



U.S. Department of Housing and Urban Development
Office of Policy Development and Research

Interim Report to the Congress:

Public Housing Comprehensive Transition Demonstration

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November 1991

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Introduction

Section 126 of the Housing and Community Development Act of 1987 (Public Law 100-242, signed February 5, 1988) authorized a Public Housing Comprehensive Transition Demonstration (hereafter referred to as "the demonstration"). The goal of the demonstration is to move families out of public housing and off public assistance into private-sector housing and economic independence. The Act required that the demonstration be carried out in Charlotte, North Carolina, and up to 10 other sites¹. The Act also calls for an interim report and a final report. Both reports are to focus on the effectiveness of the demonstration. This is the interim report. The final report will be submitted after the termination of the demonstration in 1995.

The demonstration, known as the Gateway Transitional Housing Demonstration Program (hereafter referred to as the "Charlotte Gateway Program"), is being carried out in Charlotte, North Carolina, by the Charlotte Housing Authority (CHA) and has been in operation since the end of 1988. The intention is to have up to 100 families enrolled in the program at any one time. This report on the Charlotte Gateway Program is based on site visits by U.S. Department of Housing and Urban Development staff, administrative reports prepared by staff of the CHA, the original and amended proposals, and file materials.

Program Requirements

The 1987 Act enumerated the following program requirements:

- o A Contract between the participating housing authority and the family which specifies the resources to be made available to the family and the responsibilities of the family to the program.
- o A Remediation Phase lasting up to two years during which the family will participate in the following: remedial education; high school completion; job training and preparation; substance abuse treatment and counseling; training in homemaking skills and parenting; and training in money management. During this period the rent charged the family shall not be increased because of increased family earnings.
- o A Transition Phase lasting up to five years during which the head of the household is required to have full-time employment and the housing authority is to ensure provision

¹ The budgetary impact of this approach is unknown and needs to be more fully assessed before additional sites are approved.

of counseling in homeownership, money management, and problem solving.

- o Establishment of incentives and mechanisms to encourage participating families to save funds during the remediation and transition phases.
- o Prohibition on reductions in benefits received from other Federal programs as the result of increased family earnings. (This requirement, as well as continued program participation, is subject to certain conditions on total family income.)
- o Completion by each family of the transition out of public housing within 7 years.

Program Concept

The demonstration is a test of a strategy which attempts to remove economic disincentives to personal initiative and industry. A family residing in public housing that increases its income will generally experience an increase in rent and is likely to lose benefits from several Federal programs such as child care assistance, Medicaid, cash payments from AFDC, and Food Stamps. When considered jointly these program benefit adjustment rules create very high cumulative benefit-reduction rates, which often leave the family with a decrease in "total income" when family members increase earnings by working more hours, improving job skills, changing to jobs with career potential, or finishing high school.

The authorizing legislation addresses the disincentive problem as follows:

"During the remediation phase, the amount of rent charged the family may not be increased on the basis of any increase in earned income of the family." (Sec. 126(c)(2)(B))

"Any increase in the earned income of a family . . . may not be considered as income or a resource for the purpose of denying the eligibility of, or reducing the amount of benefits payable to, the family under any other Federal law" (Sec. 126(c)(5)(A))

The Act further encourages movement towards self-sufficiency through its requirement that:

"Each participating public housing agency may enter into a voluntary contract with any family . . . (that) shall specify the resources to be made available to the

participating family and the responsibilities of the participating family." (Sec. 126(c)(1))

The Act also encourages homeownership and the transition from public housing through the accumulation of an escrow account:

"The public housing agency shall take appropriate actions (including the establishment of an escrow savings account) to encourage each participating family to save funds during the remediation and transition phases." (Sec. 126(c)(4))

These program features allow families to have their rents held constant during the two-year remediation phase and to have the benefits from other Federal programs (Food Stamps, AFDC and Medicaid) maintained at the same levels as when they entered the program. Thus, as their earnings rise during the remediation phase, their total incomes increase by the full amount. If income declines, rents may be lowered to maintain the 30 percent ratio of rent to income, but they may not be raised as long as the family is in the remediation stage. This gives the family the maximum incentive to increase earnings from employment during the remediation phase. Family members will receive employment and educational counseling aimed at enhancing job stability and career development. Family and personal counseling, including money management and credit enhancement practices, also are provided during this stage.

During the five-year transition phase, rents are allowed to increase as incomes increase but benefits from other programs are still held constant.² The difference between this rent and the cost of maintenance, utilities, management of the housing, and administration of the program is deposited or credited to an escrow account to allow a family to accumulate the funds needed to buy its own home. Linkages with public-private housing programs (e.g., Charlotte-Mecklenburg Housing Partnership and Habitat for Humanity) are established during this stage.

From Concept to Reality

The Charlotte Gateway Program represents a test of the comprehensive approach enunciated in the Act. CHA will provide comprehensive transition assistance to up to 100 families at any time during the life of the demonstration.

² Freezing benefits from other Federal programs is effective during the entire seven-year demonstration period unless income of the family exceeds 50 percent of the median income of the area.

Every applicant must complete an application and an employability assessment which are used to select families for admission to the program. To be selected, a family must satisfy the following criteria:

- o Family income must be under \$12,500 per year;
- o Educational, vocational, and other barriers can be overcome in less than two years;
- o The family must be willing to commit to educational and vocational goals aimed at long-term upward mobility; and
- o The family must be willing to commit to leaving public housing within a 5- to 7-year period.

The employability assessment is conducted by the City of Charlotte Department of Employment and Training. An Employability Development Contract, which contains a list of activities and a schedule for obtaining educational objectives and job skills, is then prepared as part of the admissions process.

The Charlotte Gateway Program includes the two stages-- Remediation and Transition--enumerated in the Act, but also contains an additional feature. Up to half of the participating families are to be located in a specially designated section of the Piedmont Courts housing development. This grouping of families in one development will allow for mutual support, reinforcement, and peer counseling among program participants. Charlotte Gateway Program administrative offices are also located at Piedmont Courts. Other participating families are to be asked to relocate to other developments operated by the CHA³. Having one group of families living in a single location and a second group dispersed throughout the Charlotte area will allow a future assessment of the effect of peer counseling and mutual reinforcement.

Several administrative hurdles had to be overcome before the Charlotte Gateway Program could become a reality. CHA needed to get waivers and exemptions from the U.S. Departments of Agriculture and Health and Human Services, at the national, regional and state-level offices; the North Carolina Department of Social Services; and the Mecklenburg County Department of Social Services.

³. All Charlotte Gateway Program participants are required to move--even those already living in a public housing unit of the Charlotte Housing Authority.

Although the law establishing the demonstration was enacted February 5, 1988, implementation of the demonstration did not begin until January 1, 1989. Exhibit 1 highlights key events associated with starting up the Charlotte Gateway Program. The most time consuming phase was associated with securing support and cooperation from the U.S. Department of Health and Human Services. Final approval did not occur until March 1989, when the State's amended AFDC plan was accepted.

One problem which delayed the Charlotte Gateway Program was that staffing levels were not adequate for the unexpectedly extensive amount of time required to fully process an application. This process involves application taking, skill evaluation and testing, career counseling, identifying a program of remedial action, verifying information and references, presentation of the case to the selection board, and execution of contract and lease.

Progress to Date

Once the Charlotte Gateway Program started to accept families and place them in Piedmont Courts or other public housing developments, the program grew at a steady pace. Twenty families were placed into units in February 1989, with the number growing to 55 by the end of 1989. The program attained the level of 81 families as of January 1991. Exhibit 2 portrays the growth of the program over the two-year period 1989 to 1991. Applications continue to be taken and evaluated with drop-outs and graduates being replaced. Some 553 families were screened and processed in order to attain the January 1991 level of 81 active families.

By October 1990, seven families with average incomes of \$17,000 were ready to enter the transition phase. These families will now be earning credits for their escrow accounts and receiving homeownership counseling. One participant left the program in June 1990 after saving enough money to make a down payment on a \$70,000 home. A second family was also expecting soon to purchase a home in the private sector.

Eleven families have either dropped out or been involuntarily removed from the program.

Charlotte Gateway Program staff have prepared data comparing characteristics of families at the time they entered the Charlotte Gateway Program and as of February 1991. The data are presented in Exhibit 3 for approximately 100 families who were in the Charlotte Gateway Program for at least 18 months. Changes in the data from entry to February 1991 are not attributable entirely to enrollment in the Charlotte Gateway Program: family

Exhibit 1.**Chronology of Key Events**

April 1987--Charlotte Housing Authority writes to Congressional delegation suggesting the demonstration, resulting in introduction of legislation.

June 1987--Passage of legislation by the House.

February 1988--Signing of the Housing and Community Development Act of 1987 which includes Public Housing Comprehensive Transition Demonstration authorization at Section 126.

Spring 1988--Frequent meetings in Washington, DC, with White House (Interagency Low Income Opportunity Advisory Board), HUD, Departments of Agriculture and Health and Human Services concerning program waivers, agreements and final design considerations.

July 1988--Federal authorities visit Charlotte Housing Authority to finalize proposal issues and to observe site preparations.

November 1988--Applications accepted from families for participation in the Charlotte Gateway Transitional Housing Demonstration Program.

January 1989--Comprehensive modernization of Piedmont Courts completed.

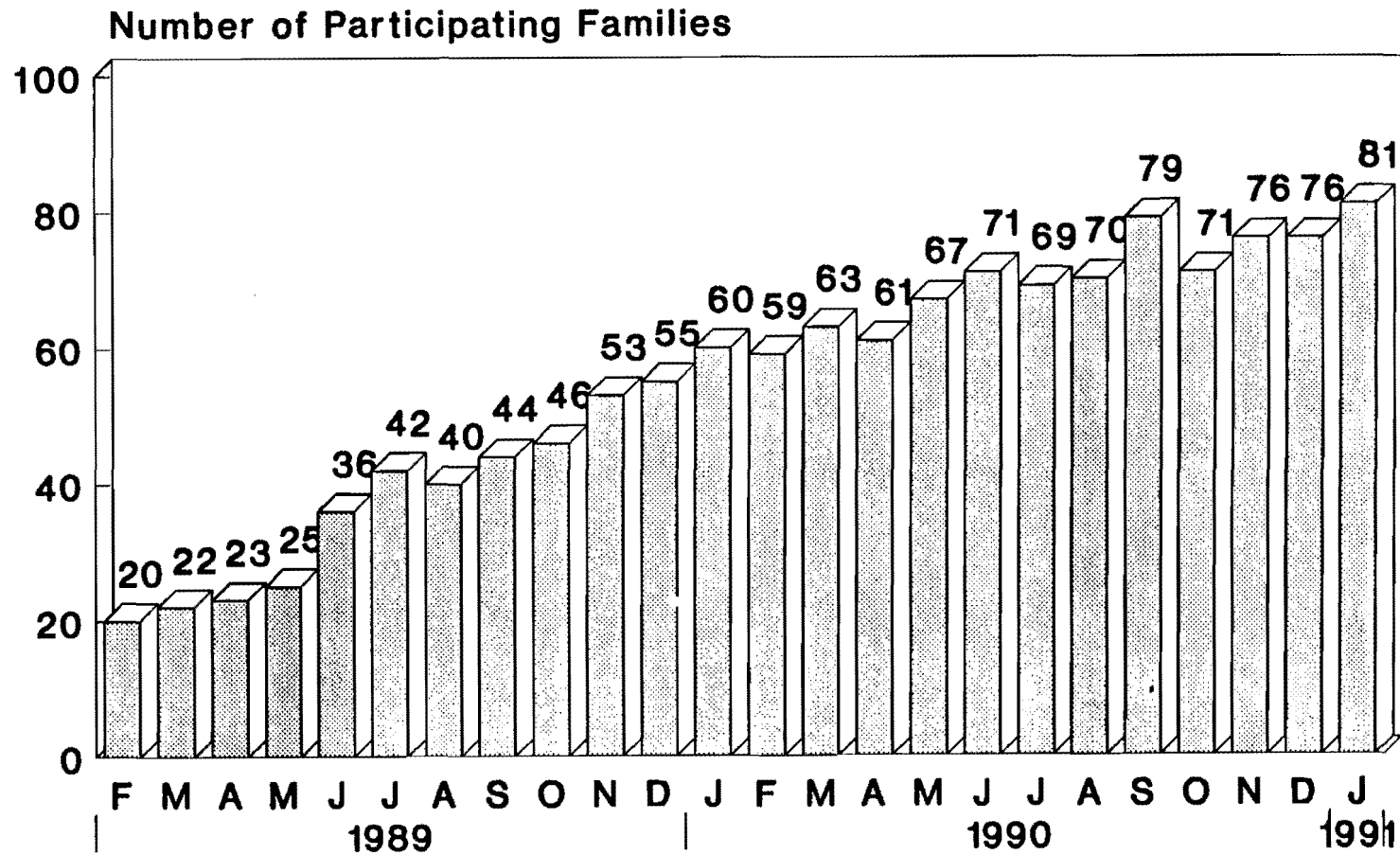
February 1989--First Employability Development Plan and contract signed.

March 1989--HHS accepts State of North Carolina's amended AFDC plan.

members may have changed their employment status, school attendance, and income for reasons totally unrelated to their involvement in the Charlotte Gateway Program.

Exhibit 2.

Gateway Transitional Housing Demonstration Program, Charlotte, NC



Source: Status Reports: Charlotte Housing Authority

Exhibit 3.

**Characteristics of Charlotte Gateway Program Families:
Entry Values Compared to February 1991 Values¹**

<u>Characteristic</u>	<u>At Entry</u>	<u>February 1991</u>
Employed Full Time	37%	37%
Employed Part Time	17%	35%
Enrolled in School /Training	47%	58%
Registered with Employ- ment and Training Program	53%	85%
Family Income (Ave.)	\$6,607	\$7,607
Education Level (Ave.)	11.4 Years	12.2 Years
AFDC Recipients	41%	45%
Food Stamp Award (Ave.)	\$88	\$90
Rent (Ave.)	\$165	\$109

1. These values are for those participants who were in the program at least 18 months.

Data Supplied by Charlotte Housing Authority

Bearing in mind this caution, the data do suggest the following:

- o Family members are nearly twice as likely to be working at part-time jobs in February 1991 as when they entered the program.
- o Charlotte Gateway Program family members are slightly more likely to be enrolled in school or training and considerably more apt to be registered with the Employment and Training Department of the City of Charlotte (receiving employment counseling and job search assistance) after being in the Charlotte Gateway Program for at least 18 months.
- o Family incomes are \$1,000 per year (15 percent) higher in February 1991 than when they first joined the program.
- o Educational levels have increased by nearly one year over levels at enrollment.

- o There has been little change in the welfare dependency of the group reflecting the demonstration program rules freezing Federal benefit levels and eligibility.
- o Families, on average, are spending less on rent, as would be expected, since some families first entered public housing when they enrolled in the Charlotte Gateway Program.

While families in the Charlotte Gateway Program are making progress toward the transition, it is still too early to determine the extent to which these changes can be attributable to the special features of the demonstration.

Charlotte Gateway Program Staff Identification of Barriers

Staff of the Charlotte Gateway Program have identified five barriers which have thwarted some participating families from meeting their commitments:

- o Reading problems--Many individuals were reading at less than the 5th grade level. This is critical because reading serves as the foundation for further training and underpins successful job performance.
- o Occupational Choices--Many women, especially minority women, have traditionally worked in lower-wage, service-oriented industries. Such employment may move families toward self-sufficiency at a slower pace than would be the case with non-traditional careers. Some family members in the Charlotte Gateway Program got frustrated with their slower rate of progress, failed to meet their personal commitments (as specified in the contract), and required additional counseling resources.
- o Debts and Student Loans--A surprisingly high proportion of family members have significant amounts of past due and delinquent debts--much of it from defaulted guaranteed student loans. This stymies efforts at getting financial aid for vocational and college attendance and will ultimately delay or prohibit mortgage financing for homeownership.
- o Social-Emotional Development--Many of the families have low self-esteem and have difficulty overcoming memories of past failures. Charlotte Gateway Program staff have had to devote significantly more time and energy to counseling and to providing positive reinforcement.
- o Single-Parent Families--Child care and health care are unusually severe challenges for single-parent families, and present problems for single parents who are trying to break

into non-traditional careers where employers may be less sensitive to these special considerations.

Charlotte Gateway Program staff are attempting to overcome these barriers by renewing efforts and trying new approaches. For example, staff have arranged for participating individuals to be referred to two volunteer reading assistance programs. Dealing with other barriers has been accomplished by increased emphasis on counseling sessions and group seminars. Finally, debt reduction is being accomplished through financial counseling.

Educational, Career and Occupational Goals

Charlotte Gateway Program participants are pursuing a wide range of career and occupational opportunities as shown in Exhibit 4. Much of the remediation, high school completion and career preparation is being accomplished through enrollment at Central Piedmont Community College (CPCC.) After overcoming basic educational shortcomings, many of the participating individuals (who are predominantly female) are following training and educational programs which lead to traditional service-oriented careers and occupations, e.g., licensed practical nurse, data entry, medical office assistant, and food service. However, several women are following training programs which lead to non-traditional careers, e.g., automobile body repair, graphic arts, welding, and heating and air conditioning.

Project Resources and Staffing

The Charlotte Gateway Program utilizes personnel assigned directly to the project and receives preferential treatment or priority handling from cooperating governmental and private-sector entities. Staff directly assigned consist of 2.25 full-time equivalents, as indicated in Exhibit 5, and provide project direction, coordination, and employment counseling. Additional services for social work, Food Stamp assistance, child care, housing counseling, financial counseling and mental health/substance abuse counseling are provided to families by cooperating public and private agencies on a high priority basis with service coordination handled by the Charlotte Gateway Program staff.

Exhibit 4.
Educational and Career Goals of
Charlotte Gateway Program Participants

Accounting
Automobile Body Repair
Beautician
Business Administration
Dental Health
Electric Installation
Electronics
Food Service Management
Graphics Arts
Heating and Air Conditioning
Hotel/Restaurant Management
Licensed Practical Nurse
Machinist
Medical Records Technology
Medical Office Assistant
Paralegal
Physical Therapy
Registered Nurse
Respiratory Therapy
Welding

Exhibit 5.**Staffing and Support Resources**

<u>Position</u>	<u>Level</u>	<u>Agency Responsible</u>
--Assigned Charlotte Gateway Program Staff--		
Director	1/2-Time	Charlotte Housing Authority (CHA)
Coordinator	Full Time	CHA
Employment Counselors	1 Full Time Equivalent	City of Charlotte, Employment and Training Dep't.
--Additional Services--		
Social Worker	As Needed on Priority Basis	City of Charlotte, Department of Social Services (DSS)
Food Stamp Caseworker	As Needed on Priority Basis	DSS
Child Care	As Needed on Priority Basis	Child Care Resources
Housing Counseling	As Needed on Priority Basis	Board of Realtors Housing Partnership Family Housing Services
Financial Counseling	As Needed on Priority Basis	North Carolina National Bank Minority Business Development Center
Mental Health/Substance Abuse	As Needed on Priority Basis	Mental Health Services United Family Services Substance Abuse Programs Family Outreach Counseling Center

Conclusion

The Charlotte Gateway Program is a test of a method for empowering the poor and expanding homeownership while relying on local initiative and existing resources. Progress to date, while lagging behind early expectations, reflects the high level of commitment of the Charlotte Housing Authority.

The Charlotte Gateway Program has been in operation for over two years and has gone through the critical start-up phase. CHA staff have worked long and hard at establishing the Charlotte Gateway Program. They managed to secure the cooperation of three Federal agencies and numerous state and local governmental and private sector organizations. The Piedmont Courts development was modernized and serves as the focal point and administrative center for the demonstration. The Charlotte Gateway Program has nearly reached its goal of having 100 families enrolled and moving toward the transition out of public housing. It has also been quite successful in keeping attrition low.

Staff and administrators comment that participating families view the freezing of rents as one of the most important features of the program. Individuals have the opportunity to return to school or obtain vocational training without causing a hardship on the family, and people can switch jobs and explore career opportunities. Some families are able to pay off debts and improve their credit rating.

Staffing levels may not have been adequate during project start-up. Processing applications was much more time consuming than had been expected. Clients also required more personal counseling to overcome low self-esteem than had been anticipated, which placed a further burden on Charlotte Gateway Program staff.

The Charlotte Gateway Program is now at the point where seven families are reaching the end of their remediation activities and are entering into the transition phase. Program staff are now preparing the administrative mechanisms for escrow accounts and homeownership counseling. They expect families to become homeowners during the next few years.

Sources

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