an extension of the hardship remedy. However, the time frame will never go past the triennial recertification date.
 - b. At the end of the hardship waiver period, the household's previous total tenant payment, but not less than the minimum rent, will be reinstated.