Rent Reform in Subsidized Housing: Launching the Stepped and Tiered Rent Demonstration

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Prepared for

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Foreword

In 1969, the Brooke Amendment established limitations on the rents charged to families and individuals in federally assisted housing. Initially, the Brooke Amendment limited rent charges to 25 percent of an assisted family's income. Over time, numerous changes were made to the basic rent setting policy, including raising the threshold to 30 percent (enacted in 1981), adding numerous adjustments, exclusions and deductions, as well as adding minimum and ceiling rent options.

Critics of the Brooke rent policy suggest that it is administratively burdensome and creates a disincentive to work. The vast majority of HUD-assisted households who can work, do work; but the standard income-based rent rules penalize households that increase their income. In response, the U.S. Department of Housing and Urban Development (HUD) is exploring alternative ways of setting rents in HUD-assisted housing to support residents and help them achieve both economic self-sufficiency and upward mobility. The first such effort was the Rent Reform Demonstration, in which four Public Housing Authorities (PHAs) implemented a new rent policy that uses a triennial recertification cycle to reduce administrative burden and delay rent increases for tenants who increase their income. Final results from the Rent Reform Demonstration are expected later this year.

As the Rent Reform Demonstration was underway, Congress directed HUD to expand the Moving to Work (MTW) demonstration by granting MTW status to 100 additional PHAs. A Research Advisory Committee consisting of researchers, practitioners, and assisted housing residents recommended that one cohort of MTW expansion PHAs test additional rent reform ideas, beyond those in the Rent Reform Demonstration—specifically, stepped rents and tiered rents. This report describes the launch of the Stepped and Tiered Rent Demonstration (STRD).

Five PHAs are implementing a stepped rent, and another five are implementing a tiered rent. Eligible households are being randomly assigned to remain subject to the standard rent rules or to have their rent set under one of the new policies. The tiered rent policy includes the triennial recertification cycle and other provisions of the Rent Reform Demonstration policy, but also uses a tier structure; that is, households are grouped into income tiers and all households within a tier have the same total tenant payment (TTP). Any income changes within a tier or within the triennial recertification cycle will not affect the household's rent. The stepped rent policy is a more substantial departure from the standard rent policy. Each household starts out paying an income-based TTP—nearly identical to the standard rent rules—for one year. But beginning in the second year, their TTP "steps up" by a fixed amount each year, independent of their income. The stepped and tiered rent policies both include robust hardship provisions meant to limit any negative consequences for participating households.

The goals of the stepped and tiered rent policies include:

- Reducing administrative burden on PHAs and assisted households;
- Providing assisted households with more predictability about the rent they will pay, and eliminating or delaying rent increases that result from increased income; and
- Avoiding excessive hardships for assisted households.

With 10 PHAs and an anticipated sample size of approximately 17,000, STRD will be the largest randomized controlled trial that HUD has ever conducted. STRD also builds on the Rent Reform Demonstration by including different types of households, including public housing residents and households newly admitted to the public housing and housing choice voucher programs. This initial report sets the stage for HUD's long-term research on STRD, describing the stepped and tiered rent policies and discusses some of the policy design challenges that HUD and the PHAs had to resolve. The report also discusses implementation challenges that will provide crucial context for interpreting impacts in the future.

The process of enrolling eligible households is currently underway and expected to continue through the fall of 2024. The stepped and tiered rent policies will remain in effect for 6 years, so final results are not expected until 2030. HUD will closely monitor outcomes throughout the study period and will publish periodic interim reports to keep stakeholders apprised of this ambitious study.

In recent years, HUD has taken several important steps to innovate and improve the voucher program, and we are already seeing positive results. MTW demonstrations, such as this one, are a critical component of that work, allowing public housing authorities to exercise flexibilities and innovate in how they deliver affordable housing and essential services. As importantly, the research that accompanies MTW demonstrations allows HUD to learn from local innovation and help scale practices that are proven to work – for housing authorities, their residents and their surrounding communities. We look forward to sharing what we learn through the Stepped and Tiered Rent Demonstration about how to support HUD-assisted residents in achieving both economic self-sufficiency and upward mobility.

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Executive Summary

Federal rental assistance programs help approximately 5 million low-income households across the country afford their housing costs, making it a critical component of the nation's social safety net. Public housing and Housing Choice Vouchers (HCV) are two of the largest federal rental assistance programs, together serving approximately 3 million households. Improving the structure and performance of these rent subsidy programs has been a longstanding public policy goal and central to the U.S. Department of Housing and Urban Development's (HUD) Moving to Work (MTW) Demonstration, which gives public housing agencies (PHAs) flexibility to pursue three statutory objectives: reduce costs and achieve greater cost effectiveness, give incentives for families to work toward economic self-sufficiency, and increase housing choices for low-income families.

In 2021, HUD selected one cohort of 10 newly designated MTW housing agencies to test two new alternative rent policies as part of the Stepped and Tiered Rent Demonstration (STRD). Approximately 17,000 nonelderly, nondisabled households that are either in public housing or the HCV program, or are entering those programs during the enrollment period, will be randomly assigned to one of two study groups: (1) the stepped rent or tiered rent policy group, which will be subject to the new rent policy, and (2) the control group, which will be subject to the existing standard rent rules. This is HUD's second large-scale random assignment test of alternative rent policies. The first one, the MDRC-led Rent Reform Demonstration, which tests an alternative rent policy at four MTW agencies, is nearing completion, with final results due in 2024. The present report, the first in a series of three planned for the first phase of the STRD study, introduces STRD, the alternative rent policies and their key features, the supporting MDRC-conducted evaluation, and key activities accomplished to launch the demonstration in 10 locations.

The Standard Rent Policy

Since the passage of the Brooke Amendment to the federal housing law in 1969, rents in subsidized housing have been directly tied to income, with the intent to protect tenants from excessive rent burden.[1,2] In general, households receiving federal rental assistance are responsible for a portion of the rent equal to 30 percent of the household's adjusted current income and the amount of income it anticipates in the coming year ("current/anticipated" income). PHAs recertify households for the program annually when they review household income and readjust the household's rent portion. Despite this protective feature, the current rent system has been the target of much criticism. Critics view the standard rent policy as administratively complex and expensive for PHAs to administer and difficult for families to comprehend. Critics have also charged that subsidies tied to income discourage, rather than support, families' efforts to increase their employment and earnings, because the rules impose a kind of "tax" on earnings gains by requiring that 30 percent of the extra income be paid toward rent and utilities (Buron et al., 2010; PHADA, 2005; GAO, 2012).

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[1] *Housing and Urban Development Act of 1969*. Public Law 91-152.

[2] The standard rent policy in which a family's rent contribution is 30 percent of its adjusted income is also known as the Brooke rent.

The Alternative Policies

The STRD study is designed to test the effectiveness of potential solutions to some of the central issues that challenge the nation's rent subsidy system. The 10 PHAs selected for this demonstration will each implement one of two alternative rent policies, with five implementing a tiered rent policy and five implementing a stepped rent policy.

The Stepped Rent Policy

Under the stepped rent policy, changes in a household's total tenant payment (TTP), which is the amount the household is expected to contribute to rent and utilities, are decoupled from changes in a household's income. Upon enrolling in the new rent system, a household's *initial* TTP is still based on its income. After the initial enrollment, its rent contribution increases annually by a fixed amount, even if its income does not increase. The amount of the increase is tied to the local area's Fair Market Rent (FMR) based on the household's rental unit size (number of bedrooms).

The main rationale behind the stepped rent policy is that decoupling changes in a household's required rent contribution from changes in its income counteracts the potential disincentive to increase household earnings inherent in the standard percent-of-income policy. Under the stepped rent policy, the household's TTP steps up by a modest amount each year, regardless of income level. Therefore, a household that increases its income by an amount that exceeds its TTP increase retains more disposable income than it would have under the standard rent rules. The stepped rent policy also simplifies the administration of housing subsidies. Households only need to recertify their continued eligibility for rental assistance once every 3 years instead of annually, and they do not need to have their TTP recalculated at that time based on changes in their income.

The stepped rent policy has a few other key features. First, a household's initial TTP is set at 30 percent (or 28 percent in one PHA) of *retrospective* (prior year) adjusted income rather than current/anticipated income.[3] For the annual step increases in subsequent years, each PHA developed its own step-up schedule, setting the increases between 2 and 4 percent of the local area FMR. The stepped rent policy also includes an income-based hardship provision. If at some point a household's income does not rise as fast as the rent steps or its income drops such that its TTP exceeds 40 percent of its current income, the household is given a temporary new TTP based on its current income.

Exhibit 1 illustrates how households can benefit from the stepped rent policy. It shows a hypothetical scenario in which a household experiences income increases during the 6-year period. The stepped rent TTP, represented by the black line, increases by a fixed amount each year, regardless of any changes in household income. The blue line with the arrow represents the household's TTP under the standard rent policy. In this example, the household's income increases to levels at which 30 percent of the increased income exceeds the step increases in

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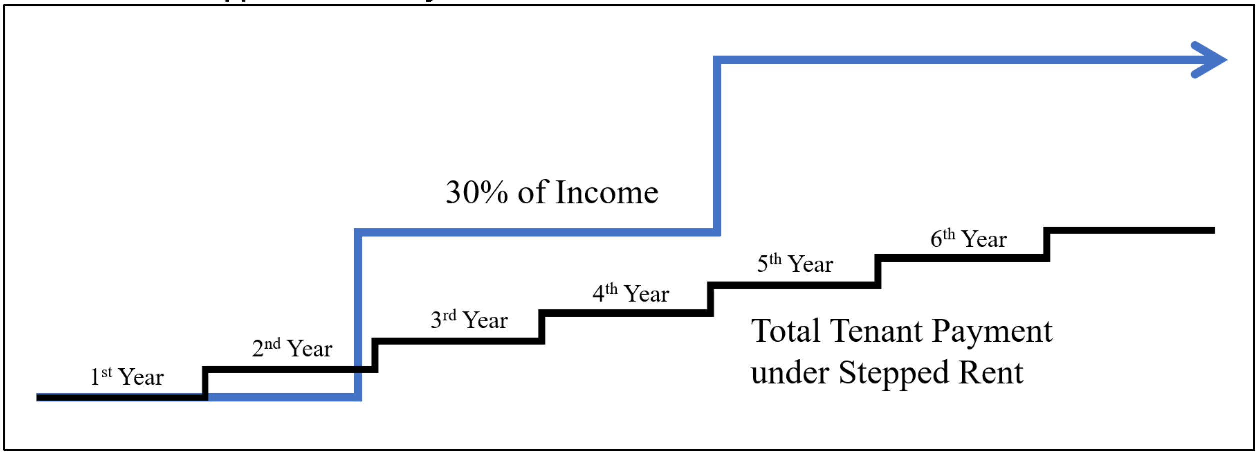
[3] The Housing Authority of the City of Asheville uses 28 percent for the initial step instead of 30 percent. That agency preferred to use a lower percentage of income for the initial TTP to compensate for the regular stepping up of TTPs over time. Also of note, the Housing Opportunity Through Modernization Act of 2016 requires all PHAs across the country the use of retrospective income for all recertifications. HUD expects to implement this change in 2024. It will also apply to the control group households in the STRD housing agencies.

TTP; therefore, this hypothetical household keeps more of its increased earnings under the stepped rent policy than it would under the standard rent policy.

Exhibit 1. The Stepped Rent Policy



Source: MDRC

The five PHAs implementing the stepped rent policy in STRD are the Fort Wayne Housing Authority (Indiana), Housing Authority of the City of Asheville (North Carolina), Housing Authority of the County of Kern (California), Housing Connect, the Housing Authority of the County of Salt Lake (Utah), and Portsmouth Redevelopment and Housing Authority (Virginia).

The Tiered Rent Policy

Under the tiered rent policy, households are grouped by income into income tiers, and all households within the same tier pay the same amount in TTP. The recertification period is extended to 3 years instead of taking place annually, and income increases during the 3-year period do not affect rent until the next triennial recertification.

The tiered rent policy takes a different approach to strengthening the financial incentive for tenants to increase their earnings, simplifying the administration of public housing and HCV subsidies, reducing administrative burden, and making rent calculation more transparent for households. Administrative burden would be reduced by completing recertifications once every 3 years instead of annually, eliminating interim certifications to adjust TTP for income changes between recertifications, and by using gross income (instead of adjusted income) to calculate TTP. Using gross income eliminates the need to adjust income by applying certain deductions, which can make rent calculations opaque to households and, in the case of childcare deductions, can be administratively burdensome to document and verify. The tiered rent policy reduces the potential earnings disincentive inherent in the standard rent structure by capping TTPs for 3 years at a time, so that a household that increases its earned income will not have to pay more in rent before the triennial recertification. The tiered rent structure itself could also reduce the potential disincentive to increase income. If a household increases its income, but its income still falls within the same tier, its TTP remains the same.[4]

Thus, whereas the stepped rent policy attempts to increase financial work incentives by decoupling TTP increases from earnings increases, the tiered rent policy attempts to do so by eliminating TTP increases when earnings increase for 3-year cycles. In both policies, the respective changes in setting and modifying TTPs are expected to help reduce PHAs' administrative burden in operating the rent subsidy system.

Exhibit 2 illustrates the tiered rent schedule. A household's TTP, which is based on the household's gross retrospective income (that is, income over the prior 12 months), is set according to where that annual income falls in an income category or tier. The income tiers are defined in $2,500 increments. All households in a given tier pay the same TTP, which is 28 percent of the midpoint of the tier.[5] For example, a household with an annual income of $6,000 will have a monthly TTP of $146 under the tiered rent policy. A household with an annual income of $7,000 will also have a monthly TTP of $146, because its income falls in the same tier. For both of these households, if their incomes increase during the next 3 years, their TTP will remain at $146 until the next triennial recertification. If by then they each increased their retrospective annual incomes to, say, $12,000, their TTP would jump two tiers, and they would begin paying $262 for the next 3 years. However, if their retrospective incomes fell by that time, their TTP would be set according to whichever tier then applied. If their current income dropped to a lower tier during the 3 years before the triennial recertification, they could request a temporary adjustment to lower their TTP under the policy's hardship provisions.

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[4] However, households face different incentives depending on where in the income range for the tier their income falls. For example, households with incomes near the bottom face a greater incentive to increase their income by a larger amount than households with incomes in the middle of the tier. Households with income near the bottom of the tier might even have an incentive to slightly lower their income amount to drop to a lower tier and pay a lower TTP. Households near the top of the tier might have a disincentive to increase their income if they can only increase it by a small amount, because their TTP would jump up to the TTP in the higher tier. It is uncertain to what extent these competing incentives balance each other out.

[5] The Houston Housing Authority applied for MTW status under a third option that allowed larger PHAs to propose their own version of the stepped or tiered rent policies within certain parameters set by HUD. The Houston Housing Authority defines its tiers in $2,000 increments and uses 28 percent of the bottom of the tier (instead of the midpoint of the tier). These deviations from the initial proposed policy were intended for the new policy to have a neutral effect on the average TTP.

Exhibit 2. Tiered Rent Schedule

Tier	Annual Income Range	Monthly TTP
Tier 5	$12,499 … $10,000	$262
Tier 4	$9,999 … $7,500	$204
Tier 3	$7,499 … $5,000	$146
Tier 2	$4,999 … $2,500	$87
Tier 1	$2,499 … $0	$50

TTP = total tenant payment.
Notes: This illustration represents the first five tiers in the tiered rent schedule. Income tiers increase in increments of $2,500, and the associated total tenant payment is calculated as 28 percent of the midpoint of the tier.
Source: HUD (2023a)

The five PHAs implementing the tiered rent policy in STRD are the Akron Metropolitan Housing Authority (Ohio), Charleston-Kanawha Housing Authority (West Virginia), Everett Housing Authority (Washington), Housing Authority of Washington County (Oregon), and Houston Housing Authority (Texas).

Protecting Families From Hardship

Both the stepped and tiered rent policies have hardship provisions in place to protect families from excessive rent burden if they experience loss in income, or in the case of the stepped rent policy, if their income does not increase to keep up with the stepped rent increases. In developing these safeguards, there can be a tension between making sure they adequately protect families from hardship but also preserve the earnings incentive built into policy. There are also cost and administrative burden considerations. The hardship policies were designed to balance several objectives: making sure households are adequately protected, containing administrative burden associated with processing hardship requests and exemptions, and ensuring that PHAs do not spend too much in housing subsidies for households that no longer need the hardship exemption.

The hardship policy for the stepped rent policy is if a household's TTP (calculated under the regular stepped rent rules) exceeds 40 percent of the household's *current* adjusted income, the household qualifies for a hardship exemption. The household's TTP is temporarily set at 40 percent of its current adjusted income. The duration of the hardship exemption ranges from 1 to

12 months, as set by the PHA. When the hardship expires, if the household's income has not improved enough to afford the regular TTP, the household can qualify for a renewal of the hardship exemption. If the nonhardship TTP still exceeds 40 percent of the household's income at the time of the request, the household will be granted a renewal. No limit is placed on how many renewals a household can request and be granted.

After 12 months, if a household requests to renew the hardship exemption and its income still qualifies for one, the PHA has the option to renew the hardship exemption or to do a "step reset." A step reset restarts the household's schedule. A new "initial" TTP is calculated using 30 percent of adjusted retrospective income, and the household's TTP steps up annually from there in adherence with the TTP's regular stepped rent schedule.[6] A step reset is especially appropriate for situations in which a household's reduced income level is likely to represent an income shift that is likely to endure—for example, if a household member with income left the household, or if a household member who was previously employed experiences long-term unemployment.[7]

The hardship exemption for the tiered rent policy is that if a household's current income would place it in a lower income tier, the PHA will temporarily set the household's TTP to that lower tier. Although income deductions are no longer used to calculate rent, the hardship policy allows applying some deductions related to dependents and childcare costs in determining whether a household qualifies for a hardship exemption and in setting its hardship TTP. Like the stepped rent policy, the duration of the hardship exemption ranges from 1 to 12 months, as set by the PHA. Hardship exemptions can be renewed per the household's request if it remains eligible for an exemption. No limits are placed on the number of times a hardship can be renewed, but a hardship TTP is only effective up until the next triennial recertification, when the household completes a full income review and a new TTP is set for the next 3 years.

Launching the Demonstration

Turning the broad vision of each of the two rent policies into operational systems that could work across the variety of local conditions and have strong buy-in from PHA staff required considerable effort on the part of the MTW PHAs, their software vendors, and HUD—with MDRC coordinating the overall process, contributing to final design decisions, and providing training and technical assistance on implementing the new rent rules.

The preparatory phase involved many rounds of discussion to flesh out the details of certain provisions of each policy and, in some cases, to modify HUD's original specifications. This process involved determining which of these policy specifications had to be standardized across PHAs (either across five agencies implementing the tiered rent policy, across the five agencies implementing the stepped rent policy, or across all 10 PHAs in the demonstration), and which decisions could be left to local discretion. During these discussions, PHAs, HUD, and MDRC also examined how certain evaluation requirements (including the sample identification, informed consent, baseline data collection, and random assignment processes) could be implemented in ways that minimized disruption to the PHAs' standard ways of operating, which, following the COVID-19 pandemic, relied more heavily on remote procedures for engaging with

[6] As discussed previously, one PHA uses 28 percent instead of 30 percent of income to determine the initial TTP.
[7] HUD did not impose a limit on the number of step resets that a household can have during the 6-year demonstration period. However, one PHA decided to cap the number of step resets at one, except for extenuating circumstances.

the households they served. As MTW agencies, PHAs were required to submit MTW Supplements and obtain HUD approval for waivers allowing them to adopt the new rent rules for the demonstration.[8]

Three software vendors served the 10 PHAs with four software systems, and each vendor had to modify the PHAs' housing subsidy software systems to correctly implement the alternative rent policies—a complex and time-consuming effort. PHAs had to determine staffing structures for implementing the new policies. Once PHAs selected the housing specialists to implement the new rules, MDRC trained those frontline staff members on the new rules, the random assignment procedures, and other research activities required by the evaluation. MDRC used a set of training manuals, quality control protocols, and study enrollment toolkits designed for this purpose. In addition, to help prepare the housing specialists to inform and educate households about the alternative rent policies, the study team worked with the PHAs to prepare detailed slide presentations with talking points and prepared fact sheets, frequently asked questions, and other materials to share with households. The study team developed strategies to gauge how well households understood the policies and reeducate households on an ongoing basis. ICF, a HUD technical assistance provider, also worked with the study team and PHAs to develop short videos that explained the main features of the two rent policies.[9]

Evaluating the Stepped and Tiered Rent Policies

STRD features a comprehensive learning agenda, including a careful assessment of the implementation, impacts, and cost effectiveness of the new policies. STRD uses a two-group randomized controlled trial, which is a rigorous method for determining the effectiveness of interventions. The power of this type of research design comes from the fact that, with an adequate sample size, random assignment ensures that the new rent policy program group and the control group will be similar in their distributions of observed and unobserved characteristics when the study begins. Thus, differences between the new and existing policy groups that emerge later on can be attributed with confidence to the policy change.

Evaluating the Implementation of the Stepped and Tiered Rent Policies

The implementation analysis will document how each housing agency operationalizes and implements the new rent policies and the extent to which the new policies are put into practice in a way consistent with operational plans for the policies (that is, implementation fidelity). The analysis will compare the new rent policies with the existing standard rent policy in terms of ease of administration, transparency, and burden on staff and tenants. The analysis will seek to understand how staff members at each PHA operationalize core features of the rent policies, their perspectives on the policies, and how implementation is unfolding. From the staff's perspective, the analysis will explore what aspects of the policy families understand and what they find challenging. The analysis will also investigate what strategies the PHAs put in place to help tenants understand the available hardship protections and stronger financial incentive to increase earnings. The implementation analysis in the early phase of the evaluation will rely primarily on interviews with housing agency staff and housing subsidy data from the PHAs and HUD.

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[8] MTW agencies submit an MTW Supplement to HUD annually, which specifies the policies that the agency plans to implement in the next year. HUD must approve the MTW Supplement before the agency implements new policies or policy modifications.

[9] ICF created the orientation video in consultation with MDRC, HUD, and the PHAs.

Evaluating the Stepped and Tiered Rent Policies' Effects

Both the stepped and tiered rent structures aim to increase residents' economic self-sufficiency: the tiered rent structure with a triennial recertification, and the stepped rent structure by decoupling tenant rent changes from tenant income. Both rent policies aim to increase administrative efficiency through fewer certifications and streamlined rent calculations. HUD intends the new policies to be approximately budget neutral. Despite this intention, the policies may cause an increase or decrease in PHAs' subsidy per household, and these effects may differ for the tiered and stepped rents.

The impact analysis will test whether the stepped and tiered rent policies lead families to increase their earned incomes and whether this increase is achieved without causing a sustained increase in PHAs' housing subsidy. The analysis will also assess whether the new policies led to decreases (or increases) in families' material hardship. The analysis will rely primarily on administrative records to measure employment, income, and public benefit use, and it may also include a household survey to measure material hardship and other outcomes.[10]

The impact analysis will pool the housing agencies implementing the stepped rent policy into one policy cluster and the housing agencies implementing the tiered rent policy into another policy cluster. The analysis will estimate the effects of the alternative rent model for the five sites combined in each cluster. For each rent policy, the evaluation will also examine whether the new rent policy has differential effects for particular subgroups of households. Two key subgroups that will be examined for both rent policies include tenants' work status at enrollment and whether tenants face significant barriers to work, defined by a combination of education level and work history. In addition, a third subgroup will be tailored to each rent policy: for the tiered rent group, whether the household is near the bottom or the top of its income tier, and for the stepped rent group, whether the household has a very high or very low initial stepped rent.

Evaluating PHA Administrative Efficiency and Costs

The cost analysis will test the core assumptions underlying rent reform. Both the stepped and tiered rent policies have the potential to reduce the burden and costs of administering the public housing and HCV programs by reducing the frequency of regular recertifications from annually to triennially and streamlining TTP calculation.[11] Furthermore, if the new policies increase families' earnings substantially and, thereby, encourage households to exit subsidized housing, then PHAs may serve more households over time. The administration of the hardship policies may at least partially offset those reduced costs. The evaluation will assess whether either of the alternative rent policies is less expensive to administer than the standard rent policy. The evaluation will also attempt to identify which aspects of the policy may be driving or offsetting any savings.

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[10] Administrative data sources include National Directory of New Hires wage records, HUD and PHA housing subsidy records, Temporary Assistance to Needy Families cash assistance and Supplemental Nutrition Assistance Programs, and Homeless Management Information System (HMIS) data.

[11] The evaluation conducted as part of the Rent Reform Demonstration found that one requirement that pushes in a direction opposite to simplification was collecting and verifying retrospective income in setting and revising TTPs. With that finding in mind, HUD allowed STRD PHAs to streamline income verification procedures.

Looking Ahead

Building on the Rent Reform Demonstration, the STRD evaluation promises to substantially deepen the evidence base on the operations, impacts, and costs of alternative rent policies. The Rent Reform Demonstration tested a single alternative rent policy for housing voucher recipients in several locations. In contrast, the STRD evaluation will test two new policies across a larger number of PHAs, with a larger sample, and with public housing households as well as voucher households. STRD will also include newly admitted households in addition to those already receiving assistance under the standard rules.

At the time of this writing, all 10 PHAs had launched the demonstration and are operating the stepped and tiered rent policies, and enrollment in the demonstration is still under way. Two other reports will be released as part of this evaluation's first phase. The next report, to be submitted to HUD in 2024, will describe findings from the first round of staff interviews on the PHAs' design, launch, and early implementation experiences. The third and final report under this evaluation's first phase will be submitted to HUD in 2025 and will describe the baseline characteristics of the full STRD sample and include some exploratory descriptive analyses of the first certifications under the stepped and tiered rent policies for a subsample of early enrollees—if those data are available at that time. The second phase, not yet funded, will continue the evaluation through 6 years after initial certifications and seek to understand households' experiences with the stepped and tiered rent policies. That phase will include an impact analysis that examines the effects of the stepped and tiered rent policies on households' outcomes—including labor market outcomes, material hardship, housing subsidies, family well-being, and others.

Chapter 1. Introduction

Federal rental assistance programs help approximately 5 million low-income households to afford their housing costs, making it a critical component of the nation's social safety net. The public housing and Housing Choice Voucher (HCV) programs are two of the largest federal rental assistance programs, together serving approximately 3 million households (CBPP, 2022).[12] Improving the structure and performance of these rent subsidy programs has been a longstanding public policy goal and central to the U.S. Department of Housing and Urban Development's (HUD) Moving to Work (MTW) Demonstration. MTW provides public housing agencies (PHAs) the flexibility to pursue three statutory objectives: reduce costs and achieve greater cost effectiveness; give incentives for families to work toward economic self-sufficiency; and increase housing choices for families with low incomes.

In 2021, one cohort of 10 newly designated MTW housing agencies was selected to test two new alternative rent policies as part of the Stepped and Tiered Rent Demonstration (STRD). This report introduces STRD, the alternative rent policies, and their key features. This report discusses the supporting evaluation being conducted by MDRC, and key activities accomplished to launch the demonstration in 10 locations.[13] This demonstration is HUD's second large-scale random assignment test of alternative rent policies. The first one was the Rent Reform Demonstration, also led by MDRC. That study is nearing completion, with final results expected in 2024 to generate evidence that is relevant to STRD.

Since the passage of the Brooke Amendment in 1969, rents in subsidized housing have been directly tied to income, with the intent to protect tenants from excessive rent burden.[14] In general, households receiving HUD rental assistance are responsible for a portion of their housing costs called a total tenant payment (TTP). The TTP is equal to 30 percent of the household's adjusted current income and the amount of income it anticipates in the coming year ("current/anticipated" income), after accounting for various deductions. PHAs recertify households for the program annually when they review household income and readjust the household's rent portion. Despite this protective feature, the current rent system has been the target of much criticism. Critics view the standard rent policy as administratively complex and expensive for PHAs to administer and difficult for families to comprehend. The critics have also charged that subsidies tied to income discourage, rather than support, families' efforts to increase employment and earnings, because the rules impose a kind of "tax" on that earnings gain by requiring that 30 percent of the extra income be paid toward rent and utilities (Buron et al., 2010; PHADA, 2005; GAO, 2012).

The STRD study is designed to test the effectiveness of potential solutions to some of the central issues that challenge the nation's rent subsidy system. The 10 PHAs selected for this demonstration will each implement one of two alternative rent policies. Five PHAs will

[12] Three of HUD's programs—HCV, public housing, and Project-Based Rental Assistance—assist about 90 percent of the households receiving federal rental assistance, administered by 3,300 public housing agencies (NHLP, n.d.).
[13] The MDRC study team also includes Barbara Fink (Fink Research). Ingrid Gould Ellen (New York University) serves as an advisor, and Quadel Consulting and the Bronner Group were a part of the technical assistance team that helped prepare the PHAs for demonstration launch.
[14] The standard rent policy, in which a family's rent contribution is 30 percent of its adjusted income, is also known as the Brooke rent.

implement a tiered rent policy, and five will implement a stepped rent policy.[15] The tiered rent model is tied to income, but unlike HUD's standard rent policy, households are grouped by income into tiers, and all families whose incomes fall within the same tier pay the same TTP. The tiered rent TTP is capped, even if household earnings grow, until the next regular recertification. If a family's income increases, its rent contribution may jump to a higher tier at recertification, which takes place every 3 years rather than annually. In the interim, as a safeguard, a family with an income decrease may be placed in a lower tier prior to the triennial recertification.

Stepped rents, on the other hand, are decoupled from income and increase annually, unless eligible hardship circumstances are present. Triennial recertifications are conducted under the stepped rent model only to determine families' continued eligibility for HUD housing subsidies.

STRD is also the subject of a comprehensive evaluation, which uses a randomized controlled trial and includes implementation, impact, and cost-study components. Approximately 17,000 nonelderly, nondisabled households that are either in public housing or the HCV program, or are entering those programs during the enrollment period, will be randomly assigned to two study groups: the stepped rent or tiered rent policy group, which will be subject to the new rent policy, and the control group, which will be subject to the existing standard rent rules.[16]

The Rent Reform Debate and Evidence

Housing assistance to low-income renters is provided through three primary means. HCVs, also referred to as Section 8, are rental subsidies that tenants can use in privately owned rental housing units of their own choosing. Project-based assistance provides building owners with government subsidies to reduce rents. The third source of assistance is public housing. More than 5 million low-income households receive help through these programs, the largest of which is the HCV program, providing rental assistance to a little more than 2 million low-income households (CBPP, 2022). Most public housing residents and HCV recipients pay 30 percent of their income, adjusted for exclusions and deductions, for rent and utilities.[17] Payment standards tied to local Fair Market Rents (FMRs) limit HCV subsidies.[18] Protecting households with low incomes and very low incomes from paying excessive proportions of their incomes for rent has been the primary rationale of HUD and Congress for the percent-of-income system. Previous efforts to modify the system, such as allowing housing agencies to establish minimum rents, have also required those agencies to establish policies exempting households for which minimum rents would pose severe hardship.

Public housing industry groups and other stakeholders have criticized the percent-of-income system as having unintended consequences. One is that it may have negative effects on tenant

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[15] One PHA implementing the tiered rent policy is implementing its own proposed tiered rent model that conforms with HUD's criteria for the demonstration but deviates in some ways from the HUD-specified tiered rent model.

[16] The study relies on HUD regulations to define working-age and nondisabled households. Chapter 5 more fully describes the program and participant selection criteria.

[17] This discussion draws on Riccio, Deitch, and Verma (2017) and Castells et al. (2021).

[18] When HCV holders first receive a voucher or move, they are allowed to rent a unit costing up to 40 percent of their adjusted income, but they are responsible for any additional rent exceeding the payment standard. Since enactment of the Quality Housing and Work Responsibility Act of 1998, housing agencies can establish minimum rents of up to $50. For public housing, tenants pay a rent amount of 30 percent of their adjusted income. When their income increases, they have the option to pay a flat rent that the PHA sets at 80 percent (or higher) of FMR.

labor force participation. Decreased labor force participation can keep the housing subsidy levels per household high, and it may even reduce the proportion of households that increase their incomes to the point that they no longer need or no longer qualify for housing subsidies. This would in turn limit the number of households with similar needs that can be offered subsidies, raising questions of fairness or horizontal equity. The percent-of-income rent structure may also discourage adding working adults to the household or including some working adults on the lease, which could have similar implications. Other criticisms suggest that the system is intrusive in tenants' lives, that it leads to inaccurately reported incomes, and that it can have negative effects on housing agency finances and administrative complexities and costs. At the same time, housing agencies report that the current system sometimes confuses voucher applicants and recipients as to what rents they are expected to pay from year to year. It can also have adverse effects on the morale of housing agency staff members, who must collect and verify household income in what some have described as an invasive process.[19]

Numerous policymakers and stakeholders have advocated for reform of the standard rent system to reduce perverse economic incentives for assisted households, simplify the administration of the system, and improve the operational efficiency of housing agencies. The Housing Opportunity Through Modernization Act of 2016 (HOTMA) is an important step in this direction. HUD published the final rule in 2023, and it went into effect on January 1, 2024.[20] The act includes reforms that modify how PHAs calculate income for rent determination—such as allowing prior year income and using income determinations from other federal programs—and reduce the frequency of interim recertifications for income changes. PHAs are required to implement these changes during the next few years.

However, HOTMA does not make any fundamental changes to the percent-of-income rent structure under the standard rent policy, and sweeping rent policy reform has been elusive. Transforming the rent system involves some fundamental tradeoffs around which agreement has been hard to achieve. For example, simplifying the rent structure may make it *more* difficult for agencies to ensure that tenants with the greatest need receive the most assistance. At the same time, offering deep subsidies for an unlimited term makes it difficult to serve families with equal need on waiting lists because of a fixed appropriation level and the nonentitlement status of HUD's housing programs. Also, the advantages of standards and protections built into a common or consistent federal approach must be weighed against the risks and benefits of allowing local agencies to set rent rules based on local conditions. Finding the right balance in the mission of housing assistance between a strict focus on providing decent affordable housing versus other objectives, such as promoting family self-sufficiency, is another source of tension among stakeholders. Each subject has been discussed and debated for years, with little in the way of definitive new evidence about the use and consequences of changing or improving current rent policies.

Furthermore, only PHAs designated as MTW agencies are authorized by Congress to make changes to many housing policies. These MTW agencies have the administrative flexibility to change certain policies, provided they notify the public and receive approval from HUD and

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[19] Buron et al. (2010) and other papers described many of these criticisms.

[20] In this context, the final rule represents HUD regulations that have progressed through the various stages of administrative rulemaking (proposed rule, public comment, and notification in the Federal Register with the date it goes into effect).

from their boards of directors. That flexibility extends to rent rules that otherwise require changes in legislation or regulations. Until recently, only 39 of the more than 3,000 PHAs in the country had an MTW designation and could exercise administrative flexibility.[21]

Although some efforts have been made to reform the rent system, most have been modest, such as simplifying income deductions, changing the process for calculating assets, or reducing the frequency of recertifications for fixed-income households. Around the time STRD was designed, some MTW agencies had initiated more substantial rent reform efforts, including versions of the policies now tested as part of STRD. For instance, the Keene Housing Authority in New Hampshire was implementing a stepped rent, the Cambridge Housing Authority in Massachusetts had introduced tiered rent, the Housing Authority of Santa Clara eliminated deductions and set the TTP at 35 percent of gross income, and some PHAs had introduced flat rents for public housing and the HCV program (Castells, 2020; Levy et al., 2019).

HUD commissioned a large-scale demonstration called the Rent Reform Demonstration to test the effectiveness of an alternative rent policy (see exhibit 3). The four participating PHAs implemented a package of policy changes, undertaking a comprehensive retooling to transform how rent subsidies were calculated and the related operational procedures and processes for staff and families.[22] These PHAs joined the demonstration to find ways to improve on their existing rent policies and practices, and the demonstration appealed to them because it offered the opportunity to learn whether the changes were effective. The PHAs worked closely with HUD and MDRC to build an alternative rent policy that extended the recertification period, introduced a 12-month retrospective income look-back period for establishing household income, simplified the rent calculation by eliminating income deductions, and simplified the method for estimating utility costs. Unlike STRD, which includes both current public housing residents and voucher recipients as well as new households entering the subsidy programs during the enrollment period, the Rent Reform Demonstration focused on existing voucher households.

[21] See Levy, Edmonds, and Long (2020) for the administrative flexibility the first 39 MTW agencies exercised.
[22] All the PHAs, with the exception of the District of Columbia Housing Authority, implemented the new rent policy for a full 6-year period, which included two 3-year triennial recertification periods.

Exhibit 3. Rent Reform Demonstration: Precursor to the Stepped and Tiered Rent Demonstration

The Rent Reform Demonstration, commissioned by the U.S. Department of Housing and Urban Development (HUD), includes the first major attempt to test the effectiveness of an alternative rent policy for families receiving federal housing choice vouchers.

Four public housing agencies (PHAs) with Moving to Work designation joined the demonstration. They helped to design a single alternative rent policy that each of them then implemented, but with some local adaptations.

The new policy fundamentally altered key aspects of HUD's standard rent policy (referred to as "traditional rent policy" in the study) for voucher holders. It changed the ways in which families' contributions to their rental costs were calculated and their housing subsidies determined, introduced, or increased the minimum contribution families were expected to make toward their rent and utilities, capped families' total tenant payments for successive 3-year periods even if their earnings increased, and introduced several safeguards to protect families from excessive rent burden and additional financial hardship. The PHAs operated the new rent policy alongside HUD's standard rent policy so that comparisons could be made between the two.

Public Housing Agencies in the Rent Reform Demonstration

- District of Columbia Housing Authority, Washington, D.C.
- Lexington-Fayette Urban County Housing Authority, Lexington, Kentucky.
- Louisville Metropolitan Housing Authority, Louisville, Kentucky.
- San Antonio Housing Authority, San Antonio, Texas.

Similar to the Stepped and Tiered Rent Demonstration, the evaluation design is based on a randomized controlled trial, with eligible voucher holders randomly assigned to the new policy or the existing policy. Families enrolled in the study between 2015 and 2016. The operational phase of the demonstration continued through the summer or fall of 2022 (the exact dates varied by PHA).

The evaluation follows families over a 6.5-year period. A series of evaluation reports examined PHA implementation, participant experiences, costs, and the effects of the new rent policies on labor market outcomes and the receipt of housing subsidies and other government benefits. Relative to the existing policy, the new policy has not thus far produced substantial, sustained improvements in tenants' labor market outcomes. The policy delayed families' exits from the voucher program and increased the amount of subsidies they received. By allowing them to keep more of their earnings, the policy allowed families to retain more disposable income while in the voucher program. Minimum rents did not exacerbate families' economic hardships. The cost of administering the new policy was no higher than administering the existing policy. On a per-voucher basis, which considers turnover among voucher recipients, subsidy and administrative costs were less than under the existing policy. Some aspects of the policy, such as determining retrospective income, were challenging, whereas other features lessened the PHAs' administrative burden. Overall, families preferred the new rent policy to the existing policy.

Sources: https://www.mdrc.org/project/rent-reform-demonstration#overview; https://www.huduser.gov/portal/Rent-Reform-Demonstration.html#

To date, the Rent Reform Demonstration is the strongest test of rent reform as a standalone intervention. Like STRD, the Rent Reform Demonstration used a random assignment design to test the effectiveness of the alternative rent policy on a number of outcomes during a 6-year period. A series of reports document PHAs' experiences operating the alternative rent policy, what families understood about how their rent was calculated and the safeguards provided, and the long-term impacts of the alternative rent policy on labor market outcomes, subsidy receipt, other outcomes for families, PHA actions, and costs.[23] Although the full evaluation was not completed by the time STRD began, emerging lessons from the experiences and outcomes observed for these four PHAs informed some of the policy design choices made for STRD.

[23] See Riccio and Deitch (2019); Riccio, Deitch, and Verma (2017); Riccio, Verma, and Deitch (2019); and Riccio et al. (2021) for details on the Rent Reform Demonstration and its findings.

MTW Expansion and STRD

Rent reform continues to be a priority for HUD and PHAs and is central to the MTW Demonstration. As part of an MTW expansion effort (exhibit 4), which provides MTW authorization to an additional 100 PHAs, HUD designated one cohort of newly selected MTW agencies to test two new rent policies as part of STRD.[24]

Exhibit 4. The Moving to Work Demonstration and Recent Expansion Efforts

Fiscal year 2016 appropriations language directed HUD to expand the Moving to Work (MTW) Demonstration by adding 100 public housing agencies (PHAs) during a 7-year period. MTW designation allows PHAs to design and test innovative, locally designed housing and self-sufficiency strategies for low-income families to advance three statutory objectives:

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

As of 2016, 39 PHAs had MTW designation based on the 1996 authorizing legislation, sometimes referred to as the “initial” 39 MTW agencies.

As required by the statutory language authorizing the expansion of the MTW program, 100 PHAs are being added in cohorts, with each cohort testing a specific policy that HUD will rigorously evaluate. The Stepped and Tiered Rent Demonstration is the second cohort added as part of the MTW Expansion. PHAs with 1,001 or more aggregate authorized public housing and housing choice voucher units were eligible to apply for Cohort 2.

Source: HUD (n.d.)

HUD designed the stepped and tiered rent policies to address many of the issues that are controversial about the standard rent policy. Both policies were designed to reduce potential economic disincentives for assisted households, provide rent hardship protections for households, simplify the administration of the system, and improve housing agencies’ operational efficiencies. With the core design features formalized in August 2020, HUD released a notice inviting eligible PHAs that had submitted letters of interest to apply to participate in the demonstration.[25]

The three rent policies offered in the STRD request for applications notice include—

- **Tiered Rent.** Households are grouped by income into tiers. Within each tier, rents (or, in the HCV program, participant contributions) are fixed. Any income increase within a tier does not affect the household’s rent or tenant contribution. Income reexaminations occur every 3 years, and household income increases during this period (that is, before the next reexamination period) do not affect rent.
- **Stepped Rent.** Rents are increased annually by a fixed amount. PHAs set the size of the annual stepped rent increase between 2 and 4 percent of the FMR, adjusted for unit size. Each household’s first year of rent will be set at 30 percent of their gross income, or the

[24] See HUD (2023b) for details on other cohorts.

[25] In March 2019, PHAs were invited to submit letters of interest for STRD. On August 28, 2020, HUD published PIH Notice 2020-21 that invited 36 eligible PHAs that submitted letters of interest to work with their residents and communities to submit full applications by January 8, 2021. In May 2021, HUD announced that 10 PHAs were selected. The evaluation timeframe was pushed out to accommodate site selection delays (HUD, 2023b).

PHA's minimum rent. After the first year, household rent increases by the annual stepped rent increase, regardless of income.

- **PHA-Proposed Alternative Stepped or Tiered Rent.** This option was reserved for PHAs serving at least 4,000 nonelderly, nondisabled households in public housing and the HCV program. PHAs could propose a tiered or stepped rent different from the policies above.

A total of 44 PHAs expressed interest in STRD (or Cohort 2) and submitted formal letters of interest. As part of the letter-of-interest process, PHAs were required to complete a survey as part of the application package. This survey offers some important information about which of the two rent policies these PHAs preferred to implement, what they were looking to achieve, and what they saw as the biggest barriers to self-sufficiency for their families—a consideration that PHAs kept in mind as they settled on which alternative rent policy to administer (HUD, 2019a). The data show that 17 PHAs indicated the stepped rent policy was their preferred policy, and 26 preferred the tiered tent policy. Some of the applicants were willing to implement either the stepped or tiered rent policy, whereas others had clear preferences for one policy or the other.[26] The survey presented five potential motivations for applying for STRD, and PHAs rated their importance in the following order: (1) incentivizing self-sufficiency; (2) simplifying program administration; (3) increasing revenue to provide additional services; (4) increasing revenue to serve more households; and (5) increasing revenue for other reasons.[27]

Of this group, 23 submitted a full application after their eligibility for this demonstration had been determined. In May 2021, HUD selected 10 PHAs from this pool of 23 applicants. Exhibit 5 lists the selected PHAs by rent type, and exhibit 6 shows the PHAs' locations on a map. Five PHAs are implementing a tiered rent policy, with one of those five implementing a modified version of the tiered policy, and the remaining five are implementing a stepped rent policy. Approximately 17,000 nonelderly, nondisabled households in public housing and the HCV program across these 10 agencies are expected to be eligible for the demonstration.[28]

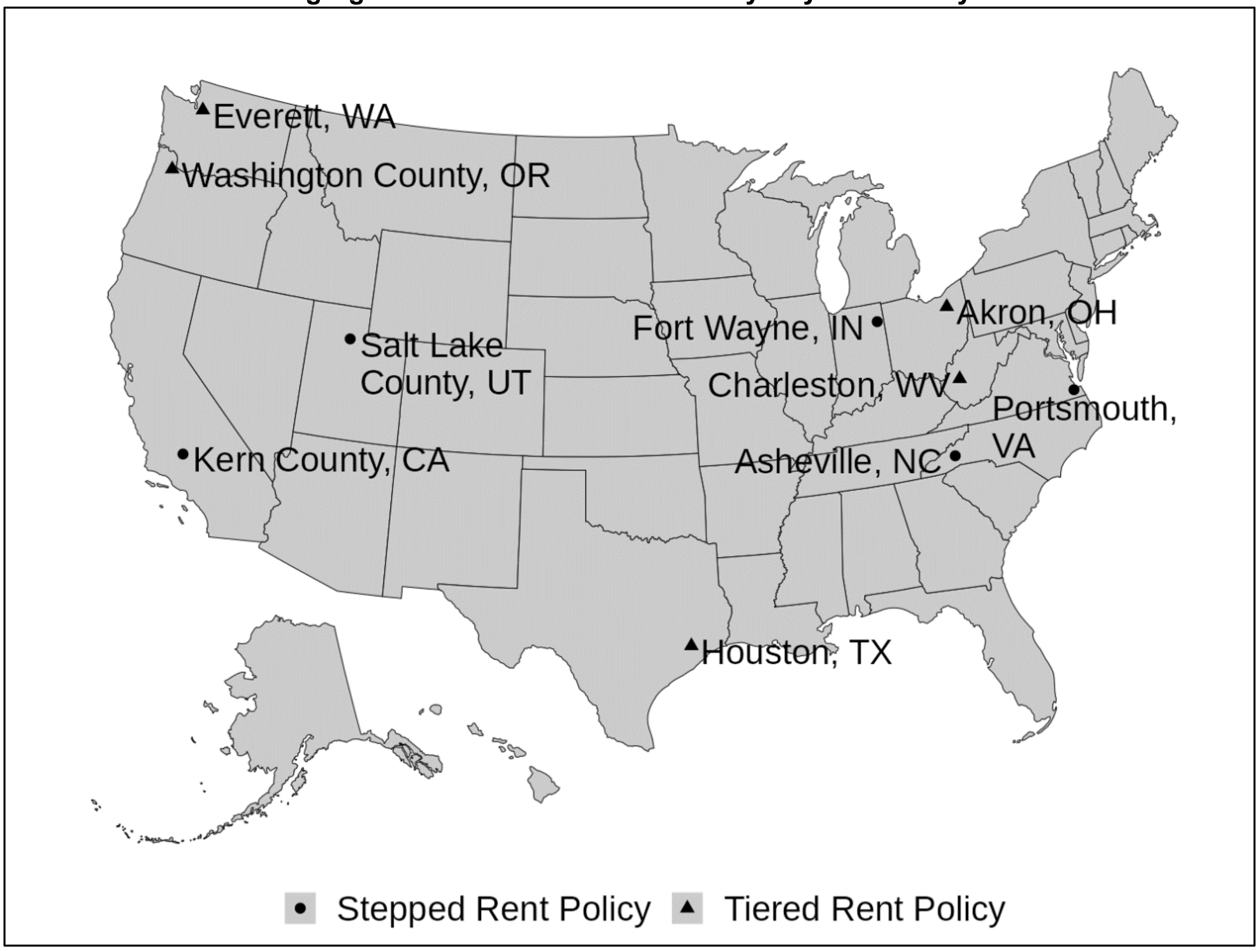
[26] MDRC analysis of MTW Expansion Cohort 2 Letter of Interest survey data.
[27] Of the 43 PHAs that answered this survey question, 95 percent rated incentivizing self-sufficiency as "very important," 86 percent rated simplifying program administration as "very important," 77 percent rated increasing revenue to provide additional services as "very important," and 70 percent rated increasing revenue to serve more households as "very important." Twenty-three percent rated increasing revenue for other reasons as "very important," but those reasons were not specified in the survey. These patterns were generally similar between PHAs that indicated that the stepped rent policy was their preferred policy and those that preferred the tiered rent policy.
[28] The eligible population for this demonstration is a subset of the full nonelderly, nondisabled population in public housing and the HCV program. Chapter 5 discusses additional eligibility criteria.

Exhibit 5. Public Housing Agencies in the Demonstration

Stepped Rent Policy	Tiered Rent Policy
1. Fort Wayne Housing Authority, Indiana. 2. Housing Authority of the City of Asheville, North Carolina. 3. Housing Authority of the County of Kern, California. 4. Housing Connect (Housing Authority of the County of Salt Lake), Utah. 5. Portsmouth Redevelopment and Housing Authority, Virginia.	1. Akron Metropolitan Housing Authority, Ohio. 2. Charleston-Kanawha Housing Authority, West Virginia. 3. Everett Housing Authority, Washington. 4. Housing Authority of Washington County, Oregon. 5. Houston Housing Authority, Texas (*modified tiered rent policy*).

Source: HUD (2021)

Exhibit 6. Public Housing Agencies in the Demonstration by City and County



Source:MDRC

At the end of June 2021, HUD and MDRC hosted a webinar to orient PHAs to the evaluation and launched the planning phase. In early 2023, the PHAs formally launched their stepped or tiered rent initiatives and invited families to enroll in the demonstration and participate in the research.

Plan and Timeline

As previously noted, STRD is HUD's second randomized controlled trial of innovative rent reforms. STRD follows on the heels of HUD's Rent Reform Demonstration, also evaluated by MDRC. As in that demonstration, the STRD evaluation uses a randomized controlled trial, one of the most rigorous methods for determining the effectiveness of an intervention. Because households are assigned at random to a "new rent rules group" or to an "existing rent rules group," any differences in outcomes that emerge over time can be confidently attributed to the new rent policy. See exhibit 7 for a summary of the study design.

Exhibit 7. Stepped and Tiered Rent Demonstration at a Glance

- Tests two rent polices (stepped and tiered rents).
- Ten public housing agencies.
- Approximately 17,000 households to be enrolled.
- Rent policies implemented for 6 years (2023–30).
- Randomized controlled trial.
- Comprehensive evaluation, including impacts, implementation, and costs.

Source: MDRC

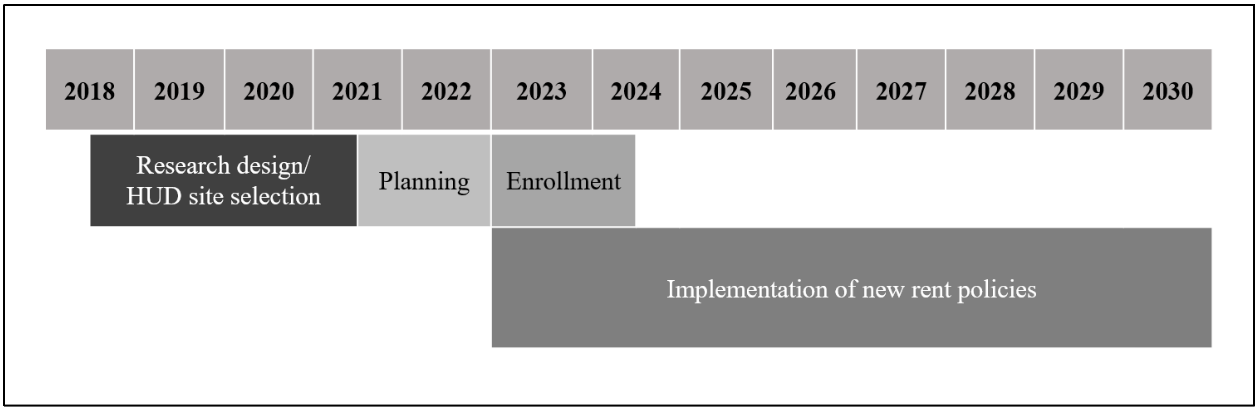
The 10 participating PHAs used four different software systems from three different software vendors for their subsidy administration systems. The PHAs worked with those vendors to modify the software to implement the new rent policies. Each software vendor reached readiness for implementation of the new rent policies at different times. Therefore, PHAs launched study enrollment in three cohorts. The first cohort of five PHAs launched in January 2023, the second cohort of two PHAs launched in March 2023, and the third cohort of three PHAs launched in May 2023. Study enrollment across the 10 PHAs will mostly occur from January 2023, the enrollment start date of the first cohort, through April 2024, when enrollment for the third cohort will be mostly complete. In all 10 agencies, enrollment for new admissions to public housing and the HCV program started a few months after enrollment started for recertifying households and therefore extends a few months past the enrollment period for recertifying households.

The STRD evaluation is expected to last 6 years after PHAs complete enrolling families into the demonstration. During this 6-year implementation period, PHAs will continue to administer both the alternative rent policy and the standard rules. Households randomly assigned to one of the new rent rules (stepped or tiered) or standard rent rules will remain in their assigned group and be subject to their assigned rent rules for 6 years (unless they leave assistance, move to another jurisdiction, or are exempted from the study for prespecified reasons).[29] HUD structured the STRD evaluation in at least two phases and selected MDRC and its partners to lead the first phase. This phase focuses on a collaborative effort with HUD and the 10 PHAs to design and implement the new rent policies, set the groundwork for a full-scale evaluation of the alternative rent polices' effects, provide policy and research-focused technical assistance, and monitor and document early implementation. The phase covers the period from 2018 to 2025 and sets the groundwork for measuring effects at a later point (exhibit 8). The longer-term evaluation will assess the effects of the new rent policies on households' labor market outcomes, outcomes related to families' receipt of housing subsidies, and receipt of other government benefits. The

[29] If a participating household leaves an STRD PHA, then returns to the PHA within the 6-year period, the household will return to the rent rules it was randomly assigned to at STRD enrollment.

phase will also determine the policies' effects on PHAs' administrative burden, administrative costs, Housing Assistance Payments, and other outcomes.

Exhibit 8. Timeline of the Demonstration



Source: MDRC

Structure of This Report

This report is the first of three reports planned for the first phase of the evaluation. Chapter 1 briefly reviews why rent reform has emerged as an important public policy issue and, in general, how the new rent rules are intended to respond to criticisms of the standard rent policy. Chapters 2 and 3 look more closely at the two new rent policies, the rationale behind each, the critical features defining these rent policies, and the design choices and decisions that public housing agencies and HUD confronted as they finalized the policy designs. With the demonstration under way, chapter 4 highlights some important steps and milestones for sites as they moved from design to operations, and MDRC's role in working with the sites to prepare them for launch. Chapter 5 turns to the evaluation approach and the learning priorities, and it introduces the 10 PHAs participating in the demonstration. The report closes with some early reactions to the alternative rent policies and the upcoming evaluation activities.

Reports to be released in 2024 and 2025 will examine the characteristics of families enrolled in the demonstration and look more closely at PHAs' implementation experiences of these different rent policies.

Chapter 2. The Stepped and Tiered Rent Policies

The Stepped and Tiered Rent Demonstration (STRD) aims to test the implementation and effectiveness of two distinct rent policies: stepped rent and tiered rent policies. This chapter describes the key features of these two policies and the rationale behind each.

The Standard Rent Rules

Both the stepped and tiered rent policies aim to reform fundamental features of the standard rent rules. As chapter 1 described, the standard rules have been subject to criticism for many reasons during the years, including that they disincentivize households to increase their incomes and are complicated and burdensome to administer.

Exhibit 9 illustrates how the total amount that households are expected to contribute toward housing costs is calculated under standard rent rules in the Housing Choice Voucher (HCV) program. In this figure, the height of the box represents the housing unit's gross rent—in other words, the total contract rent (that is paid to the landlord) plus the public housing agency's (PHA) estimate of utility costs based on the types of utilities the household is responsible for, if any. The total tenant payment (TTP) is calculated as 30 percent of household income (adjusted for certain deductions), or 10 percent of its gross income, or the minimum rent (if the PHA imposes one), whichever is greater. The housing agency provides a subsidy for the remainder of the gross rent, but only up to the payment standard, which is based on the area's Fair Market Rent (FMR) for the unit size.[30] That subsidy is called the Housing Assistance Payment (HAP). If the gross rent exceeds the payment standard, the household is responsible for any amount more than the payment standard.[31] Thus, a household's family share—the total amount the household contributes toward rent and utilities—is its TTP plus any amount more than the payment standard. In public housing, the calculation of the total amount that

Exhibit 9. Important Concepts in Determining Housing Subsidies

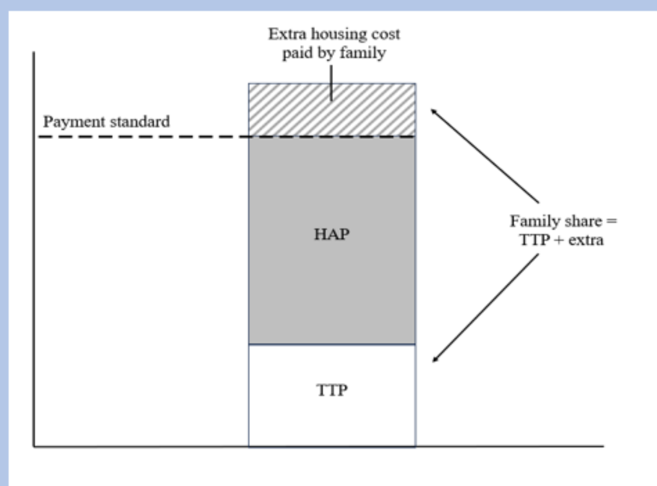
Payment standard: The maximum monthly assistance payment for a family assisted in the voucher program (before deducting the total tenant payment by the family).

Contract rent: Full rental cost that the landlord charges (may or may not include utilities).

TTP: Total tenant payment for rent and utilities (used in computing housing subsidy).

Family share: TTP plus any extra housing cost above the payment standard. (The family is responsible for paying the family share).

HAP: Housing Assistance Payment (that is, total subsidy for rent and utilities).



Source: MDRC

[30] Some PHAs use regular FMRs that are set for the entire metropolitan area to calculate payment standards, and others use Small Area Fair Market Rents (SAFMRs) that are set for ZIP Codes within metropolitan areas.
[31] A household can choose a unit for which the family's share would not exceed 40 percent of its income.

households pay toward rent and utilities is simply equal to the TTP, which is calculated the same way as it is in the HCV program (the greater of 30 percent of adjusted income, 10 percent of gross income, or the minimum rent, if the PHA has one). When a household's income increases beyond a certain threshold, it has the option to pay a flat rent that the PHA sets at 80 percent or higher of FMR.

Under standard rules, households in both the public housing and HCV programs complete a recertification each year. At the annual recertification, households provide current income information to the PHA, and the PHA uses that information to recalculate the TTP and other subsidy amounts (for example, HAP in the HCV program). Households notify the PHA if they experience income changes between annual recertifications, and the PHA either adjusts TTP at that time (with sufficient rent notice) or at the next annual recertification.[32] PHAs reduce TTPs for income decreases when the income change is reported and proper documentation is provided. TTP adjustments for income increases between annual recertifications vary by PHA. Some PHAs do not adjust TTP for income increases until the next annual recertification, and other PHAs adjust TTP only for increases in certain types of income.

The following two sections describe each new policy and the rationales specific to each policy's defining features. Exhibit 10 summarizes the primary mechanisms by which each alternative policy aims to achieve the two key objectives of both policies—to reduce the potential earnings disincentive and to reduce administrative burden.

Exhibit 10. Main Mechanisms to Achieve Key Objectives by Policy

Key Objective	Stepped Rent Policy	Tiered Rent Policy
Reduce potential earnings disincentive	Rent is decoupled from income after the initial certification. Total tenant payment (TTP) increases by a fixed amount annually based on unit size.	Household income increases do not increase TTP during the 3-year recertification period.
Reduce administrative burden	TTP is calculated once (at the initial certification). Triennial income reviews are to determine program income eligibility only.	Recertification is triennial instead of annual. Gross income is used instead of income adjusted for deductions.

Source: MDRC

The Stepped Rent Policy

Under the stepped rent policy, changes in a household's TTP, which is the amount the household is expected to contribute to its rent and utilities, are partially decoupled from changes in a

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[32] Under the standard rent rules, it is left to the PHA's discretion whether the PHA adjusts TTPs between annual recertifications for household income increases or if it waits until the next annual recertification to account for households' increased income. Among the 10 STRD PHAs, 6 do not adjust TTP for income increases between annual recertifications. One PHA adjusts TTP between annual recertifications for any income increase, 1 adjusts it only if a new member with income is added to the household, and 2 adjust it only if the household income increase exceeds a certain threshold (for example, $5,000). Depending on the PHA's zero-income household policy, even PHAs that generally do not adjust TTP between recertifications may do so if the household had zero income before the income increase.

household's income. Upon enrolling in the new rent system, a household's initial TTP is still based on income. After that, the household's rent contribution increases annually by a fixed amount, even if its income does not increase. The amount of the increase is tied to the local area's FMR, based on the size of the household's rental unit (number of bedrooms).[33]

The main rationale behind the stepped rent policy is that decoupling changes in a household's required rent contribution from changes in its income counteracts the potential disincentive to increase household earnings inherent in the standard percent-of-income policy. Under the stepped rent policy, the household's TTP steps up by a modest amount each year, regardless of income level. Therefore, a household that increases its income by an amount that exceeds its TTP increase leaves the household with more disposable income than it would have under the standard rent rules. Removing this potential disincentive to increase income is the primary mechanism through which the stepped rent policy incentivizes increasing household earnings. The annual step increases, although modest, may also impel households to increase their incomes to keep up with increasing housing expenses. An additional potential benefit of the stepped rent policy is that it simplifies the administration of housing subsidies. Households need only to recertify continued eligibility for rental assistance once every 3 years instead of annually, and they do not need to have their TTP recalculated at that time.

The stepped rent policy has a few other key features. First, a household's initial TTP is set at 30 percent, or 28 percent at one PHA, of *retrospective* (prior year) adjusted income, rather than current/anticipated income.[34] For the annual step increases in subsequent years, each PHA developed its own step-up schedule, setting the increases between 2 and 4 percent of the local area FMR. The stepped rent policy includes an income-based hardship provision. If at some point a household's income does not rise as fast as the rent steps, or if its income drops such that its TTP exceeds 40 percent of its current income, the household is eligible for a temporary new TTP based on its current income.

Exhibit 11 illustrates how households can benefit from the stepped rent policy. It shows a hypothetical scenario in which a household experiences income increases during the 6-year period. The stepped rent TTP, represented by the black line, increases by a fixed amount each year, regardless of any changes in household income. The blue line with the arrow represents the household's growing income and increasing TTP under the standard rent rules. In this example, the household's income increases to levels at which 30 percent of the increased income exceeds the step increases in TTP. Therefore, this hypothetical household keeps more of its increased earnings under the stepped rent policy than it would under the standard rent policy.

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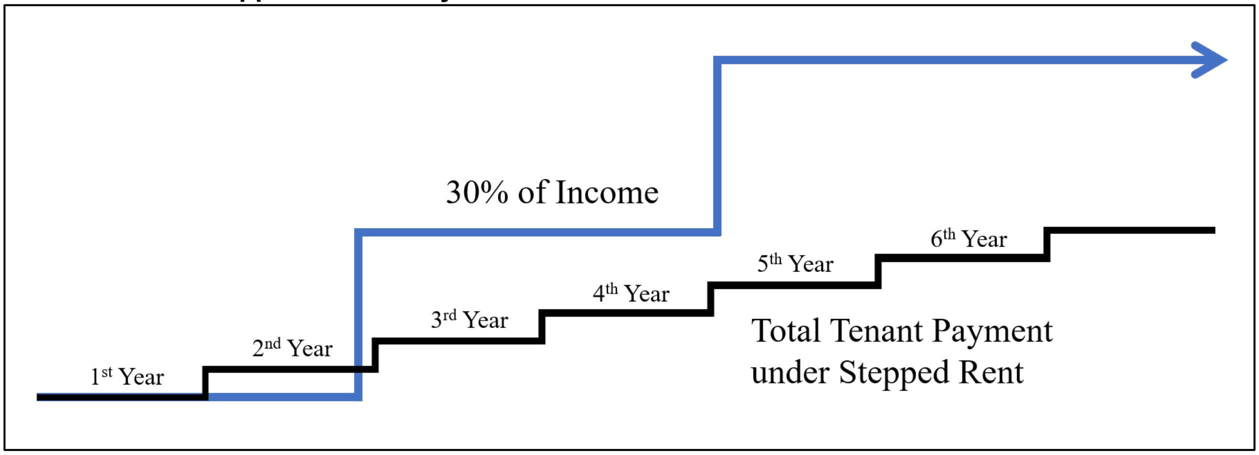
[33] The stepped rent policy ties step increase amounts to FMRs for the metropolitan area. At the time of writing this report, all 10 PHAs in STRD use FMRs and not SAFMRs to calculate payment standards.

[34] One agency, the Housing Authority of the City of Asheville, uses 28 percent for the initial step instead of 30 percent. That agency preferred to use a lower percentage of income for the initial step to compensate for the increasing TTP over time. Even households that do not increase their incomes early on would still be subject to the stepped rent structure for a longer time before reaching an excessive rent burden (and needing to request a hardship exemption) with a lower starting percentage of household income.

Exhibit 11. The Stepped Rent Policy



Source: MDRC

Exhibit 12 illustrates the stepped rent schedule for the Kern County PHA, one of the PHAs implementing the stepped rent policy. It shows, for example, that a household occupying a two-bedroom unit would see its monthly TTP increase by $30 each year. If that household were paying a TTP of $200 per month in year 1, it would pay $230 per month in year 2, $260 per month in year 3, and so on.[35] For households in public housing, TTP increases annually by that fixed amount until it reaches the flat rent—at which point, the household continues to pay the flat rent indefinitely, as long as household income remains below the income eligibility limit, which is currently 120 percent of Area Median Income.[36] For HCV households, their rent contribution amount increases annually by the fixed amount until their subsidy amount reaches $0.

Exhibit 12. Kern County Stepped Rent Schedule

Occupancy	0–1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	5+ Bedrooms
Annual Step Increase ($ per Month)	23	30	43	52	60

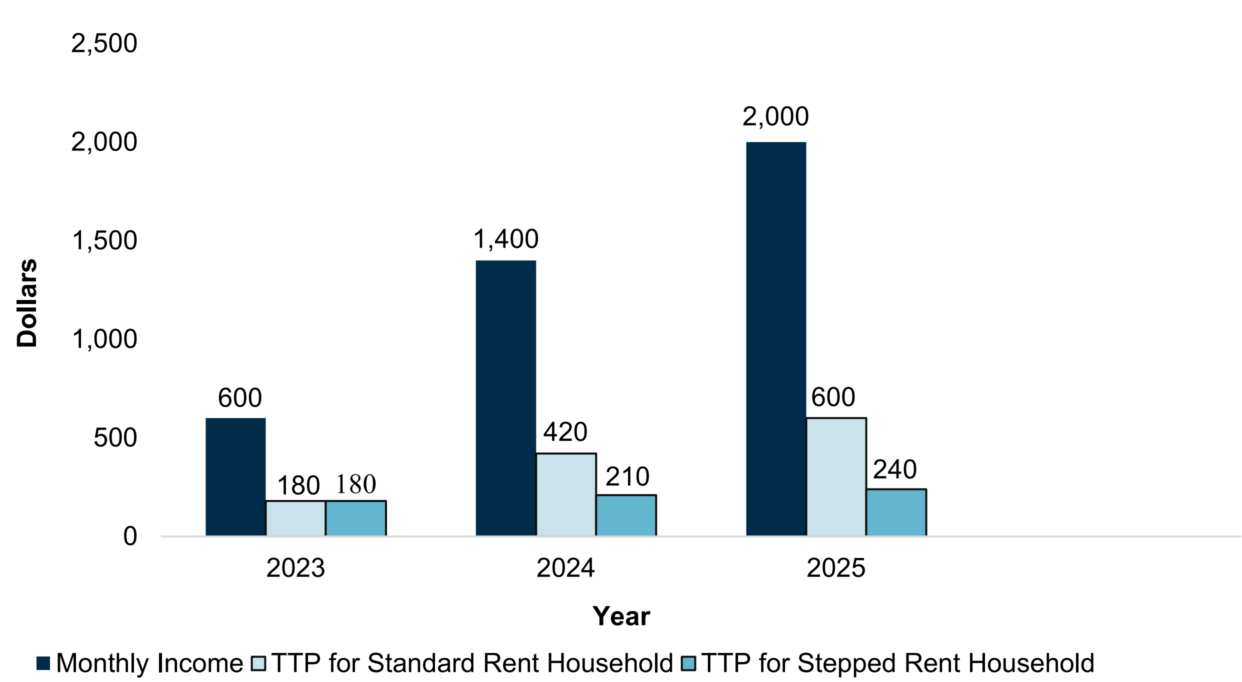
Source: HUD (2023a)

Exhibit 13 illustrates a hypothetical example of a household in Kern County whose members live in a two-bedroom unit and experiences significant income increases in the 2 years following their initial recertification under the stepped rent policy. This household started with a monthly income of $600. At its initial certification in 2023 under the stepped rent policy, its TTP was calculated as 30 percent of adjusted income, equaling $180 per month. This amount is the same under the stepped rent policy as it would be under the standard rent policy, assuming current income is not different from prior-year income in this example. The total height of the bar represents the monthly household income. The medium blue shaded bar to the right represents TTP under the stepped rent policy, and the lighter blue shaded bar in the center represents TTP under the standard rent policy. In the first year, under both rent policies, this household would keep 70 percent of its monthly income, or $420 per month. In 2024, the household experiences a significant increase in income to $1,400 monthly. Under the standard rent policy, the household's TTP would equal 30 percent of this income amount, or $420, and they would keep

[35] See appendix A for the stepped rent schedules for all five PHAs implementing this policy.
[36] When a household's income increases, it has the option to pay a flat rent that the PHA sets at 80 percent (or higher) of FMR for the unit size (number of bedrooms).

$980 of their monthly income. Under the stepped rent policy, TTP steps up only by the fixed amount of $30 for the two-bedroom unit size, and the household's TTP is $210. The household keeps $1,190 of its monthly income under the stepped rent policy compared with the $980 under the standard rent policy. In 2025, this household increases their income further to $2,000 monthly. The household pays $240 in TTP under the stepped rent policy (a $30 increase from its $210 TTP amount) and would have paid $600 under the standard rent policy. This example illustrates that households that increase their incomes stand to benefit from the stepped rent policy and could benefit substantially with larger income increases.[37]

Exhibit 13. Example of Income and Monthly Payments Under the Stepped Rent Versus Standard Rent Policy



TTP = total tenant payment.
Source: MDRC

What if a household experiences an income loss, or its income does not keep up with the annual step increases? For these situations, the stepped rent policy has a hardship policy that protects households from excessive rent burden. If a household's rent burden exceeds 40 percent (that is, its TTP exceeds 40 percent of household income), the PHA temporarily sets the household's TTP to 40 percent of their current income. Households pay this lower hardship TTP amount for a set period of 1 to 12 months, depending on the PHA.[38] If the household's income has not improved by the end of the hardship period, the household can request to renew the hardship exemption. The household's request would be approved as long as the household's

[37] In general, a household would financially benefit from the stepped rent policy relative to the standard policy if it increases its income such that 30 percent of that income gain is greater than the amount by which the fixed annual TTP increases under the stepped rent policy.
[38] The next chapter further discusses how different PHAs set hardship durations.

current/anticipated income level still qualifies it for the hardship exemption. How many renewals a household can request and be granted is not limited. If a household continues to experience a hardship (and qualifies for a hardship exemption) after 12 months, the PHA can choose to reset the household's step instead of continuing to renew the hardship exemption. The household essentially "starts over" by having its initial TTP set according to the stepped rent policy and steps up annually from there.

The Tiered Rent Policy

Under the tiered rent policy, households are grouped by income into income tiers, and all households within the same tier pay the same amount in TTP. The recertification period is extended to 3 years instead of annually, and income increases during the 3-year period do not affect rent until the next triennial recertification.

The tiered tent policy takes a different approach to strengthening the financial incentive for tenants to increase their earnings, reducing administrative burden, and making rent calculation more transparent for households. Administrative burden should be reduced by completing recertifications once every 3 years instead of annually, eliminating interim certifications to adjust TTP for income changes between recertifications, and using gross income instead of adjusted income to calculate TTP. Using gross income eliminates the need to adjust income by applying certain deductions, which can make rent calculations opaque to households and, in the case of childcare deductions, can be administratively burdensome to document and verify. The tiered rent policy reduces the potential earnings disincentive inherent in the standard rent structure by capping TTPs for 3 years at a time so that a household that increases its earned income will not have to pay more in rent before the triennial recertification.

Thus, whereas the stepped rent policy attempts to increase financial work incentives by decoupling TTP increases from earnings increases, the tiered rent policy attempts to do so by eliminating TTP increases when earnings increase for 3-year cycles. In both policies, the respective changes in setting and modifying TTPs are expected to help reduce PHAs' administrative burden in operating the rent subsidy system.

As a household approaches a triennial recertification, the tiered rent structure itself may affect its income incentives, but the direction of the effect is unclear. In general, households should be incentivized to increase their earnings within a tier, because doing so will not affect their TTP, allowing them to keep the full amount of the additional earnings. Households with income toward the bottom of a tier have the greatest opportunity to increase their income with no TTP increase. However, the tiered rent structure presents a potential border effect. For a household at the very top (or bottom) of a tier, an annual income increase (or decrease) of only a few dollars could lead to a TTP increase (or decrease) of nearly $60 per month. Therefore, some households may see the tier structure as a disincentive as they approach the triennial recertification. It is uncertain to what extent these competing incentives balance each other out.[39] It is also worth noting that any incentives that are derived from the tiered rent structure might be diluted by the fact that TTP is only recalculated using income once every 3 years at the triennial recertification, and the income used to recalculate TTP at the triennial recertification is the household's income

[39] The study team will conduct a subgroup analysis to estimate differential impacts based on being near the top or the bottom of the tier, described further in chapter 5.

during a prior 12-month period, which families might have less control over deliberately increasing or decreasing.

Exhibit 14 illustrates the tiered rent schedule.[40] A household's TTP, which is based on the household's gross retrospective income (that is, income over the prior 12 months), is set according to where that annual income falls in an income tier. The income tiers are defined in $2,500 increments. All households in a given tier pay the same TTP, which is 28 percent of the midpoint of the tier.[41]

Exhibit 14. Tiered Rent Schedule

Tier	Annual Income Range	Monthly TTP
Tier 5	$12,499 … $10,000	$262
Tier 4	$9,999 … $7,500	$204
Tier 3	$7,499 … $5,000	$146
Tier 2	$4,999 … $2,500	$87
Tier 1	$2,499 … $0	$50

TTP = total tenant payment.
Notes: This illustration represents the first five tiers in the tiered rent schedule. Income tiers increase in $2,500 increments, and the associated TTP is calculated as 28 percent of the midpoint of the tier.
Source: HUD (2023a)

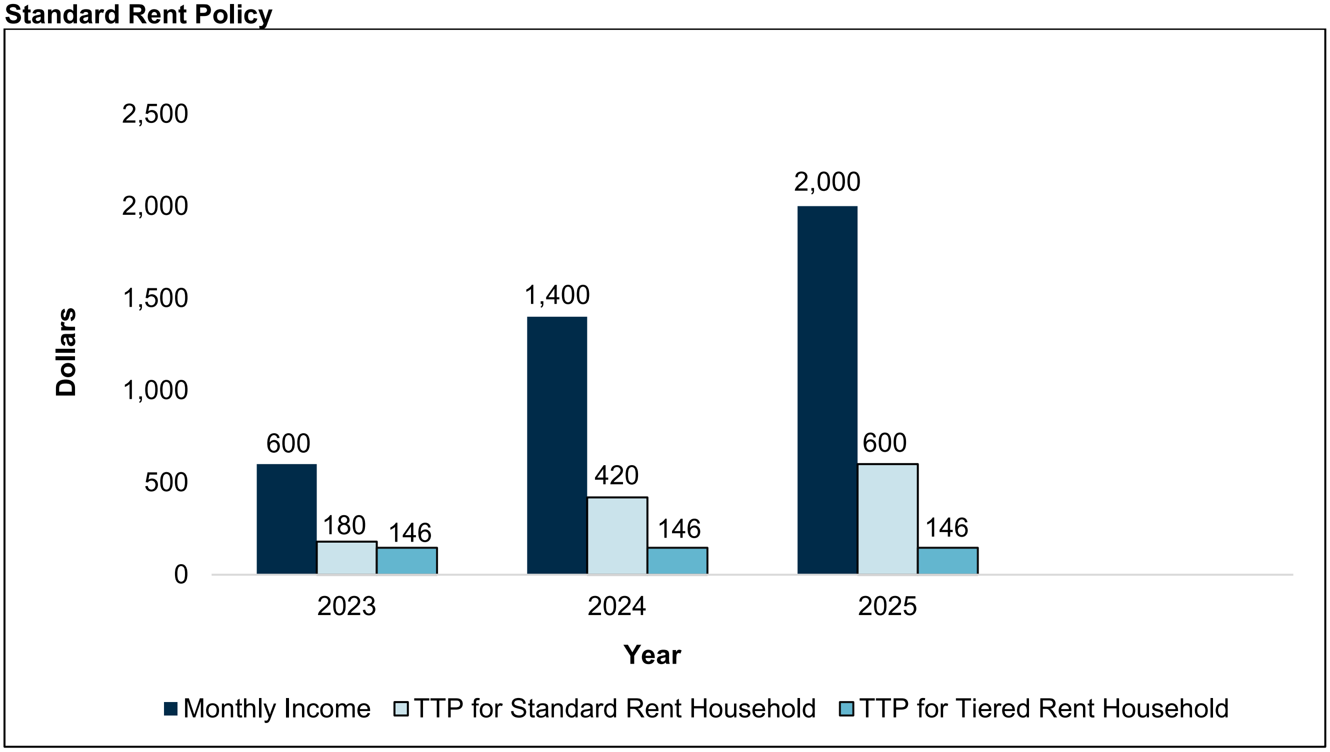
For example, a household with an annual income of $6,000 will have a monthly TTP of $146 under the tiered rent policy. A household with an annual income of $7,000 will also have a monthly TTP of $146 because its income falls in the same tier. For both households, if their incomes increase during the next 3 years, their TTP will remain at $146 until the next triennial recertification. If by then they each increase their retrospective annual incomes to, say, $12,000, their TTPs would jump two tiers, and they would begin paying $262 for the next 3 years.

[40] Appendix B shows expanded tiered rent schedules for the five tiered rent PHAs.
[41] The Houston Housing Authority applied for Moving to Work status under a third option, which allowed larger PHAs to propose their own version of the stepped or tiered rent policy within certain parameters set by HUD. The Houston Housing Authority defines its tiers in $2,000 increments and uses 28 percent of the bottom of the tier (instead of the midpoint of the tier). These deviations from the initial proposed policy were intended for the new policy to have a neutral effect on average TTP.

However, if their retrospective incomes fall by that time, their TTPs would be set according to whichever tier then applied. If their current incomes drop to a lower tier during the 3 years before the triennial recertification, they could request temporary adjustments to lower their TTPs under the policy's hardship provisions.

Exhibit 15 uses the same household income example as exhibit 13 but applies the tiered rent rules instead of the stepped rent rules. Exhibit 15 shows hypothetical household income levels and the calculated TTPs for the first 3 years of the demonstration, which represents the first triennial recertification period for the tiered rent policy. In this example, the household's retrospective income at its initial recertification in 2023 was $600 per month, and its corresponding TTP is $146 per month. Its monthly income increases to $1,400 in 2024 and then to $2,000 in 2025. Under the standard rent policy, assuming current income is not different from the prior year's income, the household's TTP would have been $180 in 2023 and would have increased to $420 in 2024, then to $600 in 2025. Under the tiered rent policy, its TTP remains at $146 for the full 3 years of the recertification period. The household keeps an extra $8,736 in additional earnings during the second and third years in this example. At its next triennial recertification, its TTP is readjusted based on its retrospective (prior 12-month) income, and its TTP is set at $554 for the next 3-year period.

Exhibit 15. Example of Income and Monthly Payments Under the Tiered Rent Policy Versus Standard Rent Policy



TTP = total tenant payment.
Source: MDRC

The hardship exemption for the tiered rent policy is that if a household's current income would place it in a lower income tier, the PHA will temporarily set the household's TTP to that lower tier. Determining whether gross household income falls into a lower tier should be relatively straightforward for the household, in contrast to the stepped rent hardship policy, under which it might be more difficult to determine whether a household's TTP exceeds 40 percent of its adjusted income. Although income deductions are no longer used to calculate rent, the hardship policy allows some deductions related to dependents and childcare costs to be applied when determining whether a household qualifies for a hardship exemption and setting its hardship TTP.[42] Like the stepped rent policy, the duration of the hardship exemption ranges from 1 to 12 months, as set by the PHA. Hardship exemptions can be renewed per the household's request if it remains eligible for an exemption. No limits are placed on the number of times a hardship can be renewed, but a hardship TTP is only effective up until the next triennial recertification, when the household completes a full income review and a new TTP is set for the next 3 years.

Exhibit 16 summarizes the stepped and tiered rent policy features described in this chapter by rent policy.

Exhibit 16. Comparison of Rent Policies

Feature	Standard Rent Rules	Stepped Rent Policy	Tiered Rent Policy
Total Tenant Payment (TTP) for Initial Certification	30% of current/ anticipated adjusted income	30% of retrospective adjusted income	Based on retrospective gross income (TTP is set at 28% of midpoint of tier; tiers are $2,500 wide)
TTP for Subsequent Certifications	30% of current/anticipated adjusted income	Prior year TTP + fixed step increase (based on unit size)	TTP for corresponding tier based on retrospective gross income (TTP is 28% of midpoint of tier)
Recertification Period	Annual	Triennial eligibility check only (TTP not adjusted for changes to income)	Triennial
Action Taken When Household Income Increases Between Recertifications	Increase TTP based on income increase (some public housing agencies wait until the next annual recertification to increase TTP)	None	None
Action Taken When Household Income Decreases Between Recertifications	Decrease TTP based on income decrease	Household may request temporary hardship exemption to reduce TTP	Household may request temporary hardship exemption to reduce TTP
Hardship Policy	Not applicable (TTP adjustments for income decreases are addressed with interim certifications)	If a household's TTP exceeds 40% of income, temporarily set TTP to 40% of income	If a household's current income places them in a lower tier, temporarily set TTP to that lower tier

Note: Site variations—Asheville's TTP is 28 percent for initial certification; Houston's TTP is 28 percent of the bottom of each tier, with $2,000 increments.
Source: MDRC

42 See chapter 4 for further details on the hardship policies.

Chapter 3. Policy Design

The U.S. Department of Housing and Urban Development (HUD) designed the stepped rent and tiered rent policies in the Stepped and Tiered Rent Demonstration (STRD) based on recommendations of the Moving to Work (MTW) Research Advisory Committee and public comments (HUD, 2016a; HUD, 2016b). HUD (2020a) published policy descriptions in a request for applications (RFA) notice. The public housing agencies (PHAs) then applied for MTW status to implement one of the policies described in the RFA. PHAs were also required to complete a public comment period as part of the formal application process.

HUD prespecified the core features of the stepped and tiered rent policies prior to PHAs applying to implement these policies.[43] Doing so allowed PHAs to understand ahead of applying for MTW status under the stepped and tiered rent cohort what rent policies they would be implementing. This approach, along with the requirement for public comment as part of the application process, ensured some level of buy-in from the PHAs and their stakeholders, including the households they serve. The approach also reduced the amount of time and effort after PHAs were selected to design and negotiate those features among multiple PHAs, and it ensured some consistency in how the policy was implemented across PHAs implementing that policy as part of STRD.

Despite HUD having already defined core policy features prior to selecting PHAs for the STRD cohort, preparing to launch the demonstration and policy implementation still involved an extensive process of further specifying and refining the stepped and tiered rent policies with HUD, participating PHAs, and MDRC. Several factors influenced this process. First, there were details of the policy that were unspecified in the request for applications notice that still had to be specified to move forward with implementation.[44] HUD and MDRC had to consider the need for flexibility to enable each PHA to meet its unique needs, but had to balance that with the goal of implementing a relatively consistent policy across PHAs to allow for a rigorous evaluation. Second, although the PHAs applied to implement one of the predefined policies, they did not always agree with all the policy specifications, and many features had to be revisited. Third, HUD and MDRC also had extensive discussions with PHAs about operationalizing the policies, which revealed that some aspects of the policies were not feasible to operationalize as intended in the context of current PHAs' processes (for example, processes for assessing income for new admissions) or because of certain limitations of their software systems for determining and adjusting tenants' subsidies. MDRC and the four PHAs that implemented the first Rent Reform Demonstration also had to wrestle with many of these aspects of policy design, and those experiences informed design considerations in STRD.

This chapter describes the considerations and tradeoffs discussed during the demonstration's policy design phase leading up to launch. The topics covered include how to implement the retrospective income feature in calculating total tenant payments (TTPs), how to protect families from economic hardships that might be caused by the policy change while preserving the policies' earnings incentives and administrative simplification, and how to align HUD's voluntary Family Self-Sufficiency (FSS) program, which includes a rent-based savings

[43] In contrast, for the Rent Reform Demonstration, HUD, the four PHAs in the demonstration, and MDRC jointly designed the core features of the alternative rent policy.
[44] For example, PHAs specified their hardship policies after selection to Cohort 2.

component, with the new rent policies. Some of these features, such as the use of retrospective income, are standardized across all 10 housing agencies. Others features, such as the hardship policies' core features, are standardized across the five sites within the stepped or tiered rent policy cluster.

Using Retrospective Income to Set Total Tenant Payments

The standard rent rules use *current/anticipated* income to set a household's TTP at each annual recertification. Current/anticipated income is defined as the amount of income the household anticipates receiving during the next 12-month period. For example, if a household member is employed, the housing agency can use the most recent paystubs to estimate an annual wage income amount. The current/anticipated income is a point-in-time measure (at recertification), yet household incomes often fluctuate. Under the standard rent rules, interim recertifications can be conducted to adjust TTP for income changes between annual recertifications, and, at a minimum, TTP is updated at the next annual recertification.

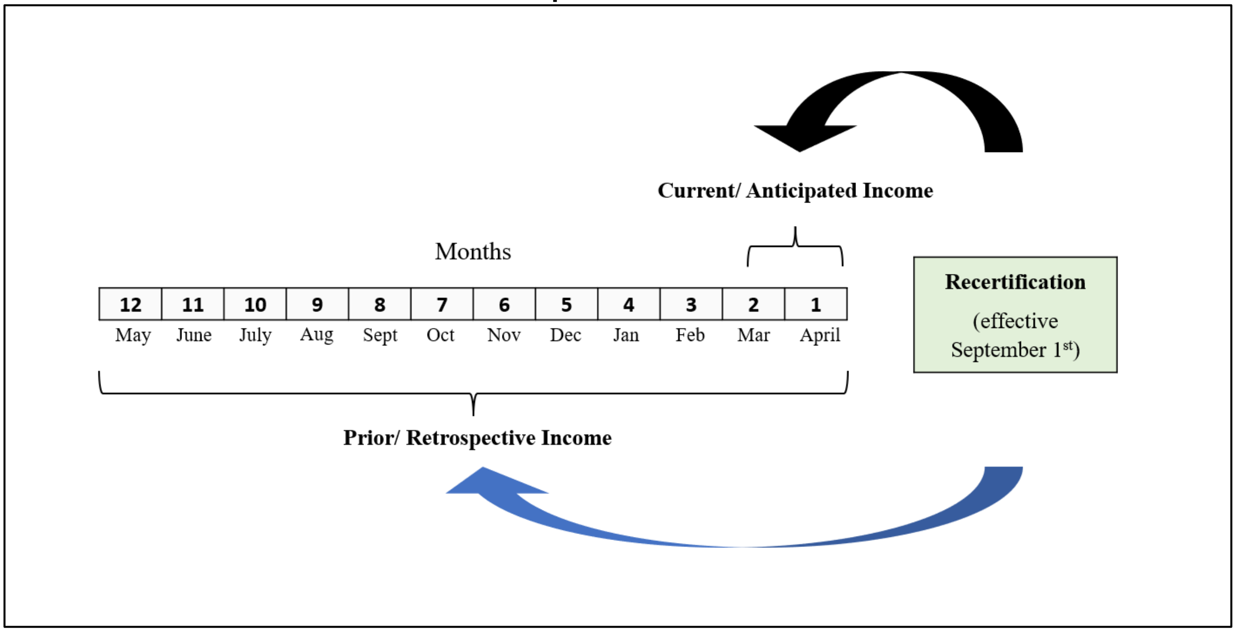
Using the point-in-time current income as the basis for TTP presents a few significant problems with the stepped and tiered rent policies. For the stepped rent policy, initial TTP is based on income, and this calculation sets the household's TTP trajectory for the full 6 years of the demonstration (and potentially for many more years if the policy is implemented outside of a demonstration). For the tiered rent policy, the initial TTP sets the rent for the next 3 years, until the next triennial recertification. Households' income levels often fluctuate, so using the income at the time of the recertification carries a high risk of setting a household's long-term TTP that is unsustainable and will require them to request a hardship exemption when their income drops, or setting the TTP too low over the long term if the household recoups a higher level of income soon after recertification. One example to consider is a household in which the household head takes on short-term jobs throughout the year. If the household comes up for recertification at a time that person happens to be working, the TTP would be set too high because it would be based off the earnings from the person's current short-term job and annualized. Once that job ends, the household would face a significant rent burden. If the household comes up for recertification at a time when the household head happens to be between jobs, that could set its TTP very low for a full 3 years for the tiered rent policy, and even longer under the stepped rent policy, possibly leading the PHA to subsidize the household more than necessary given its income over the longer period.

To address the concerns around using a point-in-time measure of household income to set a long-term TTP or an indefinite TTP trajectory, both the stepped and tiered rent policies use a household's prior year income, or "retrospective income," to set TTP at the initial certification and at subsequent triennial recertifications for the tiered rent TTP. Retrospective income is actual total income, after accounting for income exclusions, over a 12-month period tied to the household's recertification effective date (exhibit 17).[45] Using a full year of income is expected to provide a more reliable prediction of income going forward than a point-in-time measure.

[45] To account for the time between the start of the recertification process in STRD—which is generally 1 to 2 months earlier compared with the standard schedule to allow time for study enrollment and collecting retrospective income—and the effective date of recertification, the retrospective period is defined as the 12-month period that ends at the end of the fifth month before the recertification effective date.

Using retrospective income also potentially reduces the incentive to drop earnings intentionally at the time of the recertification to lock in a lower TTP (Riccio, 2020).

Exhibit 17. Illustration of a 12-Month Retrospective Income Period



Source: MDRC

One potential disadvantage of using retrospective income in place of current/anticipated income is that collecting, calculating, and verifying retrospective income can be burdensome for households and PHAs. In the Rent Reform Demonstration, which also used retrospective income, the four participating PHAs found that the burden of using retrospective income came mostly from having to collect documentation from households and verify the income using the income verification hierarchy, especially when prior jobs had ended, multiple household members worked, or a member worked multiple jobs.[46] Exhibit 18 shows the standard income verification hierarchy. To some extent, the burden of calculating retrospective income should be lessened in STRD, because PHAs have the option to apply for waivers to streamline income verification. All 10 STRD PHAs chose to do so. However, the PHAs varied in the extent to which they chose to streamline income verification, based on differing levels of concern over the administrative burden of verifying retrospective income and differing comfort levels with relying more heavily on household self-reports of income.

Exhibit 18. HUD's Standard Verification Hierarchy

Level	Verification Technique	Ranking
6	**Upfront Income Verification (UIV),** using HUD's Enterprise Income Verification (EIV) system and the **Income Validation Tool (IVT)** (not available for income verifications of new applications)	**Highest (Mandatory)**

[46] See Riccio, Verma, and Deitch (2019) for more details on PHA staff members' perspectives on implementing the Rent Reform Demonstration.

5	**UIV** using a non-HUD system	**Highest (Optional)**
4	**Written Third-Party Verification**	**High** (Mandatory to supplement EIV-reported income sources and when EIV has no data; Mandatory for non-EIV reported income sources; Mandatory when tenant disputes EIV-reported employment **and** income information and is unable to provide acceptable documentation to support dispute)
3	**Written Third-Party Verification Form**	**Medium-Low** (Mandatory if written third-party verification documents are not available or PHAs reject them; and when the applicant or tenant is unable to provide acceptable documentation)
2	**Oral Third-Party Verification**	**Low** (Mandatory if written third-party verification is not available)
1	**Tenant Declaration**	**Low** (Use as a last resort when unable to obtain any type of third-party verification)

Source: HUD (2018)

To streamline the verification process, at the most simplified level, PHAs could rely primarily on HUD's Enterprise Income Verification (EIV) system and then go straight to tenant self-declaration, skipping any third-party documentation. One PHA is implementing this process across the board. At the other extreme, PHAs can preserve the standard verification hierarchy, and one PHA is doing so. In between these two extremes there is some variation in which levels are skipped or combined, but two common approaches are combining written and oral verification (so that both can be sought at the same time, and only one is needed) and making self-certification a higher priority level instead of the lowest priority. Exhibit 19 summarizes how each PHA streamlined its income verification hierarchy through waivers. In general, PHAs rely more heavily on the EIV system to collect and verify retrospective income than they do to verify income under the standard rent rules. There is an approximately 6-month lag in receiving income information through the EIV system, which makes it less useful for determining current/anticipated income, but EIV can often cover a good portion of the 12-month retrospective income period.

Exhibit 19. Public Housing Agencies' Alternative Verification Hierarchies

Fort Wayne	Akron, Kern County, Houston, Portsmouth, and Salt Lake	Asheville and Everett	Washington County	Charleston
Preserves existing HUD verification hierarchy	Puts all types of third-party verifications on the same level (oral, written, written form)	Tenant declaration follows written third-party verification	Puts tenant declaration and tenant provided documentation ahead of other third-party verification	Puts tenant declaration ahead of third-party verification

less streamlined → more streamlined

Source: HUD (2023a)

Although the initial plan was to use retrospective income for all TTP calculations under the stepped and tiered rent policies, it was determined in conversations with PHAs that it would not be feasible to use retrospective income for *new admissions* to public housing or the Housing Choice Voucher (HCV) program. There was concern that, in the HCV program, the collection and verification of retrospective income may cause delays in leasing a unit after a household finds and is approved for one, putting the household at risk of losing the unit. That experience could also jeopardize the household's access to the voucher, because households have a limited amount of time to find and lease a unit before the voucher expires. Another consideration is that PHAs do not have access to the EIV system for new admissions like they do for recertifications. Given PHAs' reliance on the EIV system for income verification for the earlier part of the retrospective income periods, not having access to the EIV system would make the process of documenting and verifying retrospective income much more burdensome for new admission households. Additionally, eligibility for public housing and the HCV program is based on current/anticipated income, and there was concern around two different income concepts being applied at the same time when a household first enters the program. For these reasons, retrospective income is used only for calculating TTP at recertifications, and current/anticipated income is used for calculating initial TTP when a household first enters the housing subsidy program.

Using Gross Income to Set Total Tenant Payments

One policy feature that was initially part of both the stepped and tiered rent policies is the use of gross (unadjusted) income instead of adjusted income to calculate TTP. Under the standard rent rules, households' TTP is 30 percent of its adjusted income—that is, their total household income minus various deductions and allowances. These deductions and allowances include qualifying childcare expenses and a $480 deduction for each dependent.[47] Using gross income eliminates these income deductions and allowances. In the final policy specifications, only the tiered rent policy uses gross income instead of adjusted income. (Considerations in using gross rent in the stepped rent policy are discussed further below.)

There are two key rationales for moving to gross income. First, using gross income streamlines the income determination, documentation, and verification processes. Calculating, documenting, and verifying deductions—particularly childcare deductions—is widely seen as a cumbersome process and prone to error. Using gross income also reduces the likelihood of such errors. Second, calculating TTP using deductions and allowances can be complex and difficult for families to understand. Using gross income increases the simplicity and transparency of TTP calculations for families. In the tiered rent policy in particular, using gross income, along with the tiered rent schedule, allows families to understand their TTPs more easily and predict how TTPs will change if their incomes change (every 3 years).

Eliminating income deductions and allowances effectively increases household income amounts used to calculate TTPs, and therefore, it increases the tenant share of rent. To help offset this increase for the tiered rent policy, the percentage applied to determine TTP was reduced from 30 to 28 percent. However, although eliminating income deductions raises the average TTP by a modest amount, and using the lower percentage of income offsets the average TTP increase, it affects different types of families differently, depending on the deductions they relied on under the standard rent rules. Families who pay for childcare and large families with many dependents are most affected by this policy change, raising equity concerns. The next section discusses hardship policies to address these concerns.

For the stepped rent policy, using gross income instead of adjusted income was also initially specified as part of the policy that HUD (2020) published in its RFA. However, PHAs, HUD, and MDRC weighed the tradeoffs between administrative streamlining and uneven effects on rent burden for families differently for the stepped and tiered rent policies. Ultimately, a decision was made to maintain the use of adjusted income for the stepped rent policy. One important reason for this decision is that a household's TTP is calculated only once under the stepped rent policy, at the initial certification, so the benefits of streamlining and transparency would be minimal. In contrast, the benefits are more substantial under the tiered rent policy, given the ongoing triennial income reviews with TTP recalculations.

Another important reason for staying with adjusted income under the stepped rent policy is that eliminating deductions would increase the rent burden for some types of families significantly more than others, given the nature of the stepped rent structure. Under this policy, a household's TTP will already be stepping up over time. With gross income, households most affected by loss of deductions—households with multiple dependents and households paying for childcare—would have a much higher starting TTP using gross income, and this burden would compound over time as the TTP increases annually. Furthermore, if the stepped rent policy relied on

[47] Qualifying childcare expenses are out-of-pocket, unreimbursed expenses that families pay toward childcare for a child or children under 13 years old that enables a family member to work, seek employment, or pursue education. There are also $400 deductions for elderly or disabled household heads and deductions for expenses for disability assistance or medical expenses for elderly or disabled heads of households, spouses, or co-heads. However, these deductions do not apply to the population of households participating in the demonstration, because households with elderly or disabled status were not eligible for the demonstration.

hardship exemptions to address the loss of childcare deductions, then many working families would not be able to benefit from the stepped rent structure at all. They would get "stuck" with a 40 percent of income hardship TTP for possibly many years (until they are no longer paying for childcare). Because most families with childcare deductions are families who already work, they may have less opportunity to increase income and, therefore, may stand to benefit less from the stepped rent policy to begin with. Some PHA staff members felt that removing the childcare deduction seemed unfair, because it would penalize households already "doing the right thing."

Protecting Families From Hardship

An important consideration for designing rent policies that deviate from the traditional percent-of-income rent structure is how to structure the safeguards to protect families from excessive rent burden if they experience an income loss, or if their income does not increase to keep up with the stepped rent increases in the case of the stepped rent policy. In developing these safeguards, there can be a tension between making sure they adequately protect families from hardship but also preserve the earnings incentive built into the policy. There are also cost and administrative burden considerations. The hardship policy needs to balance several objectives: making sure a household is adequately protected, that the administrative burden associated with processing hardship requests and exemptions is contained, and that PHAs do not spend too much in housing subsidies to households that no longer need the hardship exemption. PHAs had some discretion in how they could structure hardship policies in STRD, and different PHAs weighed these factors a bit differently based on their own housing subsidy populations and priorities.

Considerations in Developing the Stepped Rent Hardship Policy

The tension between adequately protecting families from hardship and preserving the earnings incentives is especially salient in the stepped rent policy. As previously described, the stepped rent structure aims to counteract the potential disincentive built into the standard percent-of-income policy by decoupling rent from household income. If a household increases its income, it can keep all its income that exceeds the modest step increase each year, which stands in contrast to the standard percent-of-income policy in which 30 percent of the income increase is paid toward rent, and the household keeps only the remaining 70 percent. Households that increase their income significantly stand to benefit greatly from this policy change. However, under the stepped rent structure, a household whose income decreases would also face the same rent share amount (which continues to increase over time), putting the household at risk of an excess rent burden, financial hardship, and ultimately possible eviction. Even households whose income remains steady over time are at risk of hardship in the stepped rent policy, because their rent will continue to increase even if their income does not. However, reducing a household's TTP if its income drops, or not having the household's TTP step up by the fixed step increase amount if its income does not increase, would essentially be reverting those households' rent rules back to the traditional percent-of-income rent structure.

The hardship policy for the stepped rent policy is if a household's TTP, calculated using the stepped rent rules, exceeds 40 percent of the household's *current* adjusted income, the household qualifies for a hardship exemption. The household's TTP is temporarily set at 40 percent of its current adjusted income. The next section discusses the duration of the hardship exemption.

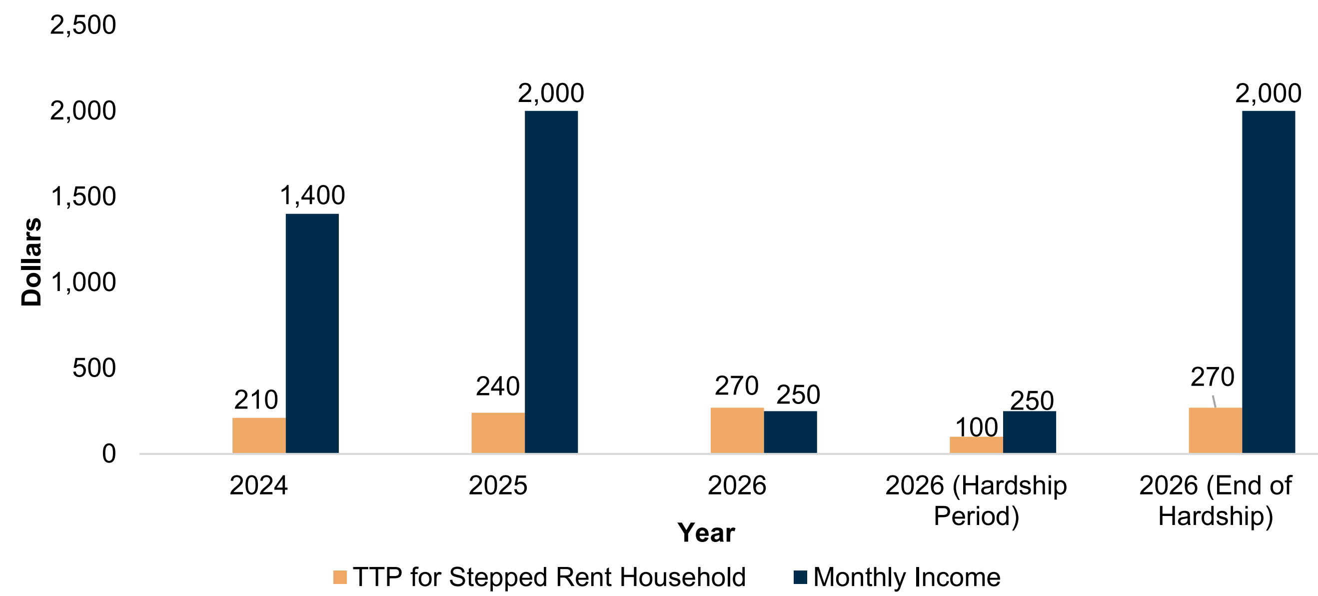
Using 40 percent of adjusted current income as the threshold to determine whether a household qualifies for the hardship exemption and to set the hardship TTP amount was intended to preserve the stepped rent policy's incentive structure while limiting extreme rent burden. At 40 percent of adjusted current income, even if a household's income never changes, its TTP will still step up from 30 to 40 percent of its income, effectively preserving the stepped rent structure during that time. Depending on income levels, households' TTPs can step up from 30 to 40 percent in as little as 1 year or up to several years. If the hardship TTP were set at 30 instead of 40 percent, households that do not increase their income would effectively revert to the standard 30-percent-of-income rent policy. It would leave open the possibility for households to "opt out" of the stepped rent structure by not increasing their income.

The main tradeoff is that 40 percent is a higher rent burden than the 30 percent in the standard rent policy, and a household could remain at this higher rent burden for the long term if it does not recoup its prior earnings levels. To address this potential issue, the stepped rent hardship policy allows PHAs to grant a "step reset" after 12 months if a household requests to renew the hardship exemption and its income still qualifies it for one. A step reset restarts the household's schedule. A new "initial" TTP is calculated using 30 percent (or 28 percent in Asheville) of adjusted retrospective income, and the household's TTP steps up annually from there, following the TTP's regular stepped rent schedule. A step reset is especially appropriate for situations in which a household's reduced income level is likely to represent an income shift that is likely to endure, such as when a household member with income left the household, or if a previously employed household member experiences long-term unemployment.[48]

Exhibit 20 illustrates the example of a stepped rent policy hardship exemption. Following the previous hypothetical example in exhibit 13, after the household's income increases to $2,000 monthly in the fourth year (2026), its income drops to $250 monthly, and the household's TTP steps up from $240 to $270. This household qualifies for a hardship exemption, because its TTP exceeds 40 percent of its current income, which temporarily sets its TTP to 40 percent of its income, or $100 monthly. In the hypothetical example, the household recovers its $2,000 monthly income by the time the hardship exemption is set to expire. At the hardship expiration date, the household reverts back to its nonhardship TTP of $270.

[48] HUD did not impose a limit on the number of step resets that a household can have during the 6-year demonstration period. However, one PHA decided to cap the number of step resets at one, except for extenuating circumstances.

Exhibit 20. Stepped Rent Hardship Example: Monthly Payments and Income



Source: MDRC

Considerations in Developing the Tiered Rent Hardship Policy

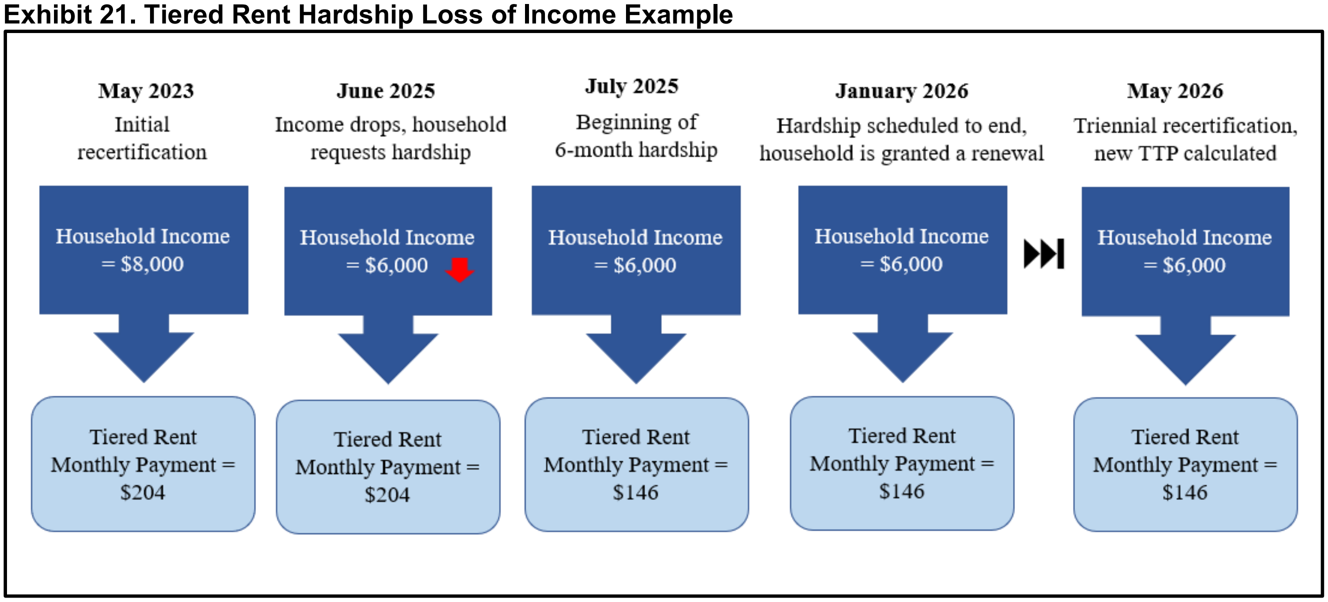
In the tiered rent policy, like the stepped rent policy, changes to a household's rent are also decoupled from income to some extent but only for a shorter period of 3 years. Therefore, any income increases do not affect household rent until the next triennial recertification.

Truly freezing TTP for the 3-year recertification period puts households at risk of hardship if the household experiences an income drop during that period. However, allowing for interim adjustments when household income decreases during the 3-year period could cost PHAs in terms of increased total Housing Assistance Payment in the voucher program or decreased revenue in public housing, if the lower TTP extended through the end of the 3-year period, potentially far beyond the point when the TTP adjustment is needed. An extreme example is a case in which a household member loses a job immediately after the triennial recertification but finds a new job a few weeks later and returns to the same level of earnings as the previous job. If an interim certification is conducted at the time the person loses the job, the household would have a much lower TTP that would extend for nearly 3 years, even though the household was only rent burdened for less than a month. Providing subsidies for households that do not need them has significant implications for PHAs' ability to serve households, particularly in the HCV program. If the PHA spends significantly more in subsidies for households already on the program, they will end up serving fewer households.

For these reasons, the tiered rent policy uses temporary hardship exemptions to protect households from financial hardship due to reduced income (and other causes). A household qualifies for a hardship under the tiered rent policy if its current income places it in a tier lower than its current tier. If that is the case, the household temporarily pays the lower TTP for that tier. PHAs have discretion over the duration of the hardship, within 1 to 12 months. A household may request a hardship exemption renewal and will be granted the renewal as long as the household's current income still places it in a lower tier. No limits are placed on the number of renewals that can be requested or granted.

Exhibit 21 illustrates a hypothetical example of a tiered rent policy hardship exemption. In this example, the household has its initial certification under the tiered rent policy, and its monthly TTP is set at $204—the TTP for the tier that its retrospective annual gross income of $8,000 falls into. This TTP is set to remain in place for 3 years, until the household's next recertification in May 2026, when household income will be reassessed and the TTP recalculated. However, slightly more than 2 years later, in June 2025, the household's income drops to $6,000 annually. Because the lower income places the household into a lower tier, the household qualifies for a temporary hardship exemption starting the following month, and its TTP is set to that of the lower tier, $146. In this example, when the hardship expires at the end of December 2025, the household has not yet recovered its previous income level. The household then requests and is granted a hardship renewal, and its TTP remains at $146 until the next triennial recertification. At the next triennial recertification, TTP is recalculated based on retrospective income, which is now $6,000 annually, and set at $146. The TTP will remain at $146 until the next triennial recertification in May 2029, unless the household experiences another decrease in income during the 3-year period that places it at an even lower tier and qualifies it for a new hardship exemption.

Exhibit 21. Tiered Rent Hardship Loss of Income Example



TTP = total tenant payment.
Source: MDRC

The tiered rent policy uses gross (unadjusted) income to calculate TTP, with no adjustments for expenses such as childcare. As previously discussed, this policy could disproportionately put certain types of families at higher risk for significant rent burden, particularly families who pay for childcare and large families with many dependents. Losing the sizable childcare deduction among families with adults who work or are in education or training programs on top of losing the dependent deduction could raise a family's TTP substantially (relative to standard rent rules), increasing the financial hardship and possibly even leading some family members to stop working or pursuing education. For large families with multiple dependents, because each dependent yields its own deduction under standard rent rules, large families could see their TTPs jump a great deal just from losing those deductions.

To protect these families, the tiered rent policy offsets these potential TTP increases through its hardship provisions. Households are eligible for hardship exemptions if deducting eligible childcare expenses and dependent deductions (according to a PHA-determined threshold) from their *current gross income* yields an income level that falls into a lower income tier than would have been the case by relying simply on gross income. To preserve some of the streamlining of processing childcare deductions, PHAs set a minimum threshold of childcare expenses required for determining qualification for hardship exemptions and calculating hardship TTPs. The threshold was equal to the size of the tier increment ($2,500 for all PHAs except Houston, which has $2,000 tiers) that guarantees a drop to the lower tier. This threshold minimizes the administrative burden of processing, calculating, and verifying childcare expenses for small amounts that would have a minimal effect on TTP.

Three of the five tiered rent PHAs also set thresholds for large families to take dependent deductions. Exhibit 22 displays the PHAs' various hardship provisions for large numbers of dependents. For example, in Akron, families with six or more dependents can qualify for a $1,200 deduction from their current income if they apply for a hardship exemption. In Everett, households with four or more dependents can drop down one tier for a hardship exemption. PHAs developed these provisions for large numbers of dependents, based on analyzing the effect of losing deductions on households at their PHA, and identified households exceeding these thresholds as being significantly affected by the change.

Exhibit 22. Hardship Provisions for Large Numbers of Dependents

Public Housing Agency	Threshold	Hardship Provision
Akron	6+ dependents	Flat $1,200 deduction
Charleston-Kanawha	N/A	N/A
City of Everett	4+ dependents	Drop down 1 tier
Houston	N/A	N/A
Washington County	5+ dependents	"Transition discount"

N/A = not applicable.
Source: HUD (2023a)

Setting Duration of Hardship Exemptions

As previously described, for both the stepped and tiered rent policies, households are granted a *temporary* hardship exemption (their TTP is temporarily lowered) if their current income qualifies them for one. PHAs had discretion in setting the duration of the hardship exemptions between 1 and 12 months. PHAs also were able to choose whether to determine the hardship duration on a case-by-case basis, set standardized durations based on the type of hardship the household experiences, or set one standard duration regardless of the hardship type.

When deciding whether and for how long to set a standard duration, PHAs weighed two competing risks stemming from the fact that households' hardship situations vary quite a bit. One risk is that setting a longer standard duration means that some households will pay the lower hardship TTP for longer than is needed given their situations. Providing a hardship exemption long beyond when it is needed would result in PHAs losing Housing Assistance Payment funds or public housing revenue due to reduced TTPs. On the other hand, setting a shorter duration means that more households will have financial hardships that exceed the standard hardship duration, leading them to request renewals of the hardship exemption, sometimes multiple times. These multiple requests and renewals could lead to significant administrative burden for PHAs in reviewing many hardship requests, verifying income, and processing hardships. Meanwhile, families would have to repeatedly request the hardship exemption if the situation has not improved. A tradeoff is that although multiple requests and renewals can lead to administrative burden for PHAs and families when hardship exemptions are needed, the need to make multiple requests with accompanying documentation might serve as a deterrent for families to request hardship exemptions not truly needed.

Exhibit 23 shows the duration of hardship exemptions by PHA. Eight PHAs elected to set one standard duration regardless of the reason for the hardship. These PHAs cited administrative simplicity as the primary reason for using one standard duration for all hardships. However, that standard duration varied greatly by PHA. One PHA set it at 3 months, two PHAs set it at 6 months, and five PHAs set it at 12 months. PHAs with longer durations had expressed concerns about the administrative burden of repeated hardship requests and processing with a shorter duration. Proponents of shorter durations expressed that their population had a lot of income volatility and that the shorter duration could encourage households to recuperate their income more quickly when possible. Two PHAs decided to set two separate durations. Both set hardships due to a deduction loss (for example, the family started paying childcare expenses) at 12 months, because those are likely to be longer-term financial situations, and set shorter durations for income losses or other circumstances in which it is more likely that the household's financial situation is shorter-lived.

Exhibit 23. Hardship Duration by Site

Standard Hardship Duration	Public Housing Authority
3 months	Asheville
6 months	Charleston-Kanawha Kern County
6 months for income loss and 12 months for deduction loss	Fort Wayne
12 months	Akron Houston Portsmouth Salt Lake County Washington County
12 months for deduction loss (Otherwise, case by case 6, 9, or 12 months)	Everett

Source: HUD (2023a)

Automatic Hardship Exemptions

One risk with using retrospective income instead of current income to calculate TTP is that the household may have experienced a recent income reduction that would make it difficult for it to afford a TTP based on its (higher) income over the past 12-month period. For example, some households may have had members who worked steadily over the past year, but then lost their jobs in the past month, making them unemployed at the time of their recertification. As previously described, both the stepped rent and tiered rent policies have hardship provisions that qualify households in this situation for hardship exemptions, because the *current* financial situation creates an excessive rent burden for them, given their TTP under the stepped or tiered rent rules.

At the initial certification for both the stepped and tiered rent policies, PHA staff have all the information needed to assess whether a household qualifies for a hardship based on its current income.[49] Therefore, both policies have a mechanism in place to ensure that all households qualifying for a hardship based on their current income at the initial certification are granted one. For recertifying households, during the recertification process, PHAs collect both their retrospective and current income and assess hardship eligibility based on current income. The household is granted a temporary hardship if it qualifies. This hardship is considered "automatic," because the household does not have to request the hardship. The assessment is done for all households at the initial certifications. After the initial certification, with the tiered rent policy, the same process to check for and grant automatic hardships is conducted at each subsequent triennial recertification.

At all other times—that is, after the initial certification for the stepped rent policy and in between recertifications for the tiered rent policy—households must request the hardship assessment to see if they qualify. If the hardship expires and the household has still not recovered its income, it can apply for a renewal. As long as its current income still qualifies it for the hardship, the renewal will be granted. No limits are placed on the number of requests a household can make or renewals it can be granted.

Incompatibilities With the Family Self-Sufficiency Program

One other important policy design consideration was how to implement the stepped and tiered rent policies in the context of the FSS program, which all 10 participating housing agencies operate. FSS is the main federal program for increasing employment and earnings and reducing reliance on government subsidies among recipients of housing subsidies. As a voluntary program, it is intended to offer assisted households help in finding services in the community that can help them prepare for, find, and advance in work.[50] In addition, the FSS program also offers a rent-based work incentive and asset-building component. Commonly referred to as the program's "escrow" component, this feature offers households an opportunity to build savings from their rent payments. Under the standard 30-percent-of-income rent policy, all households that increase their earnings will generally pay a higher TTP because of their higher income. However, for households enrolled in the FSS program, the exact amount of that TTP increase is credited in an escrow account every month. If the household meets all program requirements and graduates from the FSS program (usually within a 5-year period), it can receive the total amount of escrowed savings in a lump sum payment.

However, this traditional escrow approach, adapted to the standard rent rules, does not fit very well with the rent reform policies that STRD is testing. Under the tiered rent policy, a household's opportunity to build escrow credits is limited, because its TTP is capped for 3 years.

[49] If a household assigned to the tiered rent policy receives a childcare deduction at the time of the initial recertification based on childcare expenses reported in a prior certification, the PHA staff person completing the household's recertification asks if the household still pays for childcare, assesses if the qualified expenses exceed the minimum threshold, and if so, those childcare expenses are deducted from the household's current income when determining whether the household qualifies for an automatic hardship.

[50] The FSS program is available to HCV participants, public housing residents, and Section 8 Project-Based Rental Assistance program tenants. HCV participants account for the largest share of FSS participants (CBPP, 2020).

Household earnings may increase, but because that extra income does not lead to a TTP increase until the triennial recertification, households will not be able to receive escrow credits during that period. Thus, a household may choose to enroll in the FSS program and may benefit from its service coordination, but it only begins to build savings in its escrow accounts after its triennial recertification if it reports higher earnings and sees its TTP increase at that point. In the meantime, however, from the time of enrollment, all households will directly and immediately benefit from their TTP not increasing with earnings increases within each 3-year period leading up to a triennial recertification. They will keep the additional money that would otherwise go to their rent contribution under the standard rent policy, and they will not have to wait to complete the FSS program and meet its "graduation" requirements to qualify for and receive the money, which many FSS enrollees never do (Freedman et al., 2023; Verma et al., 2017).[51]

In contrast, under the stepped rent policy, TTP increases are implemented annually by a fixed amount that is not based on households' earnings increases. Thus, it would be inconsistent with FSS policy to add credits to an escrow account based on nonearnings-based TTP increases. And if those TTP increases were allowed to count if earnings did increase, doing so would add to the PHAs' Housing Assistance Payment costs and also require regular income reassessments, an administrative burden that the stepped rent policy is intended to avoid. If the stepped rent TTP increases were allowed to count toward escrow regardless of any income changes, then it would effectively act as a long-term TTP freeze, increasing Housing Assistance Payment costs without the benefit of the escrow serving as an incentive to increase income.

In lieu of the FSS program's escrow component, PHAs operating the stepped rent policy are developing alternative approaches to reward work. For example, they plan to offer cash rewards for meeting certain self-sufficiency milestones. In this way, they intend to keep a financial reward as part of a modified FSS program, along with the services component. One stepped rent PHA implemented a cash-based reward system for new FSS participants when STRD study enrollment began. The other four PHAs were at different stages of development of their programs at the time of this report. For those four PHAs, until they launch the alternative approaches, stepped rent households can enroll in the FSS program and receive services, but the escrow component will not apply to them.

For the purposes of this demonstration, households already participating in the FSS program at the time of study enrollment are not eligible for the demonstration. This is to avoid disrupting the terms under which they volunteered for the FSS program by taking away their promised opportunity to build savings through the escrow component. However, once enrolled in the demonstration, any household that wishes to volunteer for the FSS program may do so (slots permitting), understanding that the traditional escrow component will not be available to them if

[51] FSS has been subject to two comprehensive randomized trials, a HUD-sponsored national evaluation including 18 sites (see Freedman et al. (2023) and a test of the program operated in New York City (see Verma et al., 2017). In the national evaluation, about 60 percent of FSS participants accrued some escrow credit during their FSS program tenure. Most began building escrow balances in the first 2 years after enrolling in the program, after which the chances of earning any escrow began to decline. By 5 years of followup, 17 percent of FSS participants had graduated, most of whom had earned an escrow disbursement. Although another 23 percent continued to be enrolled in the program and could possibly graduate with escrow disbursements, a small proportion of those who accrue escrow go on to receive it.

they are subject to the stepped rent policy or that it will be of limited value if they are subject to the tiered rent policy (applying only at the time of the triennial).

Chapter 4. Operationalizing the Policy

In addition to collaborating with the 10 participating public housing agencies (PHAs) and the U.S. Department of Housing and Urban Development (HUD) to design and refine the stepped rent and tiered rent policies, MDRC also worked with the PHAs to prepare for implementing the new rent policies. MDRC provided technical assistance on implementing the new rent policies, enrolling households into a study, and carrying out random assignment. This chapter describes lessons learned and considerations that arose when PHAs operationalized the stepped and tiered rent policies. It includes considerations for when households were transitioned from the standard rent policy to one of the alternative policies. This chapter also provides insight into the many new materials and documents that PHAs created to operationalize the alternative policies. Overall, PHAs spent a considerable amount of time and effort to prepare for and launch the policies. The PHAs in the demonstration began preparations for launching the stepped or tiered rent policies in July 2021. Five of the 10 participating PHAs launched policy implementation in January 2023, 2 launched in March 2023, and 3 launched in May 2023.

When MDRC first began engaging with the PHAs, the priority in preparing for launch was to finalize the policy design as chapters 3 and 4 describe in detail. Once the basic policy design was completed, PHAs then addressed additional operational and policy-related considerations. Some of these considerations required PHAs to make changes to standard practices, required updates to PHA software, and potentially required PHAs to request additional waivers from HUD. This chapter highlights some of the actions taken and decisions made by the study team and the PHAs leading up to launch.

Preparing to Implement the Stepped and Tiered Rent Policies

To prepare for implementing the stepped and tiered rent policies, PHAs requested waivers from HUD (required permissions to veer from the standard rent policy), modified their software to allow for calculating tenant rent under the stepped and tiered rent rules, and determined the staffing structure for operationalizing stepped and tiered rent policies.

HUD Waivers

Moving to Work (MTW) PHAs interested in changing rent policies and practices are required to obtain an approval of a waiver from HUD. For the Stepped and Tiered Rent Demonstration (STRD) study, PHAs needed to follow routine processes to request waivers to eliminate deductions for the use of gross income under the tiered rent policy as well as waivers to implement triennial recertifications instead of annual recertifications. PHAs had to request a package of waivers previously reviewed by HUD that would give them authority to implement the stepped and tiered rent policies. Some PHAs also requested additional recommended waivers. For example, most requested waivers to implement an alternative verification hierarchy that allowed PHA staff more flexibility in verifying a household's retrospective income (described in chapter 3). Some PHAs also requested waivers to increase the income discrepancy threshold that triggers the need to seek repayments from households if households provide inaccurate income information (the income discrepancy threshold). These PHAs did so to avoid an increased number of repayment scenarios directly related to the complexities of collecting retrospective income information from households.

Modifying PHA Software Systems

Any rent reform that changes the way that tenant rent and subsidies are calculated will require modifications to a PHA's software system to correctly implement the alternative rent policy. Under standard operations, housing specialists interact with households to process changes to the household's subsidies and enter household information (such as income sources and household composition) into the agency's software system. The system calculates tenant rent share and other subsidy-related amounts. This information is submitted to HUD, and used by the agency for landlord payments and agency operations.

In STRD, the MDRC study team worked closely with the 10 participating PHAs and their software developers to modify their software systems. That extensive process involved three stages: (1) developing specifications for how the software should be modified to implement the new rent policies; (2) working with software vendors and PHAs to ensure that system modifications aligned with policy specifications and did not interfere with regular agency operations; and (3) testing the modified software to ensure that the rent calculations under the new policies were accurate. Although this process was expected to take approximately 8 months, it took about 10 to 18 months (depending on the vendor) from the start of regular meetings with vendors and PHAs to review and revise the specifications to the point that the software systems were ready for the demonstration to launch.[52]

The PHAs used four software systems that varied widely in capacity and functionality. The systems varied in the extent to which they could implement the new rent policies in a way that was user-friendly, had automated processes, and prevented user errors. This variation is consequential in implementing an alternative policy, because the extent to which PHAs can achieve administrative simplification and efficiency—a major objective of both the stepped and tiered rent policies—is highly dependent on the extent to which the required functionality to support implementing the new rent policy can be built into PHAs' existing software systems.

For example, a key mechanism for simplifying subsidy administration under the stepped rent policy is the relatively automatic annual step increase that is not based on any income review and does not require any PHA interaction with the household or updates to household information. One software system created a batch 50058 process for the stepped rent policy. Every month, the PHA user can run all step increase certifications together in one batch. Conversely, in another software system, PHA staff members have to create a certification to implement the step increase for each household one at a time when the next scheduled annual step increase is due to occur.

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[52] Some software modifications were continuing to be developed and refined even after PHAs launched study enrollment. Also, the extended timeline was related to two significant transitions that had implications for software development and modification. The modifications to implement the stepped and tiered rent policies were simultaneous with HUD's transition from the Inventory Management System/Public and Indian Housing Information Center system to the Housing Information Portal system to receive 50058 submissions from PHAs and also with HUD's transition of the MTW 50058 form that MTW PHAs used to submit data to HUD to a new form, the MTW Expansion 50058 form.

These variations in software capacity have significant implications for administrative efficiency and burden in implementing these policies.[53]

Accordingly, the software modification costs also varied widely based on the level of automation that could be implemented in individual systems. The cost was also based on how many PHAs in the demonstration operated the same software systems so that costs could be spread across PHAs. Five PHAs (a mix of stepped and tiered rent PHAs) used the Yardi Voyager software system, 3 PHAs (also a mix of stepped and tiered rent PHAs) used the Emphasys Elite software system, and 2 PHAs (both tiered rent PHAs) used two systems, Tenmast and HAB, which are operated by MRI Software. The average cost of the software modification for a PHA was $105,000, but the cost ranged widely based on the software system's capacity to integrate different modifications and other factors.

A final important consideration regarding the need to modify PHA software to implement an alternative rent policy is the feasibility and cost of aligning the policy specifications to PHA software modifications. Because the policy and ability to implement the policy in the PHA software are inextricably linked, small tweaks to policy can lead to expensive software modifications. For example, HUD had originally designed the stepped rent hardship policy so that a hardship "paused" a household's annual step increase schedule. In other words, if a household were granted a hardship exemption, its step increase schedule would be on hold during the hardship. After the hardship ended, the annual step increase schedule would pick up where it left off when the household started the hardship. This pausing of the annual step increase schedule would have been a very complex modification to implement, because it would have involved linking the step increase schedule to an underlying calendar system that could be started and stopped with hardship certifications. Some software systems did not even have calendar functions built into them to allow for this type of modification. Different households' step increase schedules would vary based on the number and duration of hardships they had received, which would make it very difficult to use the software systems' standard reports to track step increase certifications. For these reasons, the policy specification was changed, and step increase schedules are not paused for hardship exemptions.

Public Housing Agency Staffing

PHAs had to determine the staffing structure for implementing the stepped and tiered rent policies. For example, PHAs had to decide whether they would train all frontline staff members to work directly with households under both the standard rent rules and the alternative rent policy or whether they would designate staff members to work stepped and tiered rent households. On the one hand, specialized staff members become experts in the alternative policies. On the other hand, that specialization could lead to complications if there is staff

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[53] Two other examples are (1) one software system built a retrospective income module that allowed PHA staff to enter quarterly earnings amounts from the Enterprise Income Verification system directly into the system. The module then prorated those amounts based on the household's start and end dates to calculate the correct earnings amount for the household's retrospective income. Other systems required PHA staff to calculate and prorate retrospective income amounts outside the system and enter the annual retrospective income amount manually; (2) One software system was able to clearly highlight the total tenant payment amount on the tenant screen during data entry when a household's current income qualified the household for a hardship, which made it more difficult for the user to miss granting an automatic hardship when warranted. The other system included a warning in a global list of warnings at the point the certification was submitted in the system, making it easier to miss.

turnover. Ultimately, each PHA designed its own staffing structure, and these structures varied across the 10 PHAs. For example, some agencies designated a smaller number of staff members to implement most of the stepped or tiered rent tasks, but they trained several more people who could perform those tasks, as needed.

The MDRC study team trained PHA staff members on the stepped and tiered rent policies and how to operationalize them. The MDRC study team also worked with the software vendors to train PHA staff members on the software modifications necessary to implement the alternative policies. Training sessions included slide presentations, question and answer sessions, and varied hands-on practice sessions related to calculating retrospective income and total tenant payments (TTP), implementing hardship remedies and demonstrating how to perform these activities in the PHA software (exhibit 24). A significant amount of training on the new modifications to the software was needed. Some PHAs hired new staff members who had to be trained on all PHA policies and procedures and the basics of the PHA software system. New staff members also needed training on the stepped and tiered rent policies and procedures. The study team will continue to work with software vendors to provide ongoing training as needed.

Exhibit 24. Public Housing Agency Trainings

Training Type	Timing
Stepped and Tiered Rent Demonstration study and policy overview	1.5 years before launch and 3 months before launch
Study enrollment training	1–3 months before launch (plus ongoing refresher training beginning about 1 week before launch)
Policy-focused training	1–3 months before launch (plus ongoing refresher training beginning about 2 months after launch)
Software training	2 months before launch (plus refresher training 1 and 2 months after launch)

Source: MDRC

Making the Transition to New Rent Policies

After the details of the stepped and tiered rent policies were specified, PHAs had to plan how to operationalize the new policies in the context of their standard operating procedures. This section describes three important operational issues that PHAs, the MDRC study team, and HUD worked through in the planning phase leading up to the demonstration launch. These issues include the timing of transitioning households onto the new rent rules, how to maintain the recertification effective dates (as the new rent policies require), and when to update payment standards and utility allowances for households under the alternative rent polices.

Transitioning Households

The study team and PHAs had to decide the point at which each household would transition off the standard policy and onto the alternative policy. In most cases, PHAs transition each household at their next regularly scheduled recertification so that every household is transitioned within the study's 1-year enrollment period. However, PHAs that typically align a household's rental lease contract date with its annual recertification effective date must transition the household at the time the household moves units and signs a new lease. Otherwise, the household's next recertification effective date would fall outside the 1-year enrollment period.

For similar reasons, PHAs also transition households to stepped or tiered rent policies if they move from one housing program to another—for example, from public housing to the Housing Choice Voucher (HCV) program.

There are other things to consider, such as staffing workload, when transitioning households to triennial recertifications. One PHA transitions households in quarterly cohorts, moving recertification effective dates up as appropriate.[54] All eligible households at all 10 PHAs will be transitioned to the stepped or tiered rent policy by mid-2024, when the 1-year enrollment period is expected to end for this demonstration.

Maintaining Recertification Effective Dates

As noted previously, some PHAs align a household's rental lease contract date with its annual recertification effective date, so if a household moves or establishes a new lease contract date, the recertification effective date is changed to align with it. This practice, however, is not compatible with the tiered rent policy's triennial recertification schedule or the stepped rent policy's annual step increase cycle. The triennial recertifications effective dates must remain constant so the household continues to benefit from the 3-year period in which rent increases do not affect their TTP. Similarly, the annual step increases need to remain constant so that the household is only subject to those increases once a year. Therefore, PHAs will not change recertification dates for stepped and tiered rent households when they move, even if that is the PHA's standard procedure under the standard rent rules.

Relatedly, the recertification effective date should also be maintained if a stepped or tiered rent household switches from one program to another. For example, if a PHA property undergoes a Rental Assistance Demonstration conversion—in which the households will transition from public housing to the HCV program via a project-based voucher—the PHA's software may typically be programmed to complete a new admission certification for each household in the property. This situation could be problematic for stepped rent households, because it would result in a step reset, ultimately zeroing out any income gains that the household established. The situation could also be problematic for tiered rent households if the transition occurs before the end of the triennial recertification, because it would not give the household the full 3-year period to increase its income without its TTP increasing. The STRD PHAs are currently working with their software vendors to find solutions to maintaining the stepped and tiered rent recertification or step schedules in their software systems.

Updating Payment Standards and Utility Allowances in the HCV Program

Payment standards and utility allowances are updated regularly in the HCV program to ensure that subsidy amounts track market conditions.[55] Under the standard rent policy for the HCV program, PHAs typically apply the updated payment standards and utility allowances to an HCV household's subsidy at least once a year at the time of the household's annual recertification.

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[54] An option to consider for PHAs implementing the stepped or tiered rent policies outside the context of a demonstration is to stagger the transition so that one-third of the households on a triennial schedule have a recertification each year. This approach was not considered in STRD because of the need to limit the enrollment period to 1 year, and this staggered approach would have extended the enrollment period out to 3 years.

[55] A payment standard is the maximum monthly assistance payment for a family in the HCV program (before deducting the TTP by the family). Utility allowances are the amount that a PHA contributes toward a household's utility costs.

This process allows an updated payment standard to be used to calculate a household's "family share" of the overall rent if a landlord increases the contract rent.[56]

Because the stepped and tiered rent policies have triennial recertifications, only applying updated payment standards and utility allowances to a household's subsidy every 3 years could leave the burden of paying any differences between the payment standard and the gross rent on the household. That situation would apply if the landlord increases the contract rent and the household's gross rent is already at or above the payment standard. For this reason, both the stepped and tiered rent policies require that updated payment standards and utility allowances be used when applying contract rent increases.

PHAs considered different options regarding when to apply updated payment standards and utility allowances to a household's subsidy beyond the agreed-on policy specification of doing so at the time of any contract rent increases. One PHA had already received HUD permission to apply updated payment standards and utility allowances with every interim certification (in addition to every annual recertification) under its standard rent policy—including, but not limited to, contract rent increases. That PHA chose to maintain that practice with the tiered rent policy.[57] Other PHAs are still considering this option, although it would require requesting another HUD waiver to implement the change. Some stepped rent PHAs considered automatically applying updated payment standards and utility allowances annually at the time of the step increase, regardless of whether the landlord requested a contract rent increase, so that all households benefit from increased payment standards and utility costs as much as households under the standard rent policy do. These deliberations are still ongoing.

Stepped and Tiered Rent Operational Tools and Materials

Implementing alternative rent rules requires new operating tools and resources. The study team worked closely to support the PHAs in creating and developing the necessary tools and materials. PHAs also worked with each other to share tools they developed for implementing the new rent policies.

The MDRC study team documented the policy and design considerations in training manuals customized for each PHA, detailing each PHA's specific policy. PHAs were responsible for documenting operational procedures and protocols necessary for implementing these policies and policy-related considerations in their administrative plans and Admissions and Continued Occupancy Policy materials (ACOP). PHAs also had to modify materials such as recertification packets, lease agreements, and rent notification letters to align with stepped and tiered rent polices.

One PHA made a tool that helped calculate the retrospective income period based on a household's recertification effective date. Other PHAs made retrospective income worksheets,

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[56] The contract rent is the full rental cost charged by the landlord, which may or may not include utilities. PHAs typically allow landlords to request contract rent increases annually. A household's family share is equal to its TTP plus any amount that the gross rent (contract rent plus utilities) exceeds the payment standard.

[57] Although the stepped and tiered rent policies do not use standard interim certifications to adjust TTP between triennial recertifications in the tiered rent policy or after the initial certification in the stepped rent policy due to income changes, other changes such as contract rent increases and reporting household composition changes are processed as interim certifications in the software. Starting and ending hardship exemptions under the stepped and tiered rent policies are also technically processed as interim certifications within the software systems.

which were helpful in making sure the staff collected and verified all the necessary income information to calculate TTP under the stepped and tiered rent rules.

To account for the rent calculation changes under the alternative policies, PHAs also needed to adjust quality control procedures and protocols. A HUD technical assistance provider, ICF, created a tool to check stepped or tiered rent retrospective income calculations, TTP calculations, and hardship calculations. The study team and the HUD technical assistance provider also worked with PHAs to conduct the initial quality control checks.

Educating Households on the Stepped and Tiered Rent Policies

Perhaps most importantly, PHAs needed to inform households about stepped or tiered rent rules. The study team relied on its previous experience with the Rent Reform Demonstration in working with PHAs to design a process that would best orient households to the new policies and developed strategies to gauge household understanding and reeducate households on an ongoing basis.

The study team advised PHAs to immediately provide households transitioning to an alternative policy with an orientation session on the rent rules, and worked with HUD and ICF to design and create several documents and templates intended to facilitate that process. These materials included a short and easily digestible policy overview video and a more detailed slide presentation with talking points. The study team also suggested that the overview video be used to educate the PHA community at large.

Each PHA decided how and when to provide the alternative rent rules orientation to households. Most PHAs provide an orientation immediately following study enrollment. Whereas most PHAs do so in person using a prerecorded slide presentation, at least one PHA does so remotely, and three PHAs have staff members present the slides instead of using a recorded version. At least one PHA is scheduling some households for an in-person group orientation at a later time, and three PHAs are providing (usually via e-mail) households with a link to a recorded slide presentation to view on their own time. PHAs implementing the self-directed option via a link to a recorded presentation had found that view rates were fairly low, and had to implement reminders and incentives. For example, one PHA is putting households that view the recorded presentation into a raffle for a $25 gift card. However, it is unclear at this time if those strategies significantly improved viewing rates.

The study team also worked with HUD and ICF to design and create policy overview fact sheets, policy frequently asked question documents, hardship policy fact sheets, and hardship request forms. Fact sheets and frequently asked questions are disseminated to households when they are first assigned to stepped or tiered rent policies, and other forms are available as needed on an ongoing basis.

Chapter 5. Evaluation Approach and Study Sites

This report's previous chapters described some of the longstanding concerns about the U.S. Department of Housing and Urban Development's (HUD) standard rent policy and the features built into the stepped rent and tiered rent policies to address some of those criticisms. The alternative policies aim to simplify the rent subsidy system to reduce administrative burden and costs and to incentivize families to earn more. At the same time, these policies are designed to protect families from excessive rent burden if they are unable to work or if they suffer a loss in income. The new policies are also expected to be roughly budget-neutral for public housing agencies (PHAs) over time, relative to the standard policy. Although the two alternative policies share policy goals, the mechanisms through which these policy goals would be accomplished differ by rent type. This chapter describes the evaluation strategy to assess how well the new policies achieve their objectives. The chapter also provides an initial snapshot of the 10 housing agencies involved in the demonstration and the types of families they serve.[58]

The Stepped and Tiered Rent Demonstration (STRD) includes a comprehensive learning agenda, including a careful assessment of implementation, impacts, and cost effectiveness of the new policies. The impact analysis relies on a two-group randomized controlled trial, a rigorous method for estimating the effect of an intervention. The power of this type of research design comes from the fact that, with an adequate sample size, random assignment ensures that the new rent policy group and the control group will be similar in their distributions of observed and unobserved characteristics when the study begins. Thus, differences in outcomes between households under the new and existing policy groups can be attributed with confidence to the policy change.

At the time of this writing, as chapter 4 described, the 10 STRD housing agencies have begun enrolling households in the demonstration and the evaluation. MDRC also worked closely with all PHAs and their software developers to identify the system modifications needed to support policy implementation and the evaluation data needs, described in the following sections of this chapter.

This chapter first describes the comprehensive evaluation approach planned for this demonstration, including the various perspectives that will be examined and the data sources that will be used.[59] This discussion will highlight the evaluation activities planned for the first phase, which is currently funded, and those projected for later phases. It next describes the eligibility criteria the 10 housing agencies used for this demonstration, both for the programs they administer and for the families to enroll. It closes by describing the housing agencies in the evaluation, their local contexts, and the characteristics of families in public housing and the Housing Choice Voucher (HCV) program.

The STRD Learning Agenda

The evaluation has three core components, each focused on questions central to the demonstration's learning agenda: understanding new rent policy implementation experiences, the impacts of the two rent policies on a range of economic mobility and well-being outcomes, and

[58] Future reports will describe the characteristics of the families in the demonstration and who agreed to participate in the evaluation.
[59] See Castells et al. (2021) for a full description of the evaluation approach.

the cost-effectiveness of these alternative rent strategies. Exhibit 25 shows how the evaluation will contribute to this larger agenda over the long term, with much of the first phase focused on capturing early implementation learnings.

Exhibit 25. Topics and Study Components by Study Phase

Study Component / Topic	First Phase (2018–25)	Later Phases (2025 and beyond)
Implementation Analysis		
Implementation fidelity	x	x
Staff members' views on implementation and the administrative burden	x	x
Use of hardship remedies	x	x
Participants' understanding of and experiences under the new rent rules, from the perspective of staff members	x	x
Public housing agency rationale for and goals of pursuing Moving to Work status and selecting and designing alternative rent policies; perceptions of progress against goals	x	x
Impact Analysis		
Employment, earnings		x
Housing subsidy levels, continued receipt		x
Material well-being and hardships		x
Household composition		x
Frequency of recertifications and actions (regular recertifications, interims)		x
Receipt of government benefits		x
Housing instability (homelessness, evictions)		x
Cost Analysis		
Per-household administrative expenditure		x

Implementation Analysis

The Implementation Analysis component will document how the new rent policy is operationalized and implemented by each housing agency. This component will include to what extent the new rent policies are implemented with fidelity to how the policy was designed; how it is described to and understood by tenants; how it compares with the existing rent policy in terms of ease of administration, transparency, burden on staff members and on tenants; and whether it results in fewer rent calculation errors. As part of this first phase of the demonstration, the evaluation will document:

- **Implementation Fidelity.** As a starting point, a fundamental question for this demonstration is whether the rent policies are implemented with fidelity to the policy vision agreed on between HUD, MDRC, and the PHAs. MDRC's monitoring efforts and implementation research efforts will provide important insights into this topic. HUD and PHA data will also be analyzed to verify that the new rent policies are implemented as intended.

- **Implementation Experiences.** Operating experiences across the housing agencies may vary given the differences in their administrative systems, the rent policy selected, organizational capacities, and local housing market contexts. The evaluation will compare the operational and implementation experiences of the housing agencies across locations and over time, and it will describe the methods staff members at each PHA use to operationalize core features of the rent policies and their perspectives on how the implementation is unfolding.
- **New Rent Policy Knowledge and Awareness.** The demonstration introduces a whole new set of rent rules for staff members and households. What strategies are put in place to help tenants understand that, under the new rent rules, they can keep more of their increased earnings (if they increase their earnings) and the hardship protections in place? The first phase will focus on seeking staff members' views on the fairness of the new rent policy, how easy or difficult the new rules are to administer, whether the simplified rent structure reduces errors in calculating subsidy amounts and tenant rent shares, and staff members' perspectives on aspects of the policy that families understand and what they find challenging.[60]
- **PHAs' Current or Standard Rent Policies.** The current rent policy at each participating PHA will serve as the counterfactual condition or control context against which the new rent policy will be assessed. The evaluation's process research will document agencies' existing rent rules, including any changes in those rules that may affect the rent policy for the existing rent rules group, especially in light of HUD's finalized rules to implement the Housing Opportunity Through Modernization Act of 2016. That information will reveal the larger policy context at each PHA where the new rent policy is tested.

As exhibit 25 shows, the longer-term evaluation would continue to document operational and implementation experiences after the first phase, testing how implementation experiences change over time.

Impact Analysis

Both the stepped and tiered rent structures aim to increase residents' economic self-sufficiency: the tiered rent structure with a triennial recertification, and the stepped rent structure by decoupling tenant rent changes from tenant income. Both rent policies also aim to increase administrative efficiency through fewer certifications and streamlined rent calculations. HUD intends the new policies to be approximately budget-neutral. Despite this intention, the policies may cause an increase or decrease in PHAs' subsidy per household, and these effects may differ for the stepped and tiered rents. Exhibit 26 lists the key questions for the impact analysis, and exhibit 27 describes the policies' hypothesized effects for key outcomes.[61]

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[60] The MDRC-led STRD evaluation does not include indepth interviews with participants, which could yield important insights into tenants' perspectives on the alternative rent policies. As a separate effort, HUD has commissioned a qualitative study to document families' experiences in 2 of the 10 STRD sites. The focus on participants' perspectives in the next phases of the demonstration, through surveys or indepth interviews, is still unspecified at this time.
[61] See the study's Research Design, Data Collection, and Analysis Plan for a more comprehensive discussion of study outcomes and hypotheses (Castells et al., 2021).

Exhibit 26. Key Study Questions

1. Does the alternative rent policy increase household earnings?
2. In what ways, and to what extent, does the alternative rent policy reduce administrative burden?
3. Does the alternative rent policy affect households' housing subsidies?
4. Does the alternative rent policy affect households' material hardship?

Exhibit 27. Hypothesized Effects for Key Outcomes

Outcomes	Tiered Rent Policy	Stepped Rent Policy
Employment and earnings	The 3-year recertification period creates a strong financial incentive for tenants to increase their earnings, especially during the first 2 years of the 3-year period. Furthermore, the policy may encourage earnings increases within the tier. For households near the top of a tier, this policy may discourage earnings increases to bump households into the next tier, which would increase the total tenant payment (TTP).	The expectation of regularly rising rent shares can create a strong incentive to increase their earnings. Because the rent share increases each year are fixed, larger income increases would result in more cumulative net income and would not influence the households' TTP.
Housing and other material hardship	Renewable hardship exemptions should minimize the likelihood that the new rules group experiences hardship at a higher rate. Some households may still experience increased rent burden under the tiered rent policy due to being at the bottom of the tier, the elimination of income deductions, or if the household does not request hardship exemptions when they are needed. This increased rent burden could possibly lead to an increase in the experience of material hardship. If this policy leads to sustained increases in families' incomes, their experience of material hardship may be lower for the new rules group than the existing rules group. Even without impacts on income, if households' incomes are generally rising, they would keep more of their increased income (relative to the control group), also possibly leading to reduced material hardship.	The stepped rent policy effectively removes the built-in safeguard of the traditional percent-of-income rent policy, in which a household's rent share is reduced if their income drops. The hardship policy described previously aims to protect those households while minimizing the extent to which hardship exemptions may dilute the work incentive inherent in stepped rent structures.
Public housing agency (PHA) administrative efficiency and costs	Tiered rent and triennial recertifications could reduce the burden on staff and the costs of administering the public housing and Housing Choice Voucher programs by reducing the staff time and effort required for meeting with tenants, calculating TTPs, and operating other aspects of the rent policy. A simplified system could also reduce error rates.	After the first step in the rent schedule is determined for a household, PHAs no longer have to calculate the household's rent contributions. This policy also should reduce staff time and effort for meeting with tenants, calculating TTP, and operating elements of the rent policy.
Households' housing subsidies	If the policy has a large positive impact on earnings by the time of the triennial recertification, it may increase families' likelihood of exiting the voucher program at that time or reducing the amount of subsidy it receives subsequently (relative to the control group), thus reducing the long-term cumulative housing subsidy payments made to that group versus the control group. However, small or no impacts on earnings may lead to higher cumulative subsidy receipt than the control group receives by delaying families' exits from the subsidy system that would normally be driven by annual income reviews and recertifications. The reduction in average housing subsidies, if it occurs, would likely begin in year 4, after the triennial recertification.	This policy should decrease households' average housing subsidies over time, regardless of its effects on tenants' employment and earnings. These reductions could be at least partially offset if many households cannot keep up with rising rent shares and are granted hardship exemptions.

Effects of the stepped and tiered rent policies will be estimated using approaches analogous to the methodology that MDRC and other social science researchers have used in social experiments during the past few decades to generate credible results. The analysis will compare average outcomes for the new rent policy group and the control group, and it will rely on regression adjustments to increase the precision of the statistical estimates that are performed. During this early phase of the evaluation, the study team will conduct analyses to assess fidelity to the experimental design, testing for equivalency across the two study groups (the households assigned to the new rent policy and the households assigned to the standard rent policy) of their baseline characteristics.

The impact analysis, which will be conducted in the next phase of the demonstration (exhibit 27), will pool the housing agencies that are implementing the stepped rent policy into one policy cluster and the housing agencies implementing the tiered rent policy into another policy cluster, and estimate the effects of the alternative rent model on the five sites combined in each cluster. Houston, as described in previous sections, will be grouped with the housing agencies implementing the tiered rent policy for the main impact analysis. Although Houston is implementing a slightly modified version of HUD's tiered rent policy, it is unlikely that a differential effect for Houston could be clearly attributed to these differences in specifications rather than other site-level factors.[62] The pooled impact estimates will provide summary assessments of the overall effects of operating the stepped or tiered rent policy under a variety of conditions, as would be the case if these policies were expanded on a national scale. The larger sample size for the pooled analysis also increases the precision of the impact estimates, which is especially important for estimating the policy's effects on subgroups.

For each rent policy, the evaluation will examine whether the new rent policy has differential effects for particular subgroups of households. This includes both confirmatory and exploratory subgroups. Confirmatory subgroups are ones for which differences in impacts across subgroup categories are predicted based on prior theory or evidence or because a given subgroup is of great policy interest. The two confirmatory subgroups that will be examined for both rent policies include tenants' work status at enrollment and whether they face significant barriers to work (defined by a combination of education level and work history). A third subgroup, tailored to each rent policy, will be examined: whether the household is near the bottom or near the top of its income tier and whether the household has a very high or very low initial stepped rent.

Additional exploratory subgroups may include, but are not limited to, whether the household head is a single parent with no other adult in the household and is also not employed; the age of youngest child; whether the household receives Supplemental Nutrition Assistance Program (SNAP) benefits; whether the household receives Temporary Assistance to Needy Families (TANF) benefits; the length of time receiving housing subsidies; education level; and whether the household is in the HCV program or living in public housing. If PHAs enroll a sufficient sample of new admissions into the demonstration, an additional exploratory subgroup analysis

[62] However, an exploratory analysis will be conducted to examine whether the effects in Houston are statistically significantly different from the effects in the other four tiered rent sites. If the effects do differ, the research team will explore some possible factors that may be contributing to the disparities, drawing on the team's understanding of how the models differ and, possibly, differences in patterns of implementation and other quantitative patterns.

would assess whether the effects of the alternative rent policies differ between new admissions and households that were already participating in the subsidy program.[63]

All subgroups will be defined using the characteristics of sample members at the time of random assignment, drawing on the administrative records made available by the housing agencies.[64] Because these characteristics are not affected by whether a household was randomly assigned to the new rules group or the control group, any differences that emerge between new rules and control group households in a subgroup can reliably be attributed to the alternative rent policy.

Cost Analysis

The cost analysis will test the core assumptions underlying rent reform. Both the stepped and tiered rent policies have the potential to reduce the burden and costs of administering the HCV and public housing programs, reducing the frequency of regular recertifications from annually to triennially, and streamlining total tenant payment (TTP) calculation.[65] Furthermore, if the new policies increase families' earnings substantially, and thereby encourage households to exit subsidized housing, then PHAs may serve more households over time. The administration of the hardship policies may at least partially offset those reduced costs. The evaluation will assess whether either of the alternative rent policies is less expensive to administer than the standard rent policy. The evaluation will also attempt to identify which aspects of the policy may be driving or offsetting any savings.

Data Sources

The STRD evaluation will draw on a wide range of quantitative and qualitative data sources, including surveys, administrative records, onsite observations, staff member interviews, and PHA financial data. For some of these sources, data collection will begin after the first phase. Briefly, the specific data sources include:[66]

- **A Baseline Survey.** A voluntary survey completed by study participants at study enrollment provides information on a range of demographics and other characteristics, including family composition, income, employment status, perceived barriers to employment, and education level. PHA staff members collect this information at the time of study enrollment. The survey captures data generally not available in agency records and provides a snapshot of the households at enrollment.[67] At the time of this writing, the response rate for the baseline survey so far is 98 percent.

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[63] Castells et al. (2021) detail the justification for the confirmatory and exploratory subgroups.

[64] Study enrollees are also completing a baseline survey at the time of study enrollment, and once study enrollment is completed, the study team will assess the survey completion rates and determine whether these data are suitable for defining additional exploratory subgroups.

[65] The evaluation conducted as part of the Rent Reform Demonstration found that one requirement that pushes in a direction opposite to simplification was collecting and verifying retrospective income in setting and revising TTPs. With that finding in mind, HUD allowed STRD PHAs to streamline income verification procedures.

[66] Exhibit 16 of the Research Design, Data Collection, and Analysis Plan offers additional details on the use of these data sources to explore various hypotheses.

[67] For a small number of families not able to complete the survey at the time of enrollment, Decision Information Resources, Inc., a survey firm subcontracted by MDRC, followed up with the families and invited them to complete the survey. Because of high response rates to the baseline survey, this followup strategy was discontinued in July 2023 (that is, early in the enrollment phase).

- **PHA Administrative Records.** Each household completes or updates a HUD-50058 form as part of its initial or recertification interview.[68] These data will be used to describe study participants' incomes and income sources, TTP amounts, subsidy levels, and monthly rent payments to landlords. The data will provide similar information during the followup period. MDRC is also collecting additional data from each PHA's internal reporting system that are not available in the 50058 data files, such as both current and retrospective income amounts, more detailed certification reasons, and information on hardship exemption requests.
- **Wage Records.** Employment and earnings data, crucial for measuring key outcomes for this demonstration, will be obtained from the National Directory of New Hires (NDNH), a national database of wage and employment information. Quarterly earnings data will be used to construct annual and cumulative earnings and employment measures, analyses that will be part of activities in later phases.
- **HUD Data.** The study team analyzed data from HUD's Inventory Management System/ Public and Indian Housing Information Center to model the possible effects of the two rent policies.
- **Followup Surveys.** If funded in later phases, these surveys will permit data collection on outcomes of interest that are not available in the administrative data sources. Likely survey modules could include educational attainment, job history, work search, barriers to employment, household composition, childcare, income, food security, material hardship, health status, housing, moving, and rent policy experiences.
- **Public Benefits Data.** In addition to housing and wage records, the evaluation undertaken in later phases of the demonstration will draw on other public benefits data, such as TANF cash assistance and SNAP to measure study participants' receipt and average benefit amounts. Data on homelessness will be collected from the Homeless Management Information System (HMIS).
- **Implementation Data.** The MDRC team will interview PHA leadership and managers and housing specialists recertifying households under the new rent rules. The first phase includes two rounds of structured interviews with PHA staff members, which will be used to document their experiences planning for and implementing the new rent policy and how, from their perspective, families understand and respond to the new rent policy.[69]
- **PHA Financial Data.** Data obtained from each PHA's financial statements and other administrative records, including HUD's national database mentioned previously, its Financial Assessment System, and PHAs' own databases, will be used to assess whether

[68] There are three types of HUD-50058 forms: (1) the regular HUD-50058 form used in non-MTW agencies, (2) the MTW 50058 form used in the initial 39 MTW agencies, and (3) the new MTW Expansion 50058 that MTW agencies under the HUD MTW expansion will use. At the time of this writing, the 10 agencies participating in the demonstration are continuing to use the regular HUD-50058 form for households under the standard rent rules, and they are using the MTW Expansion 50058 for households under the stepped and tiered rent policies. All study households in both groups will eventually transition to the MTW Expansion 50058 form.

[69] As a separate effort, HUD has funded a study of participant experiences, focusing on two PHAs (Akron and Kern Counties), looking to learn directly from families how they understand and respond to the new rent rules.

the new rent policy is more cost-efficient to administer than the existing rent policy. The data will also be used in an attempt to identify which aspects of the new rent policy may be leading to or offsetting any cost savings.

Using these data, the evaluation is designed to produce a careful assessment of the implementation, impacts, and cost of the new rent models. As part of the first phase of the evaluation, MDRC is establishing data sharing agreements with various agencies to request administrative data (PHAs, Public and Indian Housing Information Center, TANF, SNAP, and HMIS) needed for the full evaluation. MDRC is also working with HUD and the Office of Child Support Enforcement to gain access to NDNH and to agree on the parameters of NDNH data collection.

Program and Sample Eligibility

HUD selected 10 housing agencies for this demonstration, and all eligible households in these agencies are required to participate in the demonstration. In the 10 housing agencies, the demonstration applies to two programs: HCV, including Project-Based Vouchers, and Public Housing. Based on estimates provided by the agencies during the demonstration launch preparation phase, approximately 17,000 households will be eligible for the demonstration. The demonstration will include households that are already in the subsidy programs and households that enter these programs during the study enrollment period. Although enrollment in the demonstration is mandatory, households are invited to volunteer for the study. As described in the next chapter, not all households that enroll in the demonstration and are assigned to the new policy agree to participate in the evaluation activities, which means a smaller number than projected will likely enroll in the study by the time study enrollment ends in mid-2024. All enrollees, whether they agree to participate in the evaluation or not, are subject to the rent policy they are assigned to.

Household eligibility requirements further narrow the pool of public housing residents and voucher recipients for the demonstration. Because it was important to test whether the new rent policy would improve tenants' employment and earnings, families had to meet the following criteria to be eligible for STRD. These criteria apply to new households that enter the subsidy programs during the enrollment period and to current recipients.

- The head of household, spouse, and co-head had to be younger than 56 years of age at the time of study enrollment—that is, the family could not be classified as an elderly household and could not become elderly (age 62, according to HUD's definition) during the course of the study.
- The head of household, spouse, and co-head could not be defined as disabled—that is, the family is not classified by HUD as a disabled household.

The study also excluded several other types of participants. For example, families who were already participating in HUD's standard Family Self-Sufficiency and homeownership programs were also excluded because the new rent rules would change some of the terms that those families had agreed to when they enrolled in those programs.[70] Other programs, such as special

[70] Additional exclusions include families receiving $0 HAP in HCV or paying a flat rent in public housing, as well as families with mixed eligibility, pending port-out, and administered port-in.

purpose vouchers, and developments implementing HUD's Jobs Plus program, are excluded.[71] These programs are governed by policies that do not apply to the vast majority of public housing residents or regular voucher households, making their programs incompatible with STRD's rent policies.

The procedures for enrolling households into the study were incorporated into the regular recertification processes used by each of the housing agencies, with some adaptations. PHAs' software vendors built a pre-eligibility filter into the subsidy software systems to filter households coming up for their annual recertification using basic eligibility criteria (including head of household age and household disability status). Households identified as potentially eligible for the demonstration were then invited for an enrollment meeting with the PHA staff person (sometimes the same housing specialist or property manager who processes their recertifications, and sometimes a different designated staff person). At the enrollment meeting, which sometimes was in person and sometimes remote (depending on PHA protocol), the PHA staff person explained to the head of household what it meant to participate in the study (for example, which data would be collected for them) and asked if the head of household consented to participate in the study. At the time of this writing, about halfway through the enrollment period, some 74 percent of those enrolled have agreed to volunteer for the study.[72]

If the head of household agreed to participate, the PHA staff person administered a short baseline questionnaire that asked about household characteristics such as household composition, work history, material hardship, and other descriptive information. After the head of household completed the questionnaire, the PHA staff person conducted random assignment using MDRC's online random assignment system. The PHA staff person then informed the head of household if its household was randomly assigned to the stepped/tiered rent policy group or the standard rent rules group. Households that did not agree to participate in the study data collection skipped over the baseline questionnaire and went straight to random assignment. If a household was randomly assigned to the stepped or tiered rent rules group, the PHA staff person then conducted an orientation to the new policy with the head of household, as the previous chapter describes. Households randomly assigned to the standard rent rules group proceeded to their regular annual recertification process, and households randomly assigned to the stepped or tiered rent group then completed the recertification process using the new rent rules.

PHA and Household Characteristics

This section provides a basic overview of the 10 participating PHAs and the households they serve by drawing on HUD's Picture of Subsidized Households (2022a) and data from the U.S. Bureau of Labor Statistics (n.d.). Future reports will use data from the voluntary baseline survey administered during study enrollment and additional data from HUD's Inventory Management System (IMS)/Public and Indian Housing Information Center (PIC) system to give a more detailed overview of the characteristics of families participating in the study. At the time of this writing, however, households are still being enrolled, and baseline information is not yet available for the full study sample.

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[71] The special purpose vouchers include Veterans Affairs Supportive Housing (VASH), Moderate Rehabilitation vouchers, and Enhanced Vouchers, for example.
[72] Also discussed in chapter 6.

Site Composition

The 10 housing agencies selected to participate in the demonstration represent different geographic and economic contexts, serve distinct demographic groups, and differ in terms of the types of subsidy programs administered and the number of households served.

Each of the agencies selected for the demonstration administers specific types of housing subsidy programs, including Public Housing and HCV programs. Among the 10, Everett and Asheville are the only two that do not administer public housing programs, instead serving families only through HCV programs. These agencies had their public housing developments converted to Project-Based Voucher developments through the Rental Assistance Demonstration. All 10 agencies serve more families in the HCV program than in the Public Housing program.

The housing agencies also differ in terms of the number of households served. Houston operates the largest program, covering 20,814 public housing and HCV units combined. Portsmouth is the smallest of the 10, with 3,284 total provided units. Exhibit 28 shows the total number of public housing and HCV units each agency administers.[73]

Exhibit 28. Stepped and Tiered Rent Demonstration Public Housing Agency Characteristics

Public Housing Agency	Total Public Housing and HCV Units	Public Housing	HCV	Black (%)	White (%)	Asian or Pacific Islander (%)	Hispanic (%)	Other (%)
Tiered Rent								
Akron	9,597	4,307	5,290	63	34	1	2	0
Charleston	4,306	1,135	3,171	31	67	0	1	1
Everett	3,327	N/A	3,327	11	69	12	6	2
Houston	20,814	2,245	18,569	86	4	2	7	1
Washington County	3,438	244	3,194	13	65	5	16	1
Stepped Rent								
Asheville	3,379	N/A	3,379	48	45	1	4	2
Fort Wayne	4,037	656	3,381	75	19	1	4	1
Kern County	4,840	860	3,980	40	22	1	36	1
Portsmouth	3,284	563	2,721	97	2	0	1	0
Salt Lake County	3,517	231	3,286	11	66	6	16	1

HCV = housing choice voucher. N/A = not applicable.
Source: HUD (2022a)

The demographic characteristics of the public housing residents and voucher recipient households also vary across sites. African-American and White families represent most tenants served by the 10 agencies. Akron, Fort Wayne, Houston, and Portsmouth serve primarily African-American populations, whereas Everett and Salt Lake and Washington Counties serve primarily White populations. However, other racial and ethnic groups still constitute an important percentage of assisted households (see exhibit 28 for a breakdown of site

[73] PHAs with 1,000 or more eligible nonelderly, nondisabled households were encouraged to apply for the Stepped and Tiered Rent Demonstration. Also, PHAs that were interested in proposing an alternative to the STRD rent policies were required to be large enough to ensure an adequate sample size would be feasible for examining the effects of that policy.

demographics across housing agencies). For example, the Asian population is largest in Everett, representing 12 percent of total households, and the Hispanic population is largest in Kern County, Salt Lake County, and Washington County, representing 36 percent, 16 percent, and 16 percent respectively.[74]

Local Economic Context

Housing subsidies provided by agencies are calculated in relation to the Fair Market Rate for units in a respective geographic area. There is significant variation in median rents, with Everett having the highest Fair Market Rent for a 2-bedroom unit at $2,455, and Fort Wayne with the lowest at $822.

There is high demand for assistance among the 10 housing agencies. Depending on location, families may remain on waiting lists for public housing or HCVs for an extended period of time. The average number of months that households spend on the waiting list might be an indicator of housing market tightness and household retention in the subsidy programs. A longer wait time might reflect a tighter housing market, although it may also reflect a mismatch between the need for housing subsidies and the resources available for subsidized housing in that area. Across all PHAs, the average wait time is several years, with public housing in Kern County having the highest at about 5 years and the HCV program in Charleston having the shortest wait of 6 months. Interestingly, even though Everett has the highest Fair Market Rent, they have one of the shortest waiting list times, which could indicate high turnover or low demand for subsidized housing in the area. Exhibit 29 shows waiting times by agency.

Exhibit 29. Public Housing Agencies' Local Economic Context

Public Housing Agency	Fair Market Rent for Two-Bedroom Unit ($)	Average Months on Waiting List: PH	Average Months on Waiting List: HCV	Households in Poverty (%): PH	Households in Poverty (%): HCV	County Unemploy-ment Rate (%)
Tiered Rent						
Akron	890	41	45	28	27	3.7
Charleston	833	10	6	28	19	3.3
Everett	2,455	N/A	15	N/A	13	3
Houston	1,307	56	36	30	11	3.8
Washington County	1,839	43	27	11	8	3.7
Stepped Rent						
Asheville	1,466	N/A	7	N/A	20	2.6
Fort Wayne	822	12	16	19	24	2.3
Kern County	1,013	62	54	9	14	4.1
Portsmouth	1,193	53	48	31	26	3
Salt Lake County	1,327	32	63	9	12	2.1

HCV = housing choice voucher. N/A = not applicable. PH = public housing.

[74] Appendix C presents additional information on the characteristics of nonelderly, nondisabled households in HCV and public housing in these 10 participating PHAs. These tables are based on MDRC calculations using HUD's IMS/PIC 2019 data (HUD, 2019b).

Sources: BLS (n.d.); HUD (2022a; 2022b)

Finally, variation in economic context and opportunity can affect how households respond to the intended financial incentives built into the stepped and tiered rent policies. Across all 10 PHAs, local poverty rates range from 9 to 31 percent, and county unemployment rates range between 2.1 and 4.1 percent. Residents living in areas with higher unemployment rates might be better able to take advantage of the new rent policies' potential financial incentives if they have access to more job opportunities. However, the types of skills in demand, and whether there is a skills mismatch, also influences to what extent residents can take advantage of the potential earnings incentives in the new rent policies. Overall, the populations served and services provided by the 10 agencies selected for the study make up a diverse sample from which to evaluate the efficiency of STRD.

Chapter 6. Looking Forward

The Stepped and Tiered Rent Demonstration (STRD) launched in the 10 participating public housing agencies (PHAs) between January 2023 and May 2023. The PHAs achieved this important milestone after about 18 to 22 months of work finalizing the details of the policies and preparing to implement those policies. PHAs modified their software systems and trained staff members to deliver services under the stepped rent and tiered rent rules while also maintaining operations under the standard rent rules. Families assigned to the stepped or tiered rent rules began paying total tenant payments (TTPs) based on those policies.

The MDRC study team worked closely with the PHAs to establish the required study enrollment procedures and to prepare them to embed new activities, including enrolling participants into the study and requesting their consent to participate. The MDRC study team also worked with PHAs to develop a process for orienting households assigned to the stepped or tiered rent policy.

The study team conducted ongoing in-person and remote observations at each of the 10 PHAs, starting with the first days of household study enrollment and stepped and tiered rent orientations. Through these limited observations and some informal reporting from PHA staff members, the MDRC study team gained insights into how PHA staff and households felt about the study and the stepped and tiered rent policies.

These early observations revealed mixed household reactions to the alternative rent rules. Some households seemed concerned about any changes to their rents, although it was not always clear to PHA staff and researchers that these households understood the alternative rent rules. However, others appeared to understand the policy and how they might benefit from or take advantage of it. For example, some households were excited about not having to report income increase changes for 3 years. Similarly, some PHA staff members seemed to like the alternative rent polices and expected that the polices could benefit many households.

These initial observations also revealed that some households were confused about having a choice as to whether they wanted to participate in the study and agree to the study data collection but not having a choice about being entered into the random assignment lottery and potentially assigned to the stepped or tiered rent policy. A few households expressed discontent about having an alternative policy imposed, but others wished they could choose the stepped or tiered rent rules.

Educating households on the stepped or tiered rent policy, how to take advantage of it, and how they are protected from financial hardships is critical to meeting the goals of the policies and will be a focus throughout the demonstration. PHA staff members expect to have a better understanding of household reactions to and understanding of the policies once more households receive their initial stepped or tiered rent TTP amount and contact the PHA with questions or comments.

This report is written at a time when sample enrollment is well under way. Five PHAs launched in January 2023 and are more than halfway through the study enrollment period for recertifying households. Two PHAs launched in March 2023, and three launched in May 2023. As of September 2023, the overall average share of households that have consented to participate in the study is 74 percent, ranging from 66 to 89 percent across PHAs. Common reasons reported by PHA staff members for households not wanting to participate in the study include concerns about data breaches and personal information being leaked, or concerns about the time commitment to be a part of the study. Study consent rates as low as 66 percent are problematic for the demonstration. The implications of low study consent rates include the potential for decreased external validity and less statistical power to demonstrate impacts. For example, low study consent rates could lead to systematic differences between consenters and nonconsenters. Low study consent rates could also lead to questions about whether the consented sample is a relevant one.

PHA staff members continue to become more comfortable in explaining study participation to households over time. However, due to the importance of study consent rates, and because some PHAs have had challenges with low consent rates, the MDRC study team continues to support PHA staff with study enrollment challenges. This support includes observations of study enrollment appointments to answer questions and offer feedback and regular check-ins with PHA staff members that have included discussions about developing strategies to help boost consent rates.

As a result of these efforts, the MDRC study team updated and revised the study enrollment procedures and training materials to better serve and support PHA staff members. For example, the MDRC study team adjusted the talking points staff members read to households to better help them inform households about the study and what it means to participate in the study. Other revisions clarified some misconceptions that some households and PHA staff members have had about the study. In addition, the MDRC study team has made updates to the MDRC-created website that PHA staff members use to conduct study enrollment to help better guide staff members through the study enrollment process. The study team developed and disseminated additional training materials, including video tutorials of the study enrollment website.

The MDRC study team will continue to provide technical assistance and support to PHAs regarding study enrollment, the alternative rent policies, and how best to implement those polices. Forthcoming activities will include helping with creating materials to educate and remind households about the alternative rent rules, with quality control efforts, and with maintaining the integrity of the study. Additionally, the MDRC study team will continue to work with PHAs, software vendors, and HUD to address the Public and Indian Housing Information Center and software obstacles that PHA staff members raise as they process recertifications under the stepped or tiered rent policies.

Two other reports will be released as part of this first evaluation phase. The next report, expected to be submitted to HUD in 2024, will describe findings from the first round of staff member interviews on the design, launch, and early implementation experiences of PHAs. The third and final report under this first phase will be submitted to HUD in 2025. It will describe the baseline characteristics of the full STRD sample and include some exploratory descriptive analyses of the first certifications under the stepped and tiered rent policies for a subsample of early enrollees (if those data are available at that time). A supplemental qualitative analysis, conducted by Abt Associates, is occurring concurrently with this first phase of the demonstration and will include indepth interviews with households on their early experiences under the new rent policies.

The next phases of the evaluation, which are not yet funded, will continue the evaluation through 6 years after initial certifications and seek to understand households' experiences with the stepped and tiered rent policies. These phases will include an impact analysis that examines the effects of the stepped and tiered rent policies on households' outcomes, including labor market outcomes, material hardship, housing subsidies, family well-being, and other outcomes. The scope of these later phases will be further defined at the time of funding.

Appendix A

Exhibit A-1. Stepped Rent Schedules for All Five Stepped Rent Public Housing Agencies

Site	0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	5 Bedrooms	6 Bedrooms
Asheville	25	30	35	40	50	50	50
Fort Wayne	13	14	18	23	25	29	32
Kern County	23	23	30	43	52	60	60
Portsmouth	29	30	36	50	61	70	79
Salt Lake County	19	23	27	37	42	48	48

Notes: Fort Wayne updates its step increase amounts when it updates its payment standard schedule, and it is based on 2 percent of the Fair Market Rent (FMR). The amounts in this table for Fort Wayne are based on 2023 FMRs.
Source: HUD (2023a)

Appendix B

Exhibit B-1. First 30 Tiers of Akron, Charleston, Everett, and Washington County's Tiered Rent Schedule

Tier	Tier Income Minimum ($)	Tier Income Maximum ($)	Tiered Rent ($)
1	0	2,499	50
2	2,500	4,999	87
3	5,000	7,499	146
4	7,500	9,999	204
5	10,000	12,499	262
6	12,500	14,999	321
7	15,000	17,499	379
8	17,500	19,999	437
9	20,000	22,499	496
10	22,500	24,999	554
11	25,000	27,499	612
12	27,500	29,999	671
13	30,000	32,499	729
14	32,500	34,999	787
15	35,000	37,499	846
16	37,500	39,999	904
17	40,000	42,499	962
18	42,500	44,999	1,021
19	45,000	47,499	1,079
20	47,500	49,999	1,137
21	50,000	52,499	1,196
22	52,500	54,999	1,254
23	55,000	57,499	1,312
24	57,500	59,999	1,371
25	60,000	62,499	1,429
26	62,500	64,999	1,487
27	65,000	67,499	1,546
28	67,500	69,999	1,604
29	70,000	72,499	1,662
30	72,500	74,999	1,721

Source: HUD (2023a)

Exhibit B-2. First 30 Tiers of Houston's Tiered Rent Schedule

Tier	Tier Income Minimum ($)	Tier Income Maximum ($)	Tiered Rent ($)
1	0	1,999	50
2	2,000	3,999	50
3	4,000	5,999	93
4	6,000	7,999	140
5	8,000	9,999	187
6	10,000	11,999	233
7	12,000	13,999	280
8	14,000	15,999	327
9	16,000	17,999	373
10	18,000	19,999	420
11	20,000	21,999	467
12	22,000	23,999	513
13	24,000	25,999	560
14	26,000	27,999	607
15	28,000	29,999	653
16	30,000	31,999	700
17	32,000	33,999	747
18	34,000	35,999	793
19	36,000	37,999	840
20	38,000	39,999	887
21	40,000	41,999	933
22	42,000	43,999	980
23	44,000	45,999	1,027
24	46,000	47,999	1,073
25	48,000	49,999	1,120
26	50,000	51,999	1,167
27	52,000	53,999	1,213
28	54,000	55,999	1,260
29	56,000	57,999	1,307
30	58,000	59,999	1,353

Source: HUD (2023a)

Appendix C

Exhibit C-1. Characteristics of Households Eligible for the Demonstration for Tiered Rent PHAs, by PHA

Characteristic	Akron	Washington County	Houston	City of Everett	Charleston-Kanawha	ALL
Head of Household						
Female (%)	90.6	85.3	93.9	78.6	84.1	90.9
Age in years (%)						
18–24	12.4	1.1	2.4	5.4	10.3	5.5
25–34	41.0	22.4	31.8	26.7	35.3	33.4
35–44	26.5	38.5	38.6	36.7	29.2	34.8
45 or older	20.1	38.0	27.2	31.1	25.3	26.2
Average age (years)	35	42	39	40	37	38
Race (%)						
White	24.2	75.6	5.7	71.7	57.7	22.3
Black/African-American	72.5	18.9	93.1	14.7	40.1	75.0
American Indian/Alaska Native	0.2	0.3	0.3	1.6	0.1	0.3
Asian	0.6	2.4	0.5	4.6	0.0	0.8
Native Hawaiian/Other Pacific Islander	0.2	1.1	0.2	4.1	0.1	0.5
More than 1 race	2.3	1.7	0.2	3.3	1.9	1.1
Hispanic or Latino (%)	1.6	28.3	6.2	9.9	1.1	6.1
Household						
Average number of family members	3	3	3	4	3	3
Families with more than one adult (%)	15.9	45.4	30.9	48.6	22.5	28.5
Average number of children in the family	2	2	2	2	1	2
Number of children in the family (%)						
None	23.4	22.6	24.5	19.2	28.6	24.2
1	27.9	25.0	21.4	24.0	28.8	23.9
2	24.4	22.0	22.9	23.8	23.7	23.3
3 or more	24.2	30.5	31.2	33.0	18.8	28.5
Has a child under 5 years old (%)	50.5	32.0	33.8	43.4	44.2	39.0
Among families with children, age of the youngest child (%)						
0–2 years	32.8	18.9	19.7	25.3	27.1	23.7
3–5 years	24.6	19.3	20.5	24.9	24.7	22.0
6–12 years	30.6	40.6	40.8	36.6	34.0	37.6
13–17 years	12.0	21.2	19.0	13.2	14.1	16.7

Characteristic	Akron	Washington County	Houston	City of Everett	Charleston-Kanawha	ALL
Total annual income[a] ($)	10,092	20,205	15,744	20,115	11,103	14,515
No income (%)	24.0	7.1	5.1	12.6	18.4	11.2
Total adjusted income[a] ($)	9,265	18,946	14,314	19,023	10,471	13,325
No adjusted income (%)	28.4	8.3	8.0	14.1	20.1	14.2
Average annual income from wages, among families with any wage income[a] ($)	16,389	25,625	20,389	28,043	17,374	20,105
No earned income (%)	47.3	33.6	39.3	37.1	46.7	41.4
Income sources[b] (%)						
Wages	52.7	66.4	60.7	62.9	53.3	58.6
Welfare	3.2	12.9	6.2	9.9	11.6	6.6
Social Security/SSI/pensions	3.5	9.8	7.3	5.9	4.8	6.3
Other income sources	37.3	31.0	42.7	25.8	29.7	38.7
Child support	22.3	20.1	24.6	20.0	18.5	23.0
Unemployment benefits	0.5	2.1	1.9	0.6	1.1	1.4
Other	15.9	10.8	18.1	5.8	11.2	15.9
Participates in FSS program (%)	3.7	5.7	3.9	4.1	4.3	4.0
Receives childcare deduction (%)	5.6	7.7	11.0	9.2	3.2	8.8
Gross rent greater than payment standard, among HCV households (%)	43.2	45.4	35.5	19.8	54.2	38.0
Sample size	4,566	1,066	11,414	1,157	1,869	20,072

FSS = Family Self-Sufficiency. HCV = housing choice voucher. PHA = public housing agency. SSI = Supplemental Security Income.

[a]Excludes outliers more than $200,000.

[b]Categories are not mutually exclusive.

Notes: Rounding may cause slight discrepancies in sums and differences. Sample sizes may vary because of missing values.

Source: MDRC calculations using HUD Public and Indian Housing Information Center 2019 data

Exhibit C-2. Characteristics of Households Eligible for the Demonstration for Stepped Rent PHAs, by PHA

Characteristic	County of Kern	Fort Wayne	City of Asheville	County of Salt Lake	Portsmouth	ALL
Head of Household						
Female (%)	87.5	91.7	82.0	83.4	95.2	88.4
Age in years (%)						
18–24	5.1	10.5	7.4	2.4	4.5	6.3
25–34	37.7	42.5	38.0	30.4	38.7	38.1
35–44	31.7	29.5	26.4	36.5	32.1	31.1
45 or older	25.4	17.4	28.2	30.8	24.7	24.5
Average age (years)	38	35	38	40	38	38
Race (%)						
White	56.0	15.3	35.8	68.7	1.0	35.2
Black/African-American	42.1	80.3	58.7	18.9	98.8	60.5
American Indian/Alaska Native	0.8	0.2	0.5	3.7	0.1	0.9
Asian	0.3	1.1	0.2	5.7	0.0	1.2
Native Hawaiian/Other Pacific Islander	0.2	0.1	1.7	3.0	0.1	0.8
More than 1 race	0.6	3.0	3.0	0.0	0.0	1.4
Hispanic or Latino (%)	43.1	4.0	4.6	23.3	0.6	17.5
Household						
Average number of family members	4	3	3	4	3	3
Families with more than one adult (%)	34.1	15.4	19.3	34.4	20.7	25.0
Average number of children in the family	2	2	1	2	2	2
Number of children in the family (%)						
None	19.0	22.2	34.3	19.8	26.1	23.5
1	22.2	21.8	24.3	20.2	25.8	22.7
2	21.7	25.7	21.5	22.1	23.6	23.0
3 or more	37.1	30.4	20.0	37.9	24.4	30.7
Has a child under 5 years old (%)	41.1	46.6	43.6	40.6	41.0	42.7
Among families with children, age of the youngest child (%)						
0–2 years	26.1	31.0	25.3	24.5	24.1	26.7
3–5 years	21.7	21.4	24.6	22.3	23.4	22.4
6–12 years	37.8	35.0	38.1	38.6	35.7	36.9
13–17 years	14.4	12.6	12.0	14.6	16.8	14.0

Characteristic	County of Kern	Fort Wayne	City of Asheville	County of Salt Lake	Portsmouth	ALL
Total annual income[a] ($)	14,182	12,179	8,232	14,897	16,981	13,316
No income (%)	5.3	19.7	42.0	16.3	3.7	15.9
Total adjusted income[a] ($)	13,113	11,163	7,619	13,821	15,375	12,241
No adjusted income (%)	6.1	23.3	44.9	18.8	6.1	18.2
Average annual income from wages, among families with any wage income[a] ($)	18,702	18,236	16,683	22,672	20,725	19,359
No earned income (%)	56.1	44.1	58.0	44.8	28.5	47.2
Income sources[b] (%)						
Wages	43.9	55.9	42.0	55.2	71.5	52.8
Welfare	75.2	55.0	4.4	68.4	25.0	49.7
Social Security/SSI/pensions	13.7	4.1	3.1	6.0	8.6	7.7
Other income sources	32.8	39.8	19.8	32.4	44.7	34.4
Child support	14.6	29.6	15.5	18.0	27.2	21.0
Unemployment benefits	7.3	0.2	0.1	0.7	1.2	2.5
Other	13.4	12.1	4.6	16.3	20.2	13.2
Participates in FSS program (%)	14.0	6.8	16.0	10.4	11.4	11.6
Receives childcare deduction (%)	1.1	6.2	5.1	5.1	18.1	6.4
Gross rent greater than payment standard, among HCV households (%)	67.4	33.8	18.9	36.2	30.4	43.1
Sample size	2,358	2,036	1,282	1,130	1,366	8,172

FSS = Family Self-Sufficiency. HCV = housing choice voucher. PHA = public housing agency. SSI = Supplemental Security Income.

[a]Excludes outliers more than $200,000.

[b]Categories are not mutually exclusive.

Notes: Rounding may cause slight discrepancies in sums and differences. Sample sizes may vary because of missing values.

Source: MDRC calculations using HUD Public and Indian Housing Information Center 2019 data

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