



TACOMA HOUSING AUTHORITY

HOUSING OPPORTUNITY PROGRAM: REVIEW AFTER 6 YEARS

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1. SUMMARY

Six years ago, in 2013, the Tacoma Housing Authority (THA) began its Housing Opportunity Program (HOP). It is one of THA's rental assistance programs. It helps clients pay the rent on the private rental market. As of 2013, HOP replaced THA's Section 8 Housing Choice Voucher (HCV) program for newly assisted households. THA undertook HOP after close community consultation.

The HOP differs from the HCV program in the following main ways:

- (1) *Fixed Subsidies: Incentive to Work; Serving More Households*
Under the HCV program, the amount of the rental subsidy depends on family income. As the family income increases, the subsidy decreases. As the family income goes down, the subsidy goes up. In these ways, HCV provides a subsidy tailored to the need. Yet it is a disincentive to work.¹ In contrast, the HOP subsidy is based upon family size, and its amount is fixed. This serves two purposes. **First**, it provides an incentive for a household to increase its income since the household can keep all of the increase. **Second**, the fixed subsidies are on average smaller than the subsidy that the HCV program provides. This allows THA to serve more households. HOP allows THA to serve 117 more households in a year than would have been possible under the HCV. That is an important advantage in Tacoma where so many households have trouble paying the rent.
- (2) *Time Limits for Work-Able Households: Incentive to Work; Giving Others a Turn*
The HCV has no time limits. In contrast, HOP imposes a five year time limits for work-able² households, with provisions for extensions. Households that are elderly or disabled have no time limits. This time limit for work-able households serves two purposes. **First**, it provides work-able households another incentive to increase their earned income so they can be ready for the unsubsidized rental market after their 5 years expires. **Second**, a term limit gives other needy people a turn to receive THA's rental assistance.

The HOP offer two types of extensions to the 5 year term. **First**, HOP grants a household three months of additional assistance to account for an unexpected loss of income within 90 days prior to exiting the program. **Second**, HOP offers up to one year of additional assistance if an adult member of a household is or becomes actively engaged in a qualified self-sufficiency activity such post-secondary education or training or participates in THA's Family Self-Sufficiency Program.

¹ Riccio, J., Deitch, V., Verma, N., & M. (2017, October). *Reducing Work Disincentives in the Housing Choice Voucher Program: Rent Reform Demonstration Baseline Report* (Rep.). Retrieved July 8, 2019, from U.S. Department of Housing and Urban Development Office of Policy Development and Research website: <https://www.huduser.gov/portal/sites/default/files/pdf/Reducing-Work-Disincentives-Housing-Choice.pdf>

² A non-work-able household (elderly and/or disabled) is a household in which all adult members are:

- 57 years of age or older at the time of admission and or
- All adult household members have an income source that is due to the person being classified as senior and or disabled and or
- All adult members of the household are TANF recipients and the Departments of Social and Health Services (DHS) has exempt (exempt, not exempt/deferred) the household member(s) from TANF work requirements for an approved reason

(3) *Enhanced Community Services to Help Households Increase Earnings and Assets*
 HOP offers enhanced services to help households increase their income and assets. These services include credit and employment coaching, tax assistance, GED classes, employment readiness, job training, post-secondary educational resources, and behavioral health supports. For example, by contract with THA, Sound Outreach gives THA clients a priority on receiving its excellent financial coaching services. THA offer these services at various stages:

- 90 days after the households move into their new housing THA invites them to a briefing with a THA case worker. During this meeting the caseworker completes an assessment, discusses the household's goals for their time on the program, and offers services.
- Annually, THA invites households to meet with a caseworker;
- THA increases the frequency of these invitations after the household reaches 18 months remaining on the program.

HOP does not require households to engage with these services. Forty percent (40%) of time-limited HOP households with less than one year remaining on the program have received supports. On average, work-able HOP families exiting the program increased their household income by 32% over their time on the program.

| Comparison of Housing Opportunity Program vs. Housing Choice Voucher | | |
|---|-------------|--------------|
| | HOP | HCV |
| Annual Program Cost <i>(Rental Assistance Dollars Only)</i> | \$3,563,712 | \$15,947,100 |
| Average Annual Subsidy Per Household | \$6,624 | \$8,460 |
| Average Monthly Subsidy Per Household | \$552 | \$705 |
| Number of Households Currently Served | 538 | 1,885 |
| Number of People Currently Served | 1,403 | 4,824 |
| Elderly and/or Disabled Households | 52% | 58% |
| Work-able Households | 48% | 42% |
| Households with a Time Limit | 48% | N/A |
| Average Market Rent (gross rent) | \$1,017 | \$1,070 |
| Average Tenant Rent (tenant portion) | \$462 | \$392 |
| Average Rent Burden ³ | 30% | 29% |
| Average Age of Head of Household | 50 | 54 |
| Household Size | 2.3 | 2.3 |
| Households with Children | 50% | 41% |
| Head of Household Race: Person of Color | 35% | 50% |
| Head of Household Race: White | 30% | 48% |
| Head of Household Race: Did Not Disclose | 35% | 1% |
| Average Annual Income: All Households | \$19,099 | \$16,397 |
| Average Annual Income Work-able Households | \$24,119 | \$21,322 |
| Work-able Households with Wages | 75% | 64% |

³ Rent burden refers to the percentage of household income paid towards rent. Rent burden = tenant portion of the rent/gross monthly household income.

As the table above shows, HOP households have a higher average income than the HCV households, even though they both have the same eligibility criteria that focuses on very low-income households. This variation in average income may result from several factors. **First**, the HCV households joined the program and found landlords before 2013; HOP households joined since then. Yet since 2013 the Tacoma rental market has changed. It is now much more expensive and its vacancy rate is a lot lower. This new rental market may afflict HOP households seeking housing since 2013 more than HCV households who may have found their housing under the old rental market. **Second**, in the search for housing, the lower HOP subsidy afflicts lower income households more than higher income households. Whatever its cause, this disparity concerns THA and bears watching. THA’s mission is to serve the neediest households in Tacoma. At the same time, THA has greatly increased its investment of housing dollars into its other programs that even more precisely target the neediest households in Tacoma.⁴ In the aggregate, THA’s focus on the neediest remains intact.

2. CALCULATION OF THE HOP SUBSIDY: SOME MORE DETAIL

The HOP subsidy amount is based on household size, not income. The household size determines the amount of subsidy the family receives. THA calculates voucher size/subsidy amount by assigning two persons per bedroom. For example, a three person household would be offered a two-bedroom voucher. Households may choose to rent above their assigned voucher size. The subsidy amount is equal to 50% of THA’s payment standards. Payment standards approximate market rents. The following table shows the HOP subsidy amounts by bedroom size.

| Bedroom/ Voucher Size | Min / Max Household Size | HOP Monthly Subsidy (average \$552) | Payment Standard |
|----------------------------------|-------------------------------------|--|-------------------------|
| 0 bedrooms | 1 member | \$430 | \$860 |
| 1 | 1-2 | \$483 | \$966 |
| 2 | 3-4 | \$633 | \$1,265 |
| 3 | 5-6 | \$915 | \$1,829 |
| 4 | 7-8 | \$1,111 | \$2,222 |
| 5 | 9-10 | \$1,278 | \$2,555 |
| 6 | 11-12 | \$1,445 | \$2,889 |
| 7 | 13-14 | \$1,611 | \$3,222 |
| 8 | 15-16 | \$1,778 | \$3,555 |

The subsidy amount is fixed; it does not decrease or increase with changes in household income. When a household increases their income, they are able to keep that increase.

⁴ E.g, THA funds Pierce County’s Rapid Rehousing Program for homeless families and young adults; expanded College Housing Assistance Program for homeless enrolled college students; Expanded Tacoma Schools Housing Assistance Program for homeless families with children enrolled in Tacoma Public Schools; Project-based rental assistance with partners serving special needs populations (disabled persons, domestic violence victims, elderly).

3. **HOP EXITS; INCOME PROGRESSION; RENT BURDEN UPON EXIT**

Since 2013, 276 households have exited the HOP. THA experiences yearly turnover with the HOP regardless of time limits. Most of the exits to date were not time limited households or they were time limited households that exited prior to their final year on the program.

Forty-eight (48) work-able households exited the HOP during their fifth and final year on the program. These HOP exits increased their household income by an average of 19%. Even with this increase, their average rent burden without assistance would be 57%. THA estimates this burden by using the gross rent the household would pay if they continued to rent the same unit.

Most HOP exits were renting units below fair market rent values. On average, HOP exits pay rents that are 27% less than fair market value. If a HOP household relocated and paid a market rent they can expect to see a significantly higher rent burden. 143 work-able HOP households exited prior to their final year on the program. These households exited early for a variety of reasons. These HOP exits increased their household income by an average of 37%.

Taken together with HOP households that exited in the final year, work-able HOP exits collectively increased their income by 32%.

| Expected Future HOP Exits by Calendar Year | |
|---|-----------------------------|
| HOP Exit Year | Number of Households |
| 2019 | 21 |
| 2020 | 49 |
| 2021 | 40 |
| 2022 | 42 |
| 2023 | 33 |
| 2024 | 71 |
| Total | 256 |

THA is not tracking what happens to households after they exit the program. Doing this is expensive and difficult. THA has consulted other housing authorities with time-limited programs who have also tried to track exiting households, without much success. Some agencies have tried to incentivize exited households to participate in surveys, with mixed results. THA is investigating how to do this.

4. **COMMUNITY CONSULTATION**

THA designed the HOP program in 2012 with community consultation. It has continued to consult as it considers changes to HOP. In late 2017 and early 2018 THA met with HOP participants, households on THA's waiting list, proxy voices for those unable to get on our waitlists and over 50 community organizations, community partners and elected officials to seek their advice. The consultation elicited broad support for maintaining the HOP's time limits and the fixed subsidy. Attached is the menu of options THA presented to the community during its consultation.