rent reform

fair and simple solutions
executive summary

**The problems**
Contrary to its intent, current rent policy encourages deceit and dependency, demeans assisted housing applicants and participants, and isolates them from the private rental housing market. The system for setting program rents requires major reform for the following reasons:

- Similarly situated residents may pay **significantly different rents** for virtually identical housing.

- Residents must relinquish significant amounts of **personal privacy** and abide significant intrusion into their personal circumstances.

- Combined with state welfare policies, rent policy may discourage the inclusion of family members with incomes. **Husbands and fathers** are not encouraged to join or fully participate in their families’ lives.

- The treatment of increasing earned income in setting rent **punishes work**.

- Participants become accustomed to unique housing **costs unrelated to housing quality** that change with their financial circumstances, unlike private sector rents.

- Current policy **encourages deceit**, inviting incomplete or inaccurate disclosure by verification sources, sponsors’ staff members, and participants.

- Rent policy **confuses** applicants, tenants, housing authority staffs, policy makers, and the general public, leading to misunderstanding, errors, and misapplication of housing assistance.

**PHADA’s solutions**
To address these problems and reform rent policy, the Public Housing Authorities Directors Association (PHADA) has adopted three principles.

- **Principle I**: Encourage increasing **earned income**.
- **Principle II**: Maintain housing **affordability**.
- **Principle III**: Achieve real **simplification**.

Based on its analysis of the best information HUD has made available, PHADA urges HUD and Congress to implement assisted housing rent reform by implementing either of two rent setting policies:

1. A **tiered rent structure** that resembles rent setting policies in the Low Income Housing Tax Credit program, or

2. A **percentage of gross income rent structure** that acknowledges differential tax treatment of earned income, pension income, and other unearned income.
History

More than ten years ago, PHADA and the Georgia Association of Housing and Redevelopment Authorities (GAHRA) proposed to modify assisted housing rents to encourage work and earnings among assisted housing program participants and to help retain poor working participants. A number of current rent provisions can be traced to these PHADA/GAHRA efforts, including the earned income disregard, and provisions for locally developed income deductions and market-based caps on public housing rents.

In 2001, the Department of Housing and Urban Development published a study of the quality of rent determinations in assisted housing programs. That study found significant rates of erroneous rent determinations that resulted in approximately $1.7 billion in housing assistance being misapplied. One of the report’s strongest recommendations was that current federal rent policies, which facilitate these errors and misapplied funding, should be simplified.

Why rent reform now?

The need for simplification is clear. It would offer some administrative relief from the current complex patchwork of assisted housing rent policies that has grown up over the past 50 years. The poster-sized flowchart in the center of this publication depicts the rent labyrinth that residents and housing authorities have to navigate every day.

However, reform is more than just simplification. This broader reform effort aims to eliminate the current rent policy’s discouragement of earned income, not just to simplify administration or improve efficiency. The hope is to treat applicants and tenants equitably and respectfully, encourage virtue and independence, and improve policy transparency for tenants, applicants, HA staff members, policymakers at all levels of government, and the general public.

What rent reform?

PHADA reviewed four rent policy designs as potential alternatives to the current system:

- Flat rents that mimic rents in the private sector,
- Tiered rents that mimic rents in the Low Income Housing Tax Credit (LIHTC) program,
- Income-based rent setting, which resembles the current policy but radically simplifies the income on which rent is based, and
- Devolution that mimics the local policy setting typical of the Moving to Work (MTW) demonstration.
Each of these approaches has attractive characteristics, but only two sufficiently address PHADA’s principles. While flat rents are simple, transparent, and equitable, and do not penalize households that increase earned income, they are least likely to maintain housing affordability. Devolution that resembles the MTW demonstration offers broad possibilities for rent setting policy, but the impacts of local rent setting are very difficult to project or analyze. A 2004 assessment of MTW reported positive outcomes from changes in rent policies, but the sample of agencies that changed rent structures was small and the study’s conclusions were tentative. PHADA has chosen to propose adopting either of two possible reform alternatives:

- The tiered rent alternative, resembling LIHTC rents, and
- The percentage of gross income rent setting approach using historical gross income.

The poster-sized flowchart in the center of this publication depicts the enormously complicated current policy.
The current system is unfair.

Households with identical incomes can pay significantly different rents for identical housing. The following four examples compare single-person households with $10,000 in annual income who live in one-bedroom apartments.

1. An elderly retiree with Social Security income and less than $300 in unreimbursed medical expenses would pay rent of approximately $240 per month for a one-bedroom apartment.
2. An elderly retiree with $600 in unreimbursed out-of-pocket prescription drug expenses would pay 3 percent less in rent, or $233 per month, for a one-bedroom apartment.
3. An elderly retiree enrolled in the Medicare Prescription Drug program with a discount card annual fee of $30 and $600 in out-of-pocket discounted prescription drug costs that would ordinarily cost $1,200 pays 10 percent less rent, or approximately $217 per month, for a one-bedroom apartment.
4. A non-elderly single person who had been unemployed with no income for the prior twelve months and now earns $10,000 per year would pay $0 rent for a one-bedroom apartment in the first year of employment, $125 per month in the second year of employment and $250 rent thereafter.

The treatment of utility expenses in assisted housing further complicates the comparability of assisted housing rents, as demonstrated in Table 1. The differences shown in the table are unrelated to the quality, age or location of the households’ housing.

### Table 1. Rent Paid for Assisted One-Bedroom Apartments, $10,000 Yearly Income

<table>
<thead>
<tr>
<th>Example</th>
<th>Adjustments</th>
<th>Gross Rent</th>
<th>After Utility Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>$ 400</td>
<td>$ 240</td>
<td>$ 140</td>
</tr>
<tr>
<td>#2</td>
<td>$ 700</td>
<td>$ 233</td>
<td>$ 133</td>
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<tr>
<td>#3</td>
<td>$ 1,330</td>
<td>$ 217</td>
<td>$ 117</td>
</tr>
<tr>
<td>#4, year 1</td>
<td>$ 10,000</td>
<td>$ 0</td>
<td>$(100)</td>
</tr>
<tr>
<td>#4, year 2</td>
<td>$ 5,000</td>
<td>$ 125</td>
<td>$ 25</td>
</tr>
<tr>
<td>#4, year 3</td>
<td>$ 0</td>
<td>$ 250</td>
<td>$ 150</td>
</tr>
</tbody>
</table>

Range of gross rents (before utility allowance): $ 0 to $250 / month

Range of rents paid (after utility allowance): $ (100) to $150 / month

\(^{1}\) This column assumes a utility allowance of $100 per month for a one-bedroom apartment. Amounts in parentheses represent monthly payments of utility reimbursements to assisted housing tenants. In these instances, households would pay no rent.
The next examples compare two-person households with annual incomes of $10,000 who live in two-bedroom apartments.

5. A non-elderly two-person household with an adult member who earns $10,000 would pay rent of $250 per month for a two-bedroom apartment.

6. A two-person household whose only income is from an adult full-time student earning $10,000 would pay no rent for a two-bedroom apartment.

7. A two-person household whose head earns $5,000 per year and whose other adult member earns $5,000 per year after 8 months of unemployment would pay rent of $250 per month for a two-bedroom apartment.

8. A two-person household in which one member earns $5,000 and the other member earns $5,000 per year after 12 months of unemployment would pay rent of $125 per month during the first year of employment, $188 rent during the second year, and $250 rent in the third year.

Table 2 summarizes rents paid by these households, including the effect of a $150 utility allowance. Again, the differences shown in the table are unrelated to the quality, age or location of the households' housing.

### Table 2. Rent Paid for Assisted Two-Bedroom Apartments, $10,000 Yearly Income

<table>
<thead>
<tr>
<th>Example</th>
<th>Adjustments</th>
<th>Gross Rent</th>
<th>After Utility Allowance²</th>
</tr>
</thead>
<tbody>
<tr>
<td>#5</td>
<td>$ 0</td>
<td>$ 250</td>
<td>$ 100</td>
</tr>
<tr>
<td>#6</td>
<td>$ 10,000</td>
<td>$ 0</td>
<td>$ (150)</td>
</tr>
<tr>
<td>#7</td>
<td>$ 0</td>
<td>$ 250</td>
<td>$ 100</td>
</tr>
<tr>
<td>#8, year 1</td>
<td>$ 5,000</td>
<td>$ 125</td>
<td>$ (25)</td>
</tr>
<tr>
<td>#8, year 2</td>
<td>$ 7,500</td>
<td>$ 188</td>
<td>$ 38</td>
</tr>
<tr>
<td>#8, year 3</td>
<td>$ 0</td>
<td>$ 250</td>
<td>$ 100</td>
</tr>
</tbody>
</table>

Range of gross rents (before utility allowance): $ 0 to $ 250 / month
Range of rents paid (after utility allowance): $ (150) to $ 100 / month

Eight households with the same income, occupying identical one- or two-bedroom apartments, will pay remarkably different rents. Each rent is completely dependent upon household characteristics that can change significantly from year to year, and are only remotely related to the characteristics of their housing (e.g. apartment size, services and amenities offered, location, age).

² This column assumes a utility allowance of $150 per month for a two-bedroom apartment. Amounts in parentheses represent monthly payments of utility reimbursements to assisted housing tenants. In these instances, households would pay no rent.
When a family applies for housing assistance, their employer, their babysitter, and even their pharmacist will learn about it.

The current system invades residents’ privacy.

Under current rules, housing authorities must verify every piece of information affecting a household’s eligibility or rent. Program sponsors must generally obtain written third-party verification directly from the information source. Information can include family composition, the presence of a live-in aide, the relationships between family members, member citizenship, each member’s date of birth, race and ethnicity, social security number, criminal background, credit history, former landlord references, whether any employed household member has been unemployed for the past 12 months or has received Temporary Assistance for Needy Families (TANF) benefits, and the academic status of any full-time student over 18 years of age. Housing authorities must keep documentation of this information in their files.

Housing authorities must also determine and verify incomes and certain expenses a family member will receive or incur in the coming 12 months. This information can include earned income, net business income, pension income, social security benefits, TANF benefits, other state or local welfare benefits, alimony, child support received or paid, unemployment benefits, food stamp benefits, disability benefits, the nature and market value of assets, unreimbursed medical expenses, the value of Medicare supported prescription drug discounts, child care expenses, disabled care expenses, whether those expenses enable a household member to work, and expenses incurred for a live-in aide. Housing authorities must also keep documentation of this information in their program files.

To obtain verifications, housing authorities must solicit information from employers, welfare departments, the Social Security Administration, pharmacies, doctors and other medical practitioners, daycare providers, pension plans, insurance companies, state and local health departments and bureaus of vital statistics, credit reporting agencies, local and state police departments, the Federal Bureau of Investigation, state wage information collection agencies, institutions of higher education, providers of student financial aid, former partners who may pay or receive alimony or child support, and banks and other financial institutions. In each instance housing authorities must disclose the purposes of their inquiry, informing each information source that the household in question has applied for or is receiving housing assistance.

This information collection occurs at least once every year, and may occur more frequently if a household experiences changes in their circumstances that they must report to the housing authority or program sponsor.

The intrusion into the personal and financial lives of program applicants and participants involves a twofold risk to their personal privacy. First, families risk that housing authorities or HUD may lose control of these detailed personal records. Second, any organization that conducts financial transactions with household members will become aware that they are an affordable housing applicant or participant through the flood of solicitations required to verify the information affecting household eligibility or rent.
Husbands and fathers in assisted housing have an incentive to live away from their families, or to lie about where they live.

The current system contributes to family instability.

Combined with some state welfare policies, rent policy can discourage the formation of traditional two-parent households, or encourage their dissolution. The income of every adult member of a household raises the rent. Husbands and fathers who may have higher incomes than wives and mothers face an economic incentive to reduce income that encourages the absence of husbands and fathers. The resulting tenuous connection between husbands and fathers with their families and children can destabilize households and contribute to the knot of dysfunctional behaviors often associated with affordable housing programs and their participants.

In addition to the effects on family stability, the economic incentives of the current rent policy tend to encourage fraudulent claims concerning adult household membership. In some states, the presence of husbands and fathers can render households ineligible for welfare assistance. Families claim that husbands or fathers are not household members, marginalizing their status and encouraging a particularly pernicious pattern of “snoopervision” involving attempts to prove the presence of adult household members. These disincentives undermine the value of the traditional family and of work, and undermine the development and maintenance of character and virtue among assisted housing program participants.
The current system does not motivate residents to earn more money.

Encouraging low-income households to gain, hold and increase their earned income has been a major theme of recent policy development. The Family Self-Sufficiency Program was an early example; more recent examples are TANF, the Earned Income Disregard, and the community service requirement. Despite this tendency, rent policy in assisted housing costs earned income more than other income, motivating some residents to restrict or to terminate their employment. One housing authority has found that the maximum subsidy available from a Housing Choice Voucher exceeds participants’ anticipated after-tax earned income. The agency surmises that voucher holders can “earn” more by not working and increasing their housing subsidy than they can with earned income that also increases their rent.

The problem is compounded by effects of the federal income and payroll taxes that consume approximately 22 percent of income for households with incomes below $28,000 per year. When rents rise by 30 percent of any new earned income, and since those rents must be paid from the 78 percent of gross income that remains after federal taxes, the nominal rent burden for these income increases is almost 39 percent. The combined effect of nominal taxes and income-based rent is that assisted housing residents with earned income retain 48 percent of income increases after taxes and housing cost increases. By comparison, a TANF recipient retains 70 percent of any grant increase after housing cost increases, and a pension recipient retains approximately 56 percent of any pension benefit increases.

<table>
<thead>
<tr>
<th>TANF recipients</th>
<th>Working residents</th>
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<tr>
<td>Grant increase</td>
<td>New earnings</td>
</tr>
<tr>
<td>After taxes</td>
<td>After taxes</td>
</tr>
<tr>
<td>After taxes and rent increases</td>
<td>After taxes and rent increases</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Grant increase</th>
<th>After taxes</th>
<th>After taxes and rent increases</th>
<th>New earnings</th>
<th>After taxes</th>
<th>After taxes and rent increases</th>
</tr>
</thead>
</table>
When rent depends on household income, instead of housing size and amenities, residents don’t develop the skills or experience they need to shop for housing in the private market.

The current system is unlike private sector rents.

With approximately 3.2 million participating households, each of whom pays a rent based upon their unique income, expenses and family characteristics, public housing and Housing Choice Vouchers have approximately 3.2 million unique monthly rents. Since these rents are based on changeable household characteristics (e.g. income, medical expenses, child care expenses, family membership, member age) they can also change frequently during the year. Rents in private sector housing represent the price of an apartment or house with a stable set of characteristics (e.g. size, location, amenities) that usually change no more frequently than once each year, and which are determined largely by impersonal market forces.

Sponsors report resident behaviors that make sense in the context of assisted housing programs but are inconsistent with rational economic decisions in the general rental housing market. Within the rent limitations of assisted housing programs, residents maximize the quality of their housing and its amenities without regard to costs. Families don’t develop shopping skills or experience in weighing amenities against their associated costs.

Since the average tenure in assisted housing programs is less than 10 years, many assisted housing families will likely spend some part of their adult lives living in private sector housing, paying private sector rents. Unfortunately, assisted housing programs train families to make decisions as though rents are unrelated to the character, quality or location of their housing and are determined by their household income and other personal characteristics. These programs fail to prepare families to operate successfully in the traditional rental housing marketplace.
If doctors or employers lie on verification forms, residents can save a substantial proportion of their income.

The current system rewards fraud and deceit.

Current policy offers public officials and sources of verifications as well as applicants and participants significant economic and non-economic incentives to withhold or misrepresent information affecting rent.

- To satisfy their patients’ requests, some medical providers may submit questionable assertions of handicaps or disabilities.
- Employers may understate anticipated wage increases or bonuses to give employees a “break” on their rent.
- HUD’s Inspector General has reported on cases of corrupt officials who have accepted bribes or kickbacks for admitting households or minimizing rents.
- Applicants and participants can save substantial proportions of their meager incomes by withholding or misstating information affecting rents.

The corrupting influences of this policy are especially pernicious given that those affected comprise the poorest segment of the population. With a national median annual income of about $11,000, incentives to deceive are particularly influential for assisted applicants and participants.
The current system confuses everyone.

The complexity of the rent system leads to confusion for everyone involved. Residents do not understand their rents, nor do housing authority staff members or Commissioners, nor do local, state or federal elected policy makers. Applicants’ and tenants’ lack of understanding erodes their trust and perceptions of fairness of assisted housing programs; staff members’ lack of understanding produce erroneous rent determinations; elected and appointed policy makers’ misunderstanding undermines their capacity to set policies likely to achieve their goals and exceeds their capacity to monitor policy implementation.

More than forty sources of income are excluded from consideration in determining assisted housing rents, there is a growing list of non-cash benefits that must be treated as income, and several sources of non-cash income must be counted as and then excluded from income. Rather than using historical income information, housing authorities must set rents using anticipated income. To set a rent, households, housing authorities, employers, payers of benefits, medical and child care providers must forecast often unpredictable incomes, benefits and costs. Cash and non-cash assets are presumed to produce income at a prevailing passbook savings rate, and the values of non-cash assets must be appraised in order to impute income, an often complicated art. These complex, confusing, inaccurate definitions of income exist alongside many other federally sponsored definitions of income, such as income eligibility for TANF, food stamps, free and reduced price school lunches, higher education financial aid, the Earned Income Tax Credit and other tax credits and deductions, and income defined in the federal tax code. Taken together, this represents a significantly inefficient federal approach to income determination.

A HUD-commissioned study found that highly complex assisted housing rent policy invites several forms of error, and that those errors produced a gross misapplication of housing subsidy dollars of $2.3 billion per year. The errors include instances where households paid rents that were too low (resulting in errors worth $1.7 billion), and where households paid rents that were too high (resulting in errors worth $0.6 billion). Errors resulted in a net overpayment of housing assistance of $1.1 billion per year. The report includes four pages of policy recommendations, 38 percent of which concern a recommendation that “Federal laws, regulations and HUD requirements should be simplified to the extent possible.”
Housing authorities would develop a rent structure like that used for Low Income Housing Tax Credit (LIHTC) properties which establishes rents by bedroom size payable by families whose gross incomes fall within one of the traditional income categories (e.g. extremely low income (ELI), very low income (VLI), low income (LI)). To address rents for households at the extremes of the income ranges (e.g. below 10 percent and above 80 percent of Area Median Income, or AMI), a minimum rent and a market-based rent are the straightforward solution.

<table>
<thead>
<tr>
<th></th>
<th>Minimum Rent</th>
<th>ELI Rents</th>
<th>VLI Rents</th>
<th>LI Rents</th>
<th>OI Rents</th>
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</thead>
<tbody>
<tr>
<td>30%</td>
<td>$63</td>
<td>$63</td>
<td>$179</td>
<td>$299</td>
<td>$478</td>
</tr>
<tr>
<td>0 BR</td>
<td>$63</td>
<td>$63</td>
<td>$179</td>
<td>$299</td>
<td>$478</td>
</tr>
<tr>
<td>1 BR</td>
<td>$63</td>
<td>$64</td>
<td>$192</td>
<td>$320</td>
<td>$512</td>
</tr>
<tr>
<td>2 BR</td>
<td>$63</td>
<td>$77</td>
<td>$230</td>
<td>$384</td>
<td>$614</td>
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<tr>
<td>3 BR</td>
<td>$63</td>
<td>$89</td>
<td>$266</td>
<td>$444</td>
<td>$710</td>
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<tr>
<td>4 BR</td>
<td>$63</td>
<td>$99</td>
<td>$297</td>
<td>$495</td>
<td>$792</td>
</tr>
</tbody>
</table>

In this example, minimum rents are based upon 30 percent of 5 percent of the national median income. The rent for extremely low income households is 30 percent of 10 percent of the AMI adjusted for family size. Very low income families’ rents would be set at 30 percent of 30 percent of the area median income adjusted for family size, and low income families’ rents would be set at 30 percent of 50 percent of the AMI adjusted for family size. For over income families, rents could be set at 30 percent of 80 percent of the AMI adjusted for family size, or set at the local market rent for the unit. Thus, except for minimum rents and maximum rents, families would pay 30 percent of their income (if their income was equivalent to the income at the floor of the appropriate income category) or less. An added incentive for earnings can provide a one-year exclusion of 20 percent of any new earned income.

Under the tiered rent plan, Jessica Roundy and her neighbors would pay the same rent for the same size apartment. Their rent would stay the same until their income changed appreciably.
This policy meets PHADA’s principles.
It encourages or does not penalize increasing earned income. Increasing earned income within income categories would have no effect on rent. With some requirement for ongoing eligibility recertification, housing authorities will know whether families move from one income category to another. However, policies concerning annual changes to rents need not take actual household income into account (several Moving to Work participating agencies currently use a standard annual rent inflator after initial occupancy). Households would no longer face the onerous loss of earned income increases to changes in income-based rent.

It is affordable. Based on PHADA’s preliminary analysis, this model produces average rent burdens of slightly less than 30 percent of gross income.

It is simple. Rent tables may be constructed annually or less frequently, based on HUD’s published AMI tables, locally established minimum rents, and HUD estimates of market rents such as published Fair Market Rents (FMRs). Once applicants are determined income eligible, housing authorities know into which income category they fall, and an applicant will pay rent based on the size unit for which they are eligible and their income category.

This policy solves other problems with the current system.
It is equitable. Households who fall into an income category will pay the same rent for the same size housing unit.

It supports other positive impacts on participating households. Although not closely linked to resident income, even this loose coupling has some potential to encourage program fraud. However, this alternative substantially reduces the points at which fraud may be encouraged to those incomes around the boundaries between categories.

Since it is based on gross income, this approach to rents substantially reduces the intrusiveness of eligibility determination, rent setting, and recertification. If eligibility and rent setting were to be based upon historical rather than anticipated gross income, program intrusion into applicants’ and tenants’ lives may be reduced to a review of families’ 1040, 1040A, or 1040EZ income tax filings.

Rent less closely coupled to family income will reduce or eliminate incentives for adult family members with income (e.g. husbands or fathers) to leave, not join their families, or fraudulently claim to live elsewhere. These family members can become full and recognized participants in the lives of their children, their families, and their communities.

This approach more closely resembles private sector rent structure setting practices, produces a table of rents similar to those used in LIHTC properties, and establishes a rent which remains the resident’s responsibility, as is the case in private sector housing.

It is transparent. Applicants, tenants, staff, policy makers and the public can access rent structure tables and know at a glance what rent a family in a given economic category will pay for housing of a given size. The process for creating these rent structure tables, while slightly more complex than reading them, is straightforward and understandable.
This model resembles the current rent policy, although it uses a radically simpler definition of income for rent setting purposes. In order to address the principle that a new rent structure encourage or not penalize earned income, this structure can use proportions of income indexed to accommodate some tax burden differences resulting from the Federal income and payroll tax rates.

Earned income is subject to both the Federal income tax and the Federal payroll tax (Social Security and Medicare taxes). Pension income (e.g. social security old age assistance, retirement plan distributions) is not subject to the payroll tax but is subject to the Federal income tax. Grants of aid such as TANF are subject to neither the payroll tax nor the income tax. A rent structure that accommodate some of these different tax burdens could use a proportion of 25 percent of gross income for household incomes that include earned income, and a proportion of 28 percent for all other gross household incomes. PHADA did not apply any minimum or maximum rents in its analysis, but the minimum rent described under Solution 1 above can be applied to this rent structure as well. An added incentive for earnings can provide a one-year exclusion of 20 percent of any new earned income.

Rent paid by households with $11,000 yearly income under the current system and the percentage of gross income system

<table>
<thead>
<tr>
<th></th>
<th>Current system</th>
<th>Proposed system</th>
<th>$0</th>
<th>Proposed system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household with earned income</td>
<td>$266</td>
<td>$241</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household receiving educational assistance</td>
<td>$259</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Under the percentage of gross income plan, Jessica Roundy and her neighbors with the same income would pay the same rent for the same size apartment. If their income went up by the same amount, their rent would go up by the same amount.
This policy meets PHADA’s principles.

It encourages or does not penalize increasing earned income. Although increasing income of any kind would raise rent, households with earned income, pension income or grant income would see proportionally similar rent increases from similar disposable income increases. Wage earning households would not be burdened with disproportionately large rent increases, and there will be some incentive to gain earned income and reduce the rate applied to gross income used to calculate rent.

It is affordable. By definition, households will pay a rent that is between 25 percent and 30 percent of gross income.

It is simple. Rent may be calculated by applying an appropriate proportion to gross household income. When applicants are determined income eligible, housing authorities know whether households receive earned or pension income, and an applicant’s rent can be determined quickly.

This policy solves most other problems with the current system.

It is equitable. Households with a given gross income that includes incomes of a certain type will pay an easily predictable rent, and households with similar income characteristics will pay much more similar rents than they do under current policy.

It supports other positive impacts on participating households. This approach links rents more closely to tenant income and provides incentives for program fraud similar to the current policy. However, since this alternative uses a radically simplified definition of income, it reduces the points at which fraud may occur. If rents are based on historical income reported for tax purposes, penalties associated with fraud unrelated to housing assistance are harsher and involve federal, state and local tax reporting as well as reporting for rent setting purposes.

Rent policy closely linked to income will likely continue current adverse affects on families and the current encouragement of fraud concerning family membership.

Based on gross income, this alternative substantially reduces the intrusiveness of eligibility determination, rent setting, and recertification. If eligibility and rent setting were based upon historical rather than anticipated gross income, program intrusion into applicants’ and tenants’ lives may be reduced to a review of submitted 1040, 1040A, or 1040EZ income tax filings.

Since this rent policy closely resembles the current policy, these rents will continue to differ from those in the private sector.

It is transparent. Applicants, tenants, staff, policy makers and the public can understand the differential proportions and their application to a specific applicant’s or tenant’s income characteristics.
For 15 years, PHADA has been committed to rent policies that meet explicit federal policy goals and treat applicants and participants fairly and with dignity and respect. The association’s first foray into this arena aimed to overcome the severe discouragement of earnings produced by an earlier federal effort to restrict housing assistance to the truly needy. Today, PHADA is convinced that the patchwork assisted housing rent policy is beyond repair and requires top-to-bottom reform. In the spirit of equitable and respectful reform, PHADA has offered two alternative rent policies which meet the association’s principles and which overcome other serious problems with the current policy.

While choosing to endorse two approaches and not to endorse two other approaches that do not fulfill PHADA’s principles as successfully, PHADA remains committed to discussions and debates concerning rent reform. If alternative proposals arise that successfully satisfy its three principles, PHADA will consider endorsing them. The overarching aim driving this effort is to offer eligible low-income households housing assistance in ways that are fair to participants and to the public, that approximate the character of the mainstream rental housing market, and that offer low-income households a level of dignity and respect currently unavailable to them.