

Moving to Work

Deregulation and Innovation in Cambridge Public Housing

Prepared for the **Dutch Housing Corporation Directors**
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History of Public Housing in the United States

1930s: The federal public housing program was created by the U.S. Housing Act of 1937, which provided capital funding to localities to build affordable housing units. Public housing was originally intended as a work program and as a way to house people who were temporarily unemployed, or employed at low wages, during the Great Depression.

1940s: Title I of the 1949 Act authorized funds to localities to assist in **slum clearance** and urban redevelopment. This program, as earlier programs, once again emphasized new construction. In addition, it provided funding for activities not directly related to housing construction.

1950s: The Housing Act of 1954 amended the 1949 Act to provide funding, not only for new construction and demolition, but for the **rehabilitation and conservation** of deteriorating areas. Two years later the Housing Act of 1956 added special provisions under Sections 203 and 207 and the public housing programs to give preference to the elderly, and amended the 1949 Act to authorize **relocation payments** to persons displaced by urban renewal.

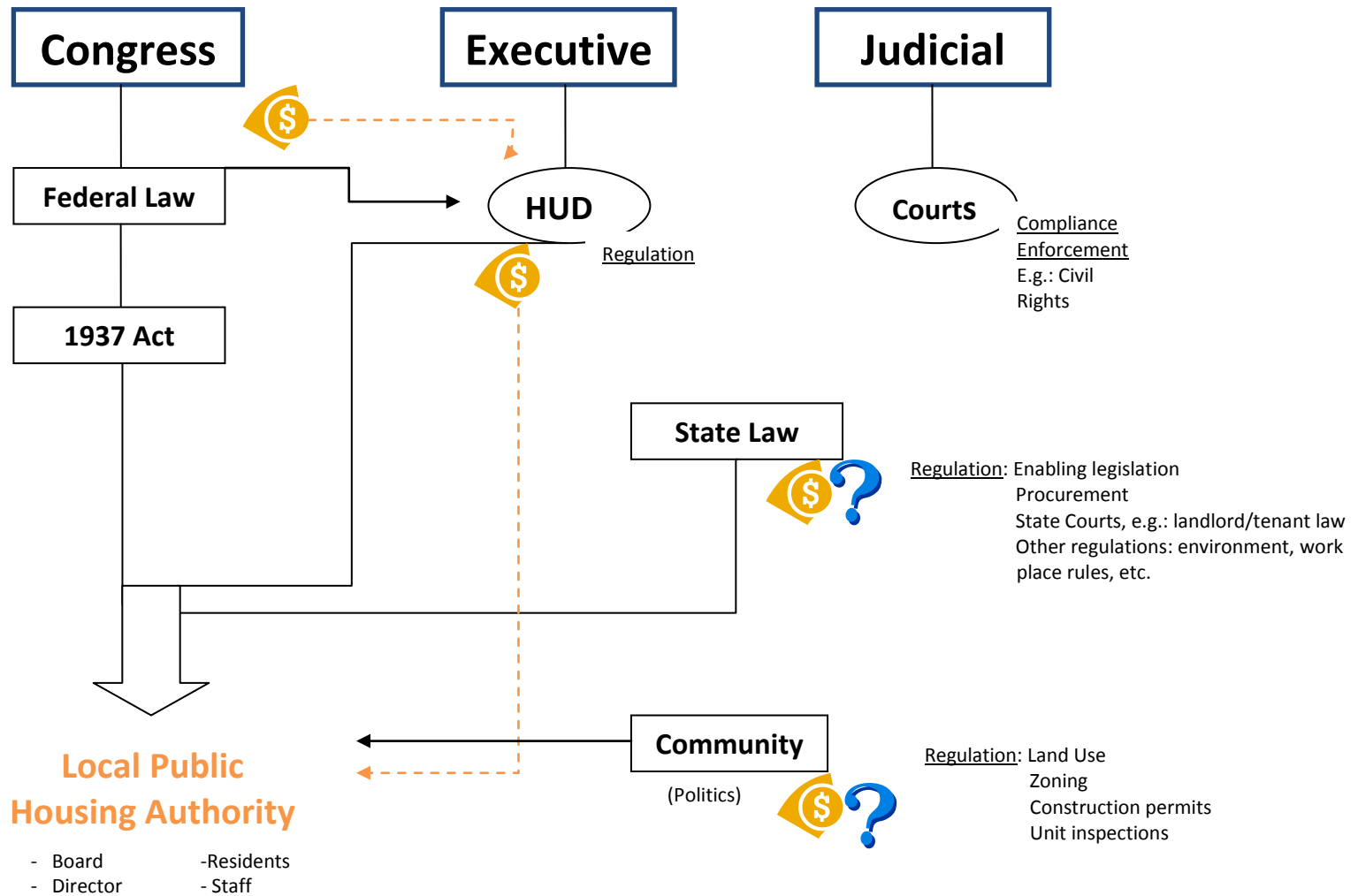
1960s: The Housing and Urban Development Act of 1965 initiated a **new leased housing program** to make privately owned housing available to low-income families. Title VI of the Civil Rights Act of 1964 assured nondiscrimination on federally assisted programs. Equality in housing opportunity was legislated by Title VII of the Civil Rights Act of 1968, the Fair Housing Act, which **prohibited discrimination in the sale, financing, or leading of housing**. The Housing Act of 1968 establishes Government National Mortgage Association (Ginnie Mae) to expand availability of mortgage funds for moderate income families using government guaranteed mortgage-backed securities.

1970s: In 1973 President Nixon declares **moratorium on housing and community development assistance**. A year later, in 1974, the Housing and Community Development Act consolidates programs into **Community Development Block Grant (CDBG) program**. Also through the 1974 Act the **Section 8 Leased Housing Assistance Payment Program** (Section 8) was established, increasing low-income tenants' choice of housing.

1980s: Housing and Urban-Rural Recovery Act of 1983 begins Housing Development Action Grant and Rental Rehabilitation programs. In 1988 the Indian Housing Act gives HUD **new responsibilities for housing needs of Native Americans and Alaskan Indians**. Housing and Community Development Act **allows sale of public housing to resident management corporations**.

1990s: National Affordable Housing Act in 1990 **emphasizes homeownership and tenant-based assistance**. Low-Income Housing Preservation and Residential Homeownership Act of 1990 fortifies Federal commitment to **preservation of -assisted low-income, multifamily housing**. In 1992, Federal Housing Enterprises' Financial Safety and Soundness Act of 1992 creates HUD Office of Federal Housing Enterprise Oversight to provide public oversight of FNMA and Federal Home Loan Mortgage Corporation (Freddie Mac); In 1998 Congress approves Public Housing reforms to **reduce segregation by race and income, encourage and reward work, bring more working families into public housing**, and increase the availability of subsidized housing for very poor families.

Public Housing Structure



Public Housing Operating: \$4,455 millions (€2.9 billion)
Public Housing Capital: \$2,450 millions (€ 1.6 billion)
Housing Choice Vouchers: \$16,817 millions (€ 11.3 billion)

2009 Enacted Budget

Basic Facts About Public Housing

- **Who owns and administers public housing?** Public housing units are owned and typically managed by more than 3,100 housing agencies. Most of these are semi-independent housing authorities, but some are agencies of local or state governments. Most agencies are small: half own fewer than 100 public housing units; 88 percent own 500 or fewer units. The Department of Housing and Urban Development (HUD) oversees public housing at the federal level.
- **Is public housing the same as “Section 8”?** Public housing is a separate program from the Section 8 housing voucher program (which helps tenants rent units of their choice in the private market), although 47 percent of the agencies that administer public housing also run voucher programs. Public housing is also distinct from “project-based” Section 8 and other federal programs that directly subsidize private affordable housing owners.
- **How many public housing units are there?** There are 1.16 million units, located in close to 14,000 developments in every state and several territories. About 1.04 million units are currently occupied. The remainder are undergoing renovation or are vacant for other reasons.
- **When was public housing created?** The public housing program began in 1937. Nearly all of today’s developments had been built before 1985. No funds have been provided to build new public housing since the mid-1990s (except to replace other public housing that was demolished or otherwise removed from the program).
- **Who is eligible to live in public housing?** A family must be “low-income” — meaning that its income may not exceed 80 percent of the local median income — in order to move into public housing. At least 40 percent of the new families an agency admits each year must be “extremely low-income,” with incomes at or below 30 percent of the local median. But on average agencies exceed this 40 percent requirement by a wide margin.
- **How much rent do tenants pay?** Most tenants pay 30 percent of their income (after certain deductions are taken out) for rent and utilities. Tenants also have the option to pay “flat rents” that are set based on local market rents regardless of the tenant’s income.
- **How is public housing funded?** The federal government provides three funding streams for public housing: (1) the Public Housing Operating Fund, which makes up the difference between the rent revenues tenants pay and operating expenses such as utilities, security, and maintenance; (2) the Public Housing Capital Fund, which funds renovation of developments and replacement of appliances and systems; and (3) HOPE VI, a competitive grant program that supports revitalization of the most distressed developments. In 2008, Congress provided \$6.7 billion from these three sources. In addition, some agencies receive supplemental resources from states or localities or from other federal funding streams like the Low-Income Housing Tax Credit.

Cambridge Housing Authority – Who we Are?

The Cambridge Housing Authority (CHA) was established under Massachusetts state law by the City of Cambridge in 1935. For the past 74 years CHA has been developing and managing safe, high-quality, affordable housing for low-income Cambridge residents. Today, thanks to its commitment to innovation, efficiency and accountability CHA is recognized as a national leader in the industry. CHA maintains its success by focusing on five core functions:

- Ownership and management of over 2,600 units of housing;
- administration of over 2,700 state and federal vouchers;
- new unit acquisition and development;
- comprehensively designed resident services programs; and
- using deregulation authority, design innovative program and administrative reforms.

CHA thrives in one of the nation’s most expensive and competitive housing markets, serving roughly 10% of the City’s population. Its innovative approach to capital planning and design, resident services and programmatic reform is recognized locally and nationally by civic, professional and governmental organizations. CHA is a charter member of the U.S. Department of Housing and Urban Development (HUD) Moving to Work (MTW) deregulation demonstration program, which allows CHA unprecedented regulatory and fiscal flexibility to meet local challenges with locally designed solutions.

CHA is staffed by over 160 employees and operates with an annual budget of approximately \$70 million. A four-member Board of Commissioners governs the CHA: one is the Governor’s Designee; the others are appointed by the Cambridge City Manager. One of the current Board members is a resident of CHA housing. Gregory P. Russ serves as the Executive Director on appointment by the Board and oversees the authority’s daily operations and ensures that Board policies are implemented and upheld.

PROGRAM TYPE	End of FY 09 4/1/09		
	Number of Units	Avg Income	Avg Rent
Public Housing*			
Federal PH			
Elderly/Disabled**	758	\$13,574	\$291/€195
Family	1,096	\$24,112	\$466/€312
JFK/HOPE VI	44	N/A	
Non-Dwelling	3	N/A	
Federal PH Total	1,901		
State PH			
Elderly/Disabled	334	\$13,238	\$306/€205
Family	325	\$20,999	\$451/€302
Non-Dwelling	4	N/A	
State PH Total	663		
Total PH Units Assisted	2,564		

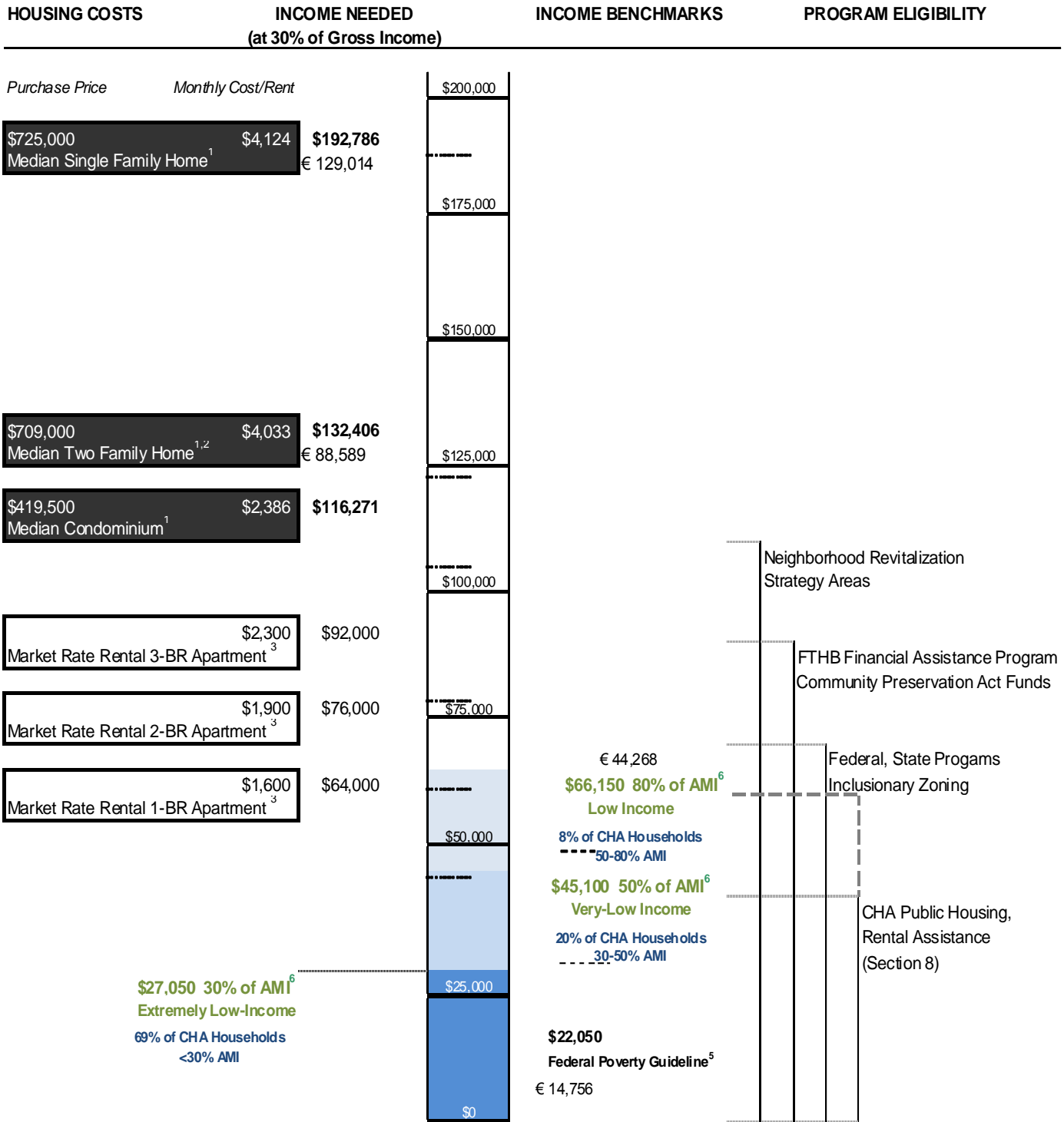
PROGRAM TYPE	End of FY 09 4/1/09		
	Number of Units	Avg Income	Avg Rent
Housing Choice Vouchers			
Federal			
MTW	2,053		
Tenant-Based	1,481		
Sponsor-Based	56		Information not available by type of Voucher
Project-Based***	516		
Non-MTW	514		
Federal Total***	2,567	\$18,787	\$376/€276
State			
MRVP	135		Information not available by type of Voucher
AHVP	54		
Other State Assisted	135		
State Total	324	\$14,527	\$290/€194
Total Voucher Units Assisted	2,891		

All Programs Total Assisted 5,455

All Programs Total Applicants on Waiting List 13,425

Cambridge Real Estate Market

Cambridge Housing Affordability Ladder



1. Assumes 10% downpayment, 6.75% interest rate, 30 year mortgage, good personal credit rating, \$7.38/\$1,000 valuation real estate taxes, single family \$1,700 annual insurance, two family \$1,925 annual insurance, condominium \$200 monthly fee. 2005 median sales prices from *Banker and Tradesman* data as analyzed by Cambridge Community Development Department staff.

2. Assumes \$1,900 monthly rent for a two bedroom apartment based March 2006 survey of *Boston Globe* and affiliated listings.

3. Monthly rental payments from March 2006 survey of *Boston Globe* and affiliated listings.

4. Median income from four person Boston HUD Metro FMR Area (HMFA) 2008 Income Limits.

5. Poverty rate from 2009 Federal Department of Health and Human Services poverty guidelines.

6. AMI= Area Median Income - these figures are based on a four person household as given in the Boston-Cambridge HUD Metro FMR Area 2009 Income Limits

Cambridge Demographics

Cambridge Median Family Income: \$90,200 (FY09 Boston-Cambridge HUD Metro FMR Area)

	Cambridge	Cambridge Housing Authority	
Residents	101,355*	9,987***	
Households	46,615*	5,146***	
Family	17,595	3,416	
Non-family	25,020	1,730	
Unemployment Rate	6%**	Income Source	SS/SSI Only 45.9%****
			Wages 40.5%****
			Other Inc. Only 13.6%****
Average Wage Income	\$73,944**	See table below	

Source: *2000 U.S. Census, ** August 2009 - Mass. Exec. Office of Labor and Workforce Development. ***July 2009 CHA Demographics Report – figures for all programs. ****CHA data as of January 2009.

City of Cambridge Housing Profile

Housing Stock:

Cambridge is a city of renters. 70% of all households rent; 30% own (City of Cambridge FY08 Annual Report)

Cambridge	Count	%
Single Family	3,813	8.5%
Two-Family	6,924	15.5%
Three-Family	6,258	14.0%
4 to 6 Units	4,401	9.8%
7 to 12 Units	2,289	5.1%
13 to 25 Units	2,678	6.0%
26 to 50 Units	3,396	7.6%
50 or More Units	12,042	26.9%
Mixed Use	2,885	6.5%
TOTAL	44,686	100%

Source: 2005 Cambridge Community Development Department

Cambridge vs. Holland

Housing Sectors	Cambridge(2000)	Holland (2001)
Owner-occupied	32.3%	53%
Private Rental	52.7%	11%
Subsidized Rental	15%	35%

Source: 2000 U.S. Census; *Dutch Social Housing in a Nutshell*, July 2003.

Households	Cambridge			Holland		
	Population	Households	Avg. # persons	Population	Households	Avg. # persons
1980	95,322	38,836	2.13	14,091,000	5,006,000	2.97
2000	101,355	42,615	2.03	15,848,000	6,824,000	2.32

Source: 2006 Cambridge Socioeconomic and Demographic Profile, City of Cambridge; Dutch Social Housing in a Nutshell, July 2003.

Real Estate Sales

The average 30-year fixed mortgage rate in Massachusetts is among the highest in the country, at 5.54 percent (Banker & Tradesman, 2/10/09)

	2007	2008	Variance	% (decrease)/ increase
Number of Sales	138	111	27	(19.56%)
Median Price	\$648,450	\$750,000	\$101,550	15.66%

Source: Banker & Tradesman: Feb 9, 2009

Foreclosures in Cambridge:

Year	Foreclosure Auction	Petition to Foreclose
2007	25	20
2008	30	27
2009 YTD	15	55

Source: The Warren Group: October 15, 2009

Rent Comparison

	1BR	2BR	3BR
HUD's FY 10 Fair Market Rent*	\$1,156	\$1,357	\$1,623
CHA Payment Standards**	\$1,337	\$1,610	\$1,925
Typical Rent**	\$1,960	\$2,200	\$2,400

Source: *HUD User Fair Market Rent Dataset. ** Effective 10/1/07 as published in CHA's website.

***City of Cambridge FY08 Annual Report.

Deregulation

Moving to Work Demonstration Program: Moving to Work (MTW) is a demonstration program that was authorized under the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134, 110 Stat 1321), dated April 26, 1996. The program offers public housing authorities (PHAs) the opportunity to design and test innovative, locally-designed housing and self-sufficiency strategies for low-income families by allowing exemptions from existing public housing and tenant-based Housing Choice Voucher rules and permitting PHAs to combine operating, capital, and tenant-based assistance funds into a single agency-wide funding source, as approved by HUD.

The purposes of the MTW program are to give PHAs and HUD the flexibility to design and test various approaches for providing and administering housing assistance that accomplish three primary goals:

- Reduce cost and achieve greater costs effectiveness in Federal expenditures;
- Give incentives to families with children where the head of household is working, is seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient; and
- Increase housing choices for low-income families.

CHA strives to meet these goals by designing and implementing policies that meet the specific affordable housing needs of the Cambridge community. MTW allows CHA to design local solutions to local challenges. During its participation in MTW, despite ever-declining federal support for affordable housing, CHA has used the demonstration's flexibility to expand the City's affordable housing stock, provide affordable housing to more households, streamline program administration, increase rental revenues and provide rich employment and training services to its residents and voucher holders.

In 2009 CHA signed a new Restated Agreement with HUD to extend its participation in the MTW demonstration program for another 10 years. This new agreement will permit the agency to make long-term plans without fear that MTW will be pulled out from under us mid-stream. The Agency will be free to think about long-term reform, innovation and progress.

Programs made possible by MTW

Capital Enhancement

- MTW allowed CHA to spend approximately \$5.6 million over and above HUD funding on enhanced capital improvements at CHA developments;
- Thanks to MTW, CHA is able to use block grant funds to support and maintain state public housing and voucher programs;
- Increased development activity—created over 300 units of housing, adding \$70 million to the Cambridge economy;

Rent Simplification

The Cambridge Housing Authority (CHA) established itself as the pioneer in rent structure reform with the implementation of the Rent Simplification Program (RSP) in 2006. The RSP aims to facilitate the way rents are calculated as well as to assist households increase their savings. The RSP made other agencies around the country rethink their own policies and requested assistance from CHA to re-structure their rent structure reforms.

The program eased administrative burdens on CHA staff and residents by developing and implementing a simplified policy for rent determination and recertification. Rent Simplification saves CHA almost \$30K annually while removing disincentives to work and save institutionalized in traditional HUD rent determination methodology. As of the end of FY 2009, average Total Tenant Payments (TTPs) as a percentage of gross and adjusted income remain almost exactly the same as they were in July 2005, more than six months prior to the implementation of RSP. Interestingly, even as TTPs remained the same from July 2005 through April 2009, employment income increased 7%, while Social Security and Public Assistance income remained almost unchanged (+1%).

The following are some changes made to the Rent program since 2006:

- Asset exclusion up to \$50k
- Rent calculation is now assisted by a Rent Schedule, divided in \$2,500 bands using 30% at low end
- Biennial recertifications
- No requirement to report income between recertification
- Established a Hardship process in cases where the rent or the Total Tenant Payment exceeds 50% of the household's adjusted income

Elder Resident Services

CHA's approach to elder services emphasizes partnerships with the region's extensive network of highly qualified, local service agencies and programs. CHA's Service Coordinators identify these resources and make them available to seniors through collaborations, networks, and referrals. These are some of the Elder services offered:

- homemaking services, shopping, meal-preparation, and case-management services for no cost or on an income based sliding fee scale.
- medical care, recreational activities, housekeeping, and meals in one location.
- translation services for Haitian Creole residents at LBJ, JFK, Millers River and Burns Apartments. Bilingual French Creole speaking staff provides translation services to residents needing assistance with management, maintenance requests and service coordination.
- CHA provides ESL classes at three elder developments: LBJ, Manning and Millers River Apartments.

ESP Participants:

Millers River	16 residents + 2 offices
L.B. Johnson	20 residents + 2 offices
Putnam School	9 residents

Family Opportunity Subsidy

CHA entered a partnership with Heading Home, Parenting Resource Associates and the Executive Office of Massachusetts Community Colleges. The goal of the partnership will be to provide supported housing with integrated employment and intensive life skills supports with the goal of decreasing stays in shelter, and creating better housing and life outcomes through increased employment income. With help from the Massachusetts Department of Transitional Assistance, Heading Home Inc. will collaborate with the State’s Community College system and Parenting Resource Associates to provide families with training and education programs while CHA provides long-term housing subsidies.

The FOS is markedly different from the traditional HCV program in almost every way. Unlike typical HCV households, FOS participants will first benefit from the wide-array of supportive services, educational opportunities and economic incentives provided by the other members of the Partnership. CHA strongly believes that families sustained by a strong supportive network of service providers will make the right housing choices for themselves. The FOS program embraces this belief by providing participants much greater personal responsibility and flexibility with regard to selecting and budgeting for their housing.

These are some of the characteristics of this newly designed program:

- Subsidy starts in the 3rd month of participation as a sponsor based voucher administered by Heading Home (the coordinating service provider for the Partnership)
- FOS complements Heading Home’s Asset Development Program using an Individual Development Account
- After 12 months, provided the family meets specific program goals, the sponsor-based subsidy converts to a tenant-based FOS
- Including the sponsor based component, a 10 year family subsidy budget is established
- Generous subsidies in the early years
- Declining subsidies in the later years

- Easy to understand funding levels
- Significant monetary incentive for program completion
- Significant monetary incentives for families to increase income
- Allows families to make important housing choices, at first with support and later on their own
- Requires family budgeting
- Subsidy paid directly to participants after the first year
- Sensible hardship provisions in the form of a housing subsidy contingency
- Ease of administration