The Rent Reform

Executive Summary

The Rent Reform Demonstration: Early Effects on Employment and Housing Subsidies

Executive Summary

Prepared by:

James Riccio

Victoria Deitch

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Acknowledgments

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Foreword

In 1969, a landmark piece of national affordable housing legislation, sponsored and subsequently named for U.S. Senator Edward Brooke, was enacted into law. This law, 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, raising the threshold to 30 percent (enacted in 1981) and adding numerous adjustments, exclusions and deductions, as well as adding minimum and ceiling rent options.

Over the last few decades, critics have suggested that the Brooke Amendment, in its pursuit of safeguarding affordability, creates a disincentive to work by dampening tenant motivation to earn more income. In response, The Department of Housing and Urban Development (HUD) has undertaken a Rent Reform Demonstration to comprehensively test alternatives to the current rent-setting requirements for one of its key, and largest, housing assistance programs: Housing Choice Vouchers (HCV). The Demonstration has three key goals it is testing. They are specifically, how to:

- Incentivize employment for work-eligible individuals
- Reduce the complexity and administrative burden for PHAs
- Avoid unnecessary hardship on assisted families

This demonstration has been underway since 2015 and in that time over 6,600 families have been randomly assigned to either the alternative rent rules or a control group subject to the existing rules at the four Public Housing Agencies (PHAs) that are participating in the demonstration. This report, "Early Effects", is one of two reports being released simultaneously on the Rent Reform Demonstration. It presents findings on the new rent policy's effects, or "impacts," on household heads' labor market and housing-related outcomes from the first 12 to 18 months after the alternative rent model went into effect for the treatment group. The other report, "Interim Findings," presents results from the second followup period, 27 to 30 months after the alternative rent model was implemented for the treatment group.

The early results indicate that when the findings for all four PHAs are combined, the new policy generated a small statistically significant increase in heads of household's quarterly employment rate. When findings for all of the PHAs except Washington, DC are combined, there is a small statistically significant increase in both quarterly employment rates and Year 1 average annual earnings. The story, however, varied substantially across locations. There were some positive effects on earnings in Lexington, on earnings and employment in San Antonio, but not in Louisville and Washington, D.C. The report also presents other early effects indicating larger housing subsidies and longer tenure in the voucher program, which are expected short-term results related to the use of triennial income recertification to establish tenant rent contributions, increased use of hardship remedies, decreased PHA administrative actions, and some preliminary subgroup findings.

Given the early nature of this review, it is too soon to draw firm conclusions on the triennial recertification (the element of the model most expected to influence employment and earnings) and whether it is having its intended effect. However, the findings indicate that a new minimum rent does not seem to have any short-term impact on employment or earnings, based on the lack of employment or earnings effects in Washington, DC where the minimum rent increased from $0 to $75.

Future reports will assess the impact of the alternative rent model, including any long-term effects, through a followup survey. There will be an additional interim report, expected in 2021, with the final report gathering 6 years of data (covering two triennial recertifications), scheduled for 2023.

Seth D. Appleton
Assistant Secretary for Policy Development and Research
U.S. Department of Housing and Urban Development

Executive Summary

For many years, housing subsidies for people who receive rental assistance vouchers have, according to critics, created a disincentive for tenants to work. Because voucher holders pay more toward their rent and utilities as their incomes rise, they face an implicit marginal “tax” on increased earnings (approximately 30 percent). Critics of this traditional rent policy also believe that it imposes a substantial and costly administrative burden on public housing agencies (PHAs), in part because it requires them to adjust subsidies up or down, as families’ incomes fall or rise, and to apply complicated rules in determining subsidy levels.

Strong evidence is lacking on whether any alternative rent policies substantially improve tenants’ employment outcomes, or on what effects they might have on families’ receipt of housing subsidies or PHAs’ administrative burden and costs. In a step toward promoting innovative rent subsidy policies and building better evidence on “what works,” the U.S. Department of Housing and Urban Development (HUD) launched the Rent Reform Demonstration. The demonstration, which began enrolling voucher holders in 2015, focuses on recipients of tenant-based housing choice vouchers in four cities and PHAs: Lexington-Fayette Urban County Housing Authority (generally referred to as the Lexington Housing Authority), in Lexington, KY; Louisville Metropolitan Housing Authority, in Louisville, KY; San Antonio Housing Authority, in San Antonio, TX; and District of Columbia Housing Authority, in Washington, D.C. These housing agencies are a subset of 39 PHAs that, at the time the project was launched, were part of HUD’s Moving to Work demonstration program, which allows selected PHAs more administrative flexibility in operating their housing assistance programs. HUD selected MDRC and its partners to lead the initiative,[2] working closely with HUD and the four PHAs to design and evaluate an alternative rent policy using a randomized controlled trial.

This report is the second in a series of five reports on the Rent Reform Demonstration. MDRC prepared the initial “Baseline” report in the series. Published by HUD in 2017, the Baseline report describes the origins of the Rent Reform Demonstration, the selection of PHAs, the features of the new policy, the rationale behind each of its main elements, the PHA’s initial implementation experiences, and the manner in which the policy is being evaluated (Riccio, Deitch, and Verma, 2017).

This current "Early Effects" report presents early findings on the effects of the alternative rent policy on the employment and earnings of low-income adults who receive rental assistance through the federal Housing Choice Voucher (HCV) program and on a variety of outcomes related to their housing subsidies. The report provides the first look at the new rent policy’s effects, or “impacts,” on families’ labor market and housing-related outcomes. It covers

[2]The study team includes the Urban Institute, the Bronner Group, Quadel Consulting & Training, and professors Ingrid Gould Ellen (New York University) and John Goering (City University of New York).

a followup period for each eligible family of approximately 12 to 18 months after the new policy took effect.

Next in the series is the "Interim Findings" report. It presents results from the first 27-30 months of followup. The fourth report (expected in 2021) will provide findings from the long-term followup survey and the first triennial recertification, about 36 months after the new rent policy effective-date. The fifth and final report (expected in 2023) will present findings after the second triennial recertification, about 72 months after the new rent policy effective date.

The 12- to 18-month followup timeframe of this report is too short for a full assessment of the new policy's effects, in part because a critical feature of the policy—new rules governing families' contributions to their rent and utilities—lasts 3 years. The report, nevertheless, does show whether or not the new policy began to effect change in the labor market and in housing-related outcomes relatively soon after implementation.

The results indicate that when the findings for all four PHAs are combined, the new policy did not generate statistically significant increases in tenants' average earnings over the first 18 months of followup. The story varied substantially across locations, however, with some early positive effects on earnings in Lexington and San Antonio but not in Louisville and Washington, D.C. Across all four agencies, the new policy reduced certain types of PHA transactions with families during the first 12 months of followup, generally somewhat reduced families' expenditures for rent and utilities, and reduced their likelihood of exiting the voucher program. Because their rent and utilities costs were capped and they were somewhat less likely than control group families to exit the voucher program, those in the new rent rules group received more in housing subsidies during this period than they would have received under existing rules, as intended by the new policy's goal of reducing work disincentives.

HUD's Traditional Rent Policy

Currently, most families who receive housing choice vouchers are expected to contribute 30 percent of pretax income (after certain adjustments)—known as the "total tenant payment" (TTP) —toward their rent and utilities.[3] The rules for calculating a family's TTP allow several deductions from gross income (including a deduction for some childcare costs for working parents), yielding an "adjusted income" estimate. The calculation looks forward in time, basing the adjusted income estimate on the amount of income a family *currently receives* and *anticipates receiving* during the coming year ("current/anticipated" income in this report). The PHA pays the difference between the family's TTP and the maximum combined rent and utilities cost that the PHA will allow for rental units (depending largely on family size), called a

[3]Throughout this report, HUD's "current" or "traditional" rent policy for voucher holders refers to the national rent policy in effect for non-Moving to Work PHAs *before* the passage of the Housing Opportunity Through Modernization Act of 2016.

"payment standard." PHAs are permitted to establish a minimum TTP, or "minimum rent," of up to $50 per month, although not all have done so.

This traditional "percentage of adjusted income" approach builds a strong safety-net feature into the rent subsidy system: If a family's income falls, the family pays less toward its housing costs. This approach also implicitly "taxes" tenants for increasing their earnings, however, which some experts contend reduces their work effort.[4] The traditional rent policy also requires PHAs to review each family's income and recertify their continued eligibility for the voucher program at least annually and to adjust TTPs and housing subsidies if families' incomes change. The complex rules governing the calculation of income and rent are commonly considered to be administratively burdensome and prone to errors that can lead to improper payments. The new rent policy attempts to address those problems.

Overview of the New Rent Policy

The new rent policy developed for the Rent Reform Demonstration substantially alters the traditional rent subsidy approach for voucher holders. Its core features include a combination of elements that are intended to achieve a balance between increasing the financial incentives for tenants to try to increase their earnings, protecting families from excessive rent burden, reducing the PHAs' administrative burden of operating a rent policy system, and containing subsidy and administrative costs. Those features include the following components:

- **Recertifying families' continued eligibility for the voucher program and recomputing their TTPs every 3 years rather than every year**
    - Under the triennial recertification schedule, if a family increases its earnings during the 3 years, its TTP will not be raised, and its housing subsidy will not be reduced until the end of Year 3.
- **Changes in the formula for calculating a family's TTP and subsidy**
    - Eliminate all deductions from income, so that gross income, rather than adjusted income, is the basis for calculating a family's TTP.
    - Set a family's TTP at 28 percent of gross income over the prior 12 months (referred to as "retrospective income"), rather than 30 percent of current/anticipated adjusted income.
    - Ignore a family's income from assets when the total value of its assets is less than $25,000 (and not require documentation of those assets).

[4]This is on top of possible reductions in other means-tested benefits families might be receiving (such as welfare or food stamps), making their combined marginal tax on increased earnings more than 30 percent.

- Simplify the policy for determining utility allowances to a streamlined standard schedule based primarily on unit size, with some adjustments for more expensive utilities.
- Establish a minimum TTP of at least $50 per month and require families to pay at least the specified minimum TTP directly to their landlords.

- **Safeguards for families (in addition to interim recertifications)**
  - A TTP grace period at the start of the 3-year period, allowing for a temporary (6-month) TTP reduction when a family's current/anticipated gross income is less than its retrospective gross income by more than 10 percent.
  - Allowing one interim recertification per year if a family's retrospective income falls by more than 10 percent before the next required triennial review.
  - A hardship policy that covers a standard set of conditions and includes a standard set of remedies that permit TTP reductions for families meeting those conditions at any time during the 3-year period—to protect families from excessive rent burdens.

The PHAs participating in the demonstration helped to develop and support this common framework; however, they also saw a need to adapt the model in response to local considerations, or they had to accommodate some policy changes that they had already implemented. For example, the PHAs set their minimum TTPs at different levels, ranging from $50 to $150 per month. Two of the four PHAs—in Louisville and Washington, D.C.—introduced a minimum TTP for the first time ($50 and $75, respectively), whereas San Antonio, which already had a minimum TTP, increased it for the demonstration from $50 to $100. Lexington had already introduced a $150 minimum TTP before the start of the demonstration, and it continued that policy for both the new rent rules group (the program group) and the existing rent rules group (the control group). The process for determining hardship remedies also varies, although the general conditions defining a hardship and the remedies themselves do not.[5]

Of all the features of the new rent policy, the 3-year recertification is the main one intended to improve labor market outcomes because it eliminates the implicit "tax" on earnings during the 3-year period. The introduction of a minimum TTP, or the increase in an existing one, might also increase work effort because some tenants may need to increase their earnings

[5] Lexington generally does not permit any reductions in TTPs below the minimum in its application of the demonstration's hardship policy. The other three PHAs generally require families with zero income to report their family expenditures regularly to the PHA, but the ways they adjust TTPs for those families under the hardship remedies are the same.

to have enough income to meet the new minimum. Various features of the new policy are intended to reduce the administrative burden on PHAs and to protect families from excessive rent burdens.

Evaluation Design, Sample Characteristics, and Data Sources

At the beginning of the study, the PHAs and MDRC identified existing voucher holders who would soon be scheduled for an annual recertification meeting to calculate their new TTPs and rental subsidies. Random assignment was then used to allocate families deemed eligible for the Rent Reform Demonstration to either a new rent rules group that would be subject to the new policy for the duration of the demonstration or to a control group that would continue to be subject to the existing rent rules. (Certain types of families, including those defined as elderly or disabled according to HUD criteria, were excluded from the demonstration.) [6]

PHA staff calculated families' TTPs and housing subsidies according to the rules of the rent policy group to which they were assigned. In Louisville, an opt-out option was offered to families assigned to the new rules group, meaning that they could choose to continue having their TTPs calculated according to the existing rent policy. By the end of the enrollment period, about 22 percent of the eligible families in Louisville's new rent rules group chose to opt out of the new policy, although they did not opt out of the evaluation.[7] To minimize selection bias, the evaluation treats the opt-out families as members of the new rent rules group (rather than the existing rules group), even though they are subject to the existing rent rules. This decision means that the estimated effects of the new rent policy may be somewhat diluted in Louisville because not all members of the new rent rules group were exposed to the new policy.

Preexisting policies in several of the other PHAs also have implications for the evaluation. As mentioned previously, Lexington's $150 minimum TTP applies to both research groups (and allows few hardship exemptions from the minimum TTP). Because this feature does not differ between the Lexington program and control groups, effects estimated for the Lexington sample on any labor market and housing-related outcomes will not reflect any effects that the minimum TTP (as opposed to the policy's other features) may have had on those outcomes. In contrast, Washington, D.C., had instituted a biennial recertification schedule for working-age, nondisabled families before joining the Rent Reform Demonstration.[8] This means that both the new rent rules group and the control group had their TTPs capped during the early portion of the study's followup period. Consequently, when examining labor market outcomes for that PHA, it is reasonable to view this early period primarily as an opportunity to assess the

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[6]For more details on this process, see Riccio, Deitch, and Verma (2017).

[7]In all four PHAs, families could refuse to allow their individually identified data to be shared with the researchers; however, only 14 families (0.2 percent of the pooled sample) chose to do so.

[8]At the time of site selection, the biennial policy applied only to families whose anticipated incomes increased by a small or modest amount (less than $10,000 per year from a single income source); those with income increases above that threshold were to continue with an annual recertification schedule. In June 2016, during the demonstration's first followup year, the PHA removed the income threshold so that even those control group families (and other families who were not in the demonstration) with income increases above the threshold were switched to a biennial schedule.

effects of its new $75 minimum TTP on those outcomes. Across the PHAs, differences such as these create opportunities for learning more about certain features of the new rent policy; however, they also mean that the "pooled" impact estimates (with all four PHAs combined) reflect the summary results of somewhat different tests in four locations and need to be interpreted with that in mind.

Characteristics of Enrolled Families

Across the four PHAs, a total of 6,665 families are included in the impact analysis. All were randomly assigned between February 2015 and November 2015 in approximately equal numbers to either the new rent rules group or the control group. The average household had just over three family members at the time of study enrollment. In addition, only about one-third of families had more than one adult living in the household, most of whom were the young adult children of the household heads. Nearly all (94 percent) of the household heads in the study sample were women and, on average, household heads were about 39 years old when they entered the study. In Lexington, Louisville, and Washington, D.C., most heads of household are Black/African-American, whereas the majority (75 percent) in San Antonio is Hispanic/Latino.

Data Sources and Followup Period

This report uses two main sources of quantitative data: PHA administrative records and unemployment insurance (UI) wage records obtained through the National Directory of New Hires (NDNH), which capture employer-reported employment and earnings. For considerations having to do with the structure of these two data sources, the "first year of followup" for the purposes of this report is defined as the period that begins after a family's new TTP took effect, which is roughly the third quarter after families were randomly assigned.

Early Findings on Household Heads' Employment and Earnings

The first followup year was a time when the new rent rules were still new to families, limiting the potential effects of those rules. Of course, some tenants may seek to work, or not to work, for entirely unrelated reasons. For those whose decisions might be influenced by rent policies, however, the new policy's implementation timeframe may matter. For example, it may have taken time for some families to understand how the policy supported work. Some adults who may have been inspired by the new rules to try to find work or increase their hours of work may have needed time to achieve those goals. Some may have needed time to overcome common types of impediments—for example, finding suitable job openings given their skill levels or arranging transportation or childcare. Thus, a fair assessment of the effects of the new policy must wait for longer-term data to become available; however, two additional quarters of employment and earnings data beyond the first followup year (Quarters 7 and 8) offer a peek into that longer-term period.

In examining the new policy's effects on tenants' earnings, the study focuses primarily on the household heads. This is because most of the non-heads of household were the young adult children of the household heads, many of whom (about 21 percent in the first year) were no longer on the lease, possibly having moved away. This rate is expected to grow over time, limiting their exposure to the new or existing rent policies.[9]

The evaluation design includes several "confirmatory" outcome measures related to tenants' earnings, housing subsidies, and material hardships. These confirmatory outcomes reflect the most important variables for judging the intervention's effectiveness. Given their primacy, impact findings on those outcomes were subjected to further statistical adjustments that hold them to a higher standard of evidence. Those adjustments account for the likelihood that in a study using many outcome variables, some impact estimates may emerge as statistically significant simply by chance and do not reflect true intervention effects. One can have more confidence in any confirmatory impact estimates that remain statistically significant after adjusting for the total number of confirmatory outcome measures. The current report treats first-year pooled impact estimates for household heads' earnings and families' housing subsidy receipt as preliminary confirmatory measures and subjects them to adjustment for multiple outcomes. The concluding evaluation report will present the final confirmatory impact estimates and adjustments, using longer-term data on these measures, approximately 72 months after the new rent policy effective-date. It will also include a survey-based family hardship scale as a confirmatory outcome measure (Benjamini and Hochberg, 1995).

- **The results for the pooled sample show that heads of household in the new rent rules group were slightly more likely than those in the control group to work during Year 1.**

Among household heads in the control group, with all four PHAs combined, a majority (66.8 percent) worked in a UI-covered job at some point during Year 1 (defined for this report as Quarter 3 through Quarter 6 after random assignment). The rate for the new rent rules groups was 68.2 percent, but the gain is not statistically significant; however, exhibit ES.1 shows that the new policy increased the proportion of household heads working in an average quarter by a statistically significant 1.6 percentage points (from 54.4 percent for the control group to 56 percent for the new rent rules group). Differences in Year 1 earnings were small and not statistically significant.

As mentioned previously, the pooled results of the new rent policy can be difficult to interpret because of differences across the PHAs in their minimum TTPs and control group conditions. Particularly important is the biennial recertification policy in effect for the control group in Washington, D.C. Because of that policy, the new rules group will experience no meaningful advantage in terms of the triennial recertification until the third year of followup. For this reason, in examining early results, it is useful to consider labor market impacts for the pooled sample without Washington, D.C., so that all families in the pooled control group are subject to an annual recertification policy. The second panel of exhibit ES.1 presents those results. It shows somewhat larger impacts of the new rent policy than the pooled estimates with

[9]Nonetheless, Appendix C in the full report presents findings for the effects on other adults as well as all adults combined (heads and non-heads of households).

Washington, D.C, including a statistically significant increase in Year 1 average earnings of $466, a gain of 4.8 percent above the control group average of $9,660 per household head.[10] (This estimate remains statistically significant after adjustment for multiple hypothesis testing.)

- **The new rent rules produced more positive results in Lexington and San Antonio than in Louisville and Washington, D.C.**

In Lexington, the effects of the new policy on tenants' earnings began to grow midway through Year 1 and were statistically significant in Quarters 7 and 8 (as shown in exhibit ES.2). In Quarter 8, the average earnings for the new rules group were $352 higher than those of the existing rules group, a gain of 14 percent.[11] This earnings gain was achieved with little effect on employment rates, suggesting that it resulted largely from an increase in hours worked or in hourly wages.

In San Antonio, the new rent policy had statistically significant and positive effects on employment as well as on earnings outcomes. For example, the average quarterly employment rate during Year 1 increased by 3.2 percentage points relative to the control group rate. The impact on average earnings for Year 1 was $916 (an increase of 10 percent).

[10]Average earnings are based on all sample members in each group and include zero earnings for individuals who were not employed.

[11] The variation across the four PHAs in estimated impacts on earnings is statistically significant at the 10-percent level.

Exhibit ES.1. Early Impacts on Employment and Earnings: Heads of Households

Outcomes	New Rent Rules	Existing Rent Rules	Difference (Impact)		P-Value
All PHAs					
Average quarterly employment, Year 1[a] (%)	56.0	54.4	1.6	**	0.046
Total earnings ($)					
Year 1 (quarters 3-6)	10,185	9,922	263		0.182
Quarter 7	2,944	2,865	79		0.246
Quarter 8	2,949	2,833	116		0.101
Sample size (total = 6,665)	3,312	3,353			
All PHAs except Washington, D.C.					
Average quarterly employment, Year 1[a] (%)	61.6	59.7	1.9	**	0.038
Total earnings ($)					
Year 1 (quarters 3-6)	10,126	9,660	466	**	0.035
Quarter 7	2,767	2,684	83		0.274
Quarter 8	2,822	2,660	162	**	0.041
Sample size (total = 4,756)	2,368	2,388			

PHA = public housing agency.

[a]Average quarterly employment is calculated as total number of quarters with employment divided by total number quarters of followup, expressed as a percentage. Year 1 is defined as the period that begins after a family's new TTP takes effect. For NDNH data, which are only available on a quarterly basis, that is the third quarter after families were randomly assigned.

* = 10 percent. ** = 5 percent. *** = 1 percent.

Notes: Estimates were regression adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences. A two-tailed t-test was applied to differences between research groups. The p-value indicates the likelihood that the difference between the new rent rules group and the existing rent rules group arose by chance. Sample sizes for specific outcomes may vary because of missing values. Confirmatory outcomes were tested for multiple hypothesis testing using the Benjamini-Hochberg procedure. The adjusted p-value = .182 for the impact on total Year 1 earnings for all four PHAs combined. The adjusted p-value = .035 for the impact on total Year 1 earnings for all PHAs combined excluding Washington, D.C.

Source: MDRC calculations, using quarterly wage data from the National Directory of New Hires

Exhibit ES.2. Early Impacts on Employment and Earnings, by Public Housing Agency (PHA), Heads of Households

Outcomes	New Rent Rules	Existing Rent Rules	Difference (Impact)		P-Value
Lexington					
Average quarterly employment, Year 1[a] (%)	65.7	64.0	1.7		0.395
Total earnings ($)					
Year 1 (quarters 3-6)	10,387	9,921	466		0.315
Quarter 7	2,881	2,583	298	*	0.065
Quarter 8	2,869	2,517	352	**	0.028
Sample size (total = 979)	486	493			
Louisville					
Average quarterly employment, Year 1[a] (%)	60.7	59.8	0.9		0.544
Total earnings ($)					
Year 1 (quarters 3-6)	10,113	10,083	29		0.936
Quarter 7	2,775	3,027	-252	**	0.047
Quarter 8	2,822	3,003	-181		0.181
Sample size (total = 1,908)	947	961			
San Antonio					
Average quarterly employment, Year 1[a] (%)	60.5	57.3	3.2	**	0.037
Total earnings ($)					
Year 1 (quarters 3-6)	10,003	9,086	916	***	0.010
Quarter 7	2,704	2,379	324	***	0.007
Quarter 8	2,786	2,395	392	***	0.002
Sample size (total = 1,869)	935	934			
Washington, D.C.					
Average quarterly employment, Year 1[a] (%)	41.7	41.6	0.2		0.899
Total earnings ($)					
Year 1 (quarters 3-6)	10,266	10,634	-368		0.379
Quarter 7	3,387	3,315	72		0.622
Quarter 8	3,264	3,264	0		0.999
Sample size (total = 1,909)	944	965			

(continued)

Exhibit ES.2 (continued)

PHA = public housing agency.

[a]Average quarterly employment is calculated as total number of quarters with employment divided by total number quarters of followup, expressed as a percentage. Year 1 is defined as the period that begins after a family's new TTP takes effect. For NDNH data, which are only available on a quarterly basis, that is the third quarter after families were randomly assigned.

* = 10 percent. ** = 5 percent. *** = 1 percent.

Notes: Estimates were regression adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences. A two-tailed t-test was applied to differences between research groups. The p-value indicates the likelihood that the difference between the new rent rules group and the existing rent rules group arose by chance. Sample sizes for specific outcomes may vary because of missing values. The variation across the four PHAs in estimated impacts on total earnings in Year 1 is statistically significant at the 10 percent level based on an H-statistic test.

Source: MDRC calculations, using quarterly wage data from the National Directory of New Hires

The results for Louisville and Washington, D.C., were less positive. In fact, in Louisville, the effects on earnings turned somewhat negative at the end of the first year. This was not because those in the new rules group did not experience growth in earnings *over time*. Indeed, the earnings trends are positive for *both* research groups; the trends are just less positive for the new rules group, resulting in a statistically significant negative impact in Quarter 7; however, the negative effect attenuated and was no longer statistically significant by Quarter 8. Longer-term followup data will show whether this negative effect is part of a longer-term pattern or an aberration. The new rent rules had little effect on average quarterly employment rates among household heads in Louisville during the followup period.

In Washington, D.C., few statistically significant differences in employment and earnings outcomes are evident.

- **Evidence from Lexington suggests that the new rent policy's triennial recertification feature alone can have a positive early effect on household heads' earnings.**

Because Lexington's preexisting $150 minimum TTP, which might have created a stronger financial incentive to work, applied to both research groups, it cannot help explain the new policy's growing positive effects on earnings in that PHA. Rather, the new rent policy's other main (and more important) work incentive feature, the extended recertification, likely accounts for most, if not all, of Lexington's early impacts on earnings. This finding provides at least some evidence to suggest that, by itself, substituting triennial for annual recertifications holds some potential to improve tenants' earnings.

- **In Washington, D.C., the new minimum TTP appears not to have affected household heads' employment or earnings.**

The adoption of the triennial recertification policy is not expected to affect tenants' earnings in Year 1 in Washington, D.C., because, as already mentioned, the control group there is subject to a biennial recertification policy. Thus, neither research group faced the normal percentage-of-income work disincentive during the early followup period.

More important in the short term is Washington, D.C.'s new $75 minimum TTP (compared with no minimum TTP for the existing rules group). The evaluation's finding of no positive short-term impacts on earnings for tenants in this PHA suggests that a $75 minimum TTP, in the absence of a distinctively more favorable recertification schedule, and with hardship remedies available may not necessarily promote greater work effort.

- **By the end of Quarter 8, no consistent or definite pattern had emerged with regard to the new rent policy's short-term impacts on the employment and earnings of any subgroup of household heads.**

Different types of voucher holders might respond differently to the new rent policy's financial incentives to increase earnings because of differences in capacities, skills, or personal or family circumstances that may make it easier or harder to take advantage of the rent incentives. Some tenants might also be inclined to increase their work effort and earnings even in the absence of those incentives. This report examines initial responses to the new rent policy, primarily for subgroups of household heads, defined by their employment status in the quarter before random assignment and by the age of the youngest child in the household at the time of random assignment.

The results show no clear evidence that the new rent policy has had differential effects on tenants' short-term labor market outcomes according to their initial employment status or age of the youngest child, although some early patterns are noteworthy. For example, in the two PHAs (Lexington and San Antonio) that show some full-sample positive impacts on labor market outcomes, statistically significant earnings gains emerge more consistently among household heads already employed in the quarter before random assignment than among those not already employed. In addition, with all PHAs combined, statistically significant earnings gains appear more consistently among household heads whose youngest child in the household was a teenager at the time of random assignment. However, the *differences in impacts* across the relevant subgroup categories were not always themselves statistically significant, indicating considerable uncertainty in the patterns. The longer-term findings will show whether sharper statistically significant patterns emerge over time.

Early Impacts on Outcomes Related to Housing Subsidies

The new rent policy substantially changed the rules for measuring family income used in determining TTPs, the rules for calculating the share of income that families must contribute toward rent and utilities, and the requirements for reporting income changes and adjusting TTPs over time. Those changes have had some short-term consequences for families' housing subsidies and PHAs' experiences in administering the voucher program.

- **The new rent rules modestly increased the likelihood that families would still be using their vouchers by the end of Year 1.**

Exhibit ES.3 shows that, with all four PHAs combined, 88.2 percent of the existing rules group were still in the voucher program and "leased up" (that is, were using their rent subsidies) at the end of Year 1. In contrast, 92.4 percent of the new rent rules group remained in the voucher program and leased up—a statistically significant increase of 4.3 percentage points above the existing rules group rate.

This effect varied widely across the four PHAs. For example, little effect was evident in Washington, D.C., possibly because of the biennial recertification for the existing rules group in that PHA, which meant families in neither research group could become ineligible for the voucher program by increasing their earnings within this early period, nor would income growth reduce their housing subsidies before Year 3. Among the other PHAs, the new rent rules increased the first-year voucher retention and lease-up rate (above the existing rules group mean) by a low of 3.6 percentage points in Lexington to a high of 8.0 percentage points in San Antonio. When the results for the three PHAs other than Washington, D.C. are combined, the averaged pooled impact is higher at 5.6 percentage points (as seen in exhibit ES.3). Formal exits from the voucher program for the new rules group were lower than for the existing rules group by 3.1 to 3.5 percentage points across these three PHAs (not shown).

- **On average, families who were subject to the new rent policy paid somewhat less toward their housing costs, compared with the control group, while in the voucher program.**

Over the course of the first year, the new rent rules group paid an average monthly TTP of $289 while in the voucher program, or $14 less than families in the existing rules group paid while they were still receiving vouchers (see exhibit ES.3).[12] At the end of Year 1, voucher holders in the new rent rules group were less likely than those in the existing rules group to be paying a very low TTP ($0 to $50), owing to the minimum TTP policy. They were also somewhat less likely to be paying a very high TTP (over $700).

The average monthly family share (which includes payments by tenants above their obligated TTP contribution) was also lower for the new rules group than for the existing rules group ($335 versus $351) while families were still in the voucher program. A generally similar pattern is evident in each of the four PHAs.

[12]Exhibit ES.3 does not present impact estimates on these measures because families in the two research groups exited the voucher program at different rates during Year 1. Consequently, the types of families receiving vouchers in any given month, and for whom TTPs could be calculated in each month, may have differed, potentially biasing estimates of the policy's impacts on average TTPs.

Exhibit ES.3. Early Impacts on Families' Subsidy Receipt and Housing Costs

Outcome	New Rent Rules	Existing Rent Rules	Difference (Impact)		P-Value
<u>All PHAs</u>					
Currently Enrolled in HCV Program and Leased Up at the End of Year 1 (%)	92.4	88.2	4.3	***	0.000
Average Monthly TTP in Months Received HCV[a] ($)	*289*	*303*	--		--
Total Housing Subsidy in Year 1[b] ($)	9,977	9,719	258	***	0.008
Sample Size (total = 6,665)	3,312	3,353			
<u>All PHAs except Washington, D.C.</u>					
Currently Enrolled in HCV Program and Leased Up at the End of Year 1 (%)	90.4	84.8	5.6	***	0.000
Average Monthly TTP in Months Received HCV[a] ($)	*255*	*273*	--		--
Total Housing Subsidy in Year 1[b] ($)	7,505	7,188	316	***	0.000
Sample Size (total = 4,756)	2,368	2,388			

HCV = Housing Choice Voucher. PHA = public housing agency. TTP = total tenant payment.

[a]Total tenant payment is the amount a family must contribute to its rent and utilities, regardless of the unit selected. Under the new rent rules, TTP is 28 percent of prior-year gross income, and under existing rent rules TTP is 30 percent of adjusted income.

[b]Housing subsidy (housing assistance payment) is the full subsidy amount paid by the housing agency, and includes any utility allowance payments made to the tenant in addition to rent paid to the owner by the housing agency.

* = 10 percent. ** = 5 percent. *** = 1 percent.

Notes: Estimates were regression adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences. A two-tailed t-test was applied to differences between research groups. The p-value indicates the likelihood that the difference between the new rent rules group and the existing rent rules group arose by chance. Italic type indicates comparisons that are nonexperimental. Statistical tests were not performed. Confirmatory outcomes were tested for multiple hypothesis testing using the Benjamini-Hochberg procedure. The adjusted p-value = .016 for the impact on the total Year 1 housing subsidy for all four PHAs combined. The adjusted p-value = .000 for the impact on the total Year 1 housing subsidy for all PHAs combined excluding Washington, D.C.

Source: MDRC calculations, using PHA data

Most families in the new rent rules group paid more than the minimum TTP during Year 1. For all four PHAs combined, 77.6 percent had paid more than the minimum TTP sometime during Year 1, whereas 29.3 percent had paid exactly the minimum TTP. Only 5.7 percent of families in the new rent rules group had ever paid less than the minimum TTP.

- **Compared with the control group, families in the new rent rules group received more in rental subsidies during Year 1, an expected short-term result of the policy.**

The lower average TTP for the new rules group combined with a longer duration in the voucher program means that families in that group were receiving a somewhat higher housing subsidy (housing assistance payment, or HAP) than they would have received in the absence of the new policy (represented by the control group's subsidy amount). As exhibit ES.3 shows, on average for all four PHAs combined, the new rules group received $9,977 in housing subsidies during the first followup year, which is $258 (or 2.7 percent) more than the control group average ($9,719). The difference is somewhat higher—$316, or 4.4 percent—when the findings from all PHAs except Washington, D.C., are pooled (both pooled estimates of the effects on housing subsidy amounts remain statistically significant after adjustment for multiple outcomes). A generally similar pattern is evident when the results are examined by PHA, as exhibit ES.4 shows, and the variation in PHAs' impacts on subsidies is not statistically significant.

This general pattern of results—somewhat longer tenure on the voucher program, lower TTPs, and more in subsidies relative to the control group—is to be expected during the 3-year period until the next recertification under the new rent rules. Families in the new rent rules group, unlike those in the control group (except in the Washington, D.C. control group), were not required to report any increases in their earnings to the PHAs until their triennial recertification. Consequently, those in the new rules group whose earnings grew over that period did not have their TTPs raised and subsidies reduced, and they could not earn their way off the voucher program during that time. This was intended by the policy design so that families would experience the benefits of their increased work effort during the 3 years between recertifications. Of course, for the PHAs, this means a short-term increase in expenditures on housing assistance. An important open question is whether forgone subsidy reductions will be recouped after the triennial recertifications are completed.

- **A small portion of families used the new rent policy's hardship remedies.**

The new policy offers potential relief to families whose TTPs exceed 40 percent of their current/anticipated gross incomes. Such families are considered to have excessive rent burdens and are generally eligible to request a hardship remedy. These remedies, which are renewable, include setting the TTP at the minimum level, or at 28 percent of current income, for up to 6 months at a time. Families in Lexington are eligible for a hardship remedy only if they are paying TTPs that exceed the PHA's $150 minimum and still meet the 40-percent threshold. In other words, Lexington's hardship policy allows families who meet the hardship criteria to reduce their TTP to the $150 minimum but not below (except in cases in which a household becomes defined as disabled according to HUD).

Exhibit ES.4. Early Impacts on Families' Subsidy Receipt and Housing Costs, by Public Housing Agency (PHA)

Outcome	New Rent Rules	Existing Rent Rules	Difference (Impact)		P-Value
Lexington					
Currently Enrolled in HCV Program and Leased Up at the End of Year 1 (%)	90.7	87.1	3.6	*	0.078
Average Monthly TTP in Months Received HCV[a] ($)	*276*	*308*	- -		- -
Total Housing Subsidy in Year 1[b] ($)	6,777	6,418	359	**	0.029
Sample Size (total = 979)	486	493			
Louisville					
Currently Enrolled in HCV Program and Leased Up at the End of Year 1 (%)	93.7	89.7	4.1	***	0.001
Average Monthly TTP in Months Received HCV[a] ($)	*228*	*239*	- -		- -
Total Housing Subsidy in Year 1[b] ($)	7,898	7,659	239	*	0.066
Sample Size (total = 1,908)	947	961			
San Antonio					
Currently Enrolled in HCV Program and Leased Up at the End of Year 1 (%)	86.8	78.8	8.0	***	0.000
Average Monthly TTP in Months Received HCV[a] ($)	*271*	*291*	- -		- -
Total Housing Subsidy in Year 1[b] ($)	7,507	7,088	419	***	0.002
Sample Size (total = 1,869)	935	934			
Washington, DC					
Currently Enrolled in HCV Program and Leased Up at the End of Year 1 (%)	97.5	96.5	1.0		0.206
Average Monthly TTP in Months Received HCV[a] ($)	*371*	*378*	- -		- -
Total Housing Subsidy in Year 1[b] ($)	16,211	15,953	258		0.319
Sample Size (total = 1,909)	944	965			

(continued)

Exhibit ES.4 (continued)

HCV = Housing Choice Voucher. PHA = public housing agency. TTP = total tenant payment.

[a]Total Tenant Payment is the amount a family must contribute to its rent and utilities, regardless of the unit selected. Under the new rent rules TTP is 28 percent of prior-year gross income, and under existing rent rules TTP is 30 percent of adjusted income.

[b]Housing subsidy (Housing Assistance Payment) is the full subsidy amount paid by the housing agency and includes any utility allowance payments made to the tenant in addition to rent paid to the owner by the housing agency.

* = 10 percent. ** = 5 percent. *** = 1 percent.

Notes: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences. A two-tailed t-test was applied to differences between research groups. The p-value indicates the likelihood that the difference between the New Rent Rules group and the Existing Rent Rules group arose by chance. Italic type indicates comparisons that are nonexperimental. Statistical tests were not performed. The variation across the four PHAs in estimated impacts on average annual housing subsidy in Year 1 is not statistically significant based on an H-statistic test.

Source: MDRC calculations, using PHA data

Hardship remedies can be issued to qualifying families at any time during the 3-year period, but families must request them. Across all PHAs, about 8.4 percent of families requested and received a hardship remedy in Year 1. The pooled rate is higher than the rate at the time of initial recertification when only 0.5 percent of families across the four PHAs received a hardship remedy (Riccio, Deitch, and Verma, 2017). The small increase over time may reflect the possibility that a growing proportion of families experienced a post-recertification loss of income during Year 1. It could also reflect a growing awareness among already-qualifying families of the availability of this safeguard and willingness to request it.[13]

- **The new rent policy substantially reduced the likelihood of PHA actions, with or on behalf of families, related to changes in families' circumstances.**

This report examines whether the new policy has already begun to affect the number of actions to address changes in families' circumstances, which translates into administrative burdens and costs for PHAs over time. Those actions could include annual recertifications, interim recertifications needed because of changes in income, and actions related to household composition changes or changes in contract rents, moves, or other circumstances.

For all PHAs combined, almost three-fourths (73.6 percent) of the control group in Year 1 had a circumstance that required action on the part of PHA staff. This rate ranged from about 45 percent in Washington, D.C., (on the low end due largely to the biennial recertification

[13] The PHAs issued several notices to remind families of this provision of the new rent policy, although it is possible that some qualifying families were still not fully aware of it, did not believe they qualified, or chose not to apply to avoid further interactions with the PHA. Future reports will explore this issue further.

schedule) to more than 91 percent in Lexington. Several factors account for why actions for the control group, particularly annual recertifications, were less than 100 percent in each of the four PHAs. For example, although existing rules require all families (except in Washington, D.C.) to complete an annual recertification, some families exited the voucher program or transferred ("ported out") to another housing agency before any further actions were required. In addition, families moving to a new unit must undergo a full income review, and depending on when the move occurs, that review can be completed in lieu of an annual recertification. For some other families, annual recertifications were delayed for various reasons, including delays in submitting required documentation to the PHA.

Among families in the new rules group, about one-half (49.6 percent) had a transaction with PHA staff—a reduction of 23.9 percentage points compared with the control group level. When Washington, D.C., is excluded, the reduction increases to 28.9 percentage points. The main factors contributing to that reduction were the elimination of annual recertifications and the reduction in interim recertifications for increases or decreases in family income. Those actions were generally the most time-consuming actions for staff because they required recalculating TTPs and subsidies.

The patterns varied substantially across the four PHAs, driven in part by the different circumstances affecting the control group in each location. Lexington stands out with the largest effects on most indicators. In that PHA (where all control group families remained subject to the traditional HUD interim recertification requirements, including the requirement that families report all income changes between annual recertifications), the proportion of families in the new rules group for whom a staff action was required during Year 1 was 44.7 percentage points lower than the 91.2-percent rate for the control group. That reduction included a 75.8-percentage-point reduction in annual recertifications, a 16.0-percentage-point reduction in interim recertifications for declining income, and a 20.8-percentage-point reduction in interim recertifications for increased income.

Conclusion

The early impact findings discussed in this report offer an initial but incomplete assessment of the new rent policy designed as part of HUD's Rent Reform Demonstration. Nonetheless, some important patterns have begun to emerge on a variety of critical outcomes. Overall, for the pooled sample with all four PHAs combined, the policy has not produced statistically significant gains in earnings within the first 18 months of followup; however, the picture is more mixed when the results are examined site by site. For example, the new policy has led to some earnings gains in two of the PHAs (Lexington and San Antonio) for heads of household but not in the other two (Louisville and Washington, D.C.). The new policy has also begun to reduce the most time-consuming transactions (annual recertifications and interim adjustments in TTPs and subsidies, required under traditional HUD rules as families' incomes changed). Those patterns will be important to reexamine as the longer-term data become available—and especially once families in the new rent rules group have completed their triennial recertifications. At that point, those who have benefited from sustained higher earnings in the 12 months leading up to that recertification point and who are still receiving vouchers will begin paying higher TTPs and receiving smaller housing subsidies (their new TTPs will then be capped for another 3 years).

Future reports will examine the new rent policy's effects on these same outcomes over a longer followup period and on a wider array of outcomes. Those effects include impacts on families' receipt of other government benefits (including Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program, and homelessness assistance) and on survey-based measures related to families' housing stability, material hardships, and additional quality-of-life indicators. These future reports (scheduled to be completed in 2021 and 2023) will also cover the PHAs' continuing experiences in implementing the new policy over the next several years. They will include an assessment of whether or not the new policy has helped reduce the administrative burden and costs for PHAs compared with the traditional rent policy.