Keeping the Authority Public: Public Housing Preservation and Organizational Restructuring with the Rental Assistance Demonstration

By

Gabriel Perri Silberblatt

B.A. in Art History & English
Carleton College
Northfield, MN (2011)

Submitted to the Department of Urban Studies and Planning in partial fulfillment of the requirements for the degree of Master in City Planning at the MASSACHUSETTS INSTITUTE OF TECHNOLOGY

June 2016

© 2016 Gabriel Perri Silberblatt. All Rights Reserved.

The author hereby grants to MIT the permission to reproduce and to distribute publicly paper and electronic copies of the thesis document in whole or in part in any medium now known or hereafter created.

Signature redacted

Author

Signature redacted

Gabriel Perri Silberblatt
Department of Urban Studies and Planning
(May 17, 2016)

Signature redacted

Certified by

Assistant Professor Justin Steil
Department of Urban Studies and Planning
Thesis Supervisor

Signature redacted

Accepted by

Associate Professor P. Christopher Zegras
Chair, MCP Committee
Department of Urban Studies and Planning
Keeping the Authority Public: Public Housing Preservation and Organizational Restructuring with the Rental Assistance Demonstration

By

Gabriel Perri Silberblatt

Submitted to the Department of Urban Studies and Planning on May 17, 2016 in partial fulfillment of the requirements for the degree of Master in City Planning

ABSTRACT

The Rental Assistance Demonstration (“RAD”) program is a controversial federal effort to address public housing’s financial crisis by opening it up to private investment and recapitalization; in essence, to mortgage public housing in order to save it. While some high profile examples of RAD’s implementation have confirmed critics’ fears about the loss of public control over a critical social safety net, other public housing authorities (“PHAs”) have begun to use the program to empower themselves and ensure the financial stability and health of their entire portfolios. Since the program’s pilot period began in 2012 at least three typologies of RAD implementation have emerged, each with their own unique outcomes and impact on PHA operation.

This thesis investigates the organizational implications for the most challenging of these approaches, the “All-In” strategy, in which PHAs comprehensively address the capital needs of their entire portfolio while retaining the maximum degree of control over the process through in-house development. While RAD’s use of private financing strategies is not new to public housing, the pressure on “All-In” PHAs to structurally internalize some private-sector models is a significant development for the organization and management of public housing. Case studies from Cambridge, MA and Tacoma, WA offer evidence of the unique challenges, emergent adaptations, and strategic opportunities for two “All-In” RAD agencies. The thesis describes the pressure on these PHAs to shift from a functional and hierarchical bureaucratic model to a flatter, more decentralized organizational structure and discusses some managerial strategies and tools public sector managers can use to navigate this transformation.

Thesis Supervisor: Justin Steil, Assistant Professor of Law and Urban Planning, Department of Urban Studies and Planning

Thesis Reader: Lawrence J. Vale, Ford Professor of Urban Design and Planning, Department of Urban Studies and Planning
Dedicated to all of the inspiring public servants at the Cambridge and Tacoma housing authorities who are making communities more vibrant, prosperous, and just one housing dollar at a time.
ACKNOWLEDGEMENTS

First and foremost my thanks goes to all of the individuals at the Cambridge and Tacoma housing authorities who generously made time for me in their (very) busy days to participate my research. In Cambridge I am especially indebted to the sustained efforts of Tara Aubuchon and Annemarie Gray in helping to frame and facilitate the research and to Shirley Sanford for coordinating office visits and interviews. To Michael Mirra and Shā Peterson in Tacoma I am particularly thankful for the warm welcome and tremendous help in conducting the research.

Many thanks to my thesis advisor Justin Steil whose thoughtful encouragement, suggestions, and mentorship were critical in shaping the overall development of this thesis.

Lastly, I am especially grateful to Jim Stockard, Joe Shuldiner, and Larry Vale, each of whom offered deeply insightful commentary about the history, management, and politics of public housing, which tremendously improved this thesis.
CONTENTS

CHAPTER 1 | INTRODUCTION
1.1 Abstract ............................................................................................................................. 6
1.2 Structure of the Thesis ........................................................................................................ 7
1.3 Motivation .......................................................................................................................... 7
1.4 Methodology ...................................................................................................................... 10

CHAPTER 2 | BACKGROUND AND THEORY
2.1 A History of Underfunding Public Housing ....................................................................... 12
2.1.1 Public Housing’s Social Safety Net ............................................................................. 12
2.1.2 Evolution of Funding Regulations .............................................................................. 13
2.1.3 Financial Crisis ............................................................................................................. 15
2.2 The Privatization Impulse ................................................................................................. 16
2.2.1 Privatism and Consumer Preference Theory ............................................................... 16
2.2.2 Proliferation of Privatization in Federal Affordable Housing Policy ......................... 18
2.2.3 Private Strategies in Public Housing .......................................................................... 20
2.3 Organizational Theory ....................................................................................................... 22
2.3.1 Weberian Bureaucracy ............................................................................................... 22
2.3.2 Post-Hierarchical Governance & New Public Management ......................................... 23
2.3.3 Wilsonian Bureaucracies ............................................................................................ 25
2.3.4 Cross-Functional Teams ............................................................................................ 27

CHAPTER 3 | THE RENTAL ASSISTANCE DEMONSTRATION
3.1 Program Overview .............................................................................................................. 30
3.1.1 Participating PHAs (High, Standard, and Substandard Performers) ......................... 31
3.1.2 Size and Extent of RAD Conversions (Portfolio vs. Targeted Approaches) ............. 32
3.1.3 Costs and Funding Sources of RAD Conversions (Simple vs. Complex Approaches) ........................................................................................................................................ 34
3.2 Typologies of RAD Implementation .................................................................................. 35
3.2.1 Financial Stability, Conversion-Only ........................................................................ 35
3.2.2 Strategic Recapitalization ............................................................................................ 36
3.2.3 All-In Portfolio Transformation ................................................................................ 38

CHAPTER 4 | CASE STUDIES: CAMBRIDGE AND TACOMA
4.1 External Entities and Operational Uncertainty ................................................................. 41
4.1.1 Organizational Challenges ......................................................................................... 41
4.1.2 Organizational Adaptations ....................................................................................... 43
4.1.3 Organizational Opportunities ..................................................................................... 46
4.2 Horizontal Integration ....................................................................................................... 48
4.2.1 Organizational Challenges ......................................................................................... 48
4.2.2 Organizational Adaptations ....................................................................................... 51
4.2.3 Organizational Opportunities ..................................................................................... 55
4.3 Vertical Integration ............................................................................................................ 59
4.3.1 Organizational Challenges ......................................................................................... 59
4.3.2 Organizational Adaptations ....................................................................................... 61
4.3.3 Organizational Opportunities ..................................................................................... 64

CHAPTER 5 | CONCLUSION

BIBLIOGRAPHY
CHAPTER 1 - INTRODUCTION

1.1 Abstract

The Rental Assistance Demonstration ("RAD") program is a controversial federal effort to address public housing's financial crisis by opening it up to private investment and recapitalization; in essence, to mortgage public housing in order to save it. While some high profile examples of RAD's implementation have confirmed critics' fears about the loss of public control over a critical social safety net, other public housing authorities ("PHAs") have begun to use the program to empower themselves and ensure the financial stability and health of their entire portfolios. Since the program's pilot period began in 2012 at least three typologies of RAD implementation have emerged, each with their own unique outcomes and impact on PHA operation.

This thesis investigates the organizational implications for the most challenging of these approaches, the "All-In" strategy, in which PHAs comprehensively address the capital needs of their entire portfolio while retaining the maximum degree of control over the process through in-house development. While RAD's use of private financing strategies is not new to public housing, the pressure on "All-In" PHAs to structurally internalize some private-sector models is a significant development for the organization and management of public housing. Case studies from Cambridge, MA and Tacoma, WA offer evidence of the unique challenges, emergent adaptations, and strategic opportunities for two "All-In" RAD agencies. The thesis describes the pressure on these PHAs to shift from a functional and hierarchical bureaucratic model to a flatter, more decentralized organizational structure and discusses some managerial strategies and tools public sector managers can use to navigate this transformation.
1.2 Structure of the Thesis

This thesis is divided into five chapters. Chapter one provides the motivation for the research as well as a description of the methodological approach. Chapter two reviews the literature about the funding crisis facing public housing, as well as the relevant frameworks of privatization and organizational theory in the public sector. Chapter three situates the Rental Assistance Demonstration within this literature, providing a policy overview, and defining three typologies of implementation arising from an analysis of project-level program data. Chapter four contains the analysis of the two Rental Assistance Demonstration case studies that form the core of the thesis: the Cambridge Housing Authority in Massachusetts and the Tacoma Housing Authority in Washington. Chapter five summarizes the conclusions of the thesis and identifies opportunities for future research.

1.3 Motivation

In 2012, the Obama administration advanced a demonstration program from the Department of Housing and Urban Development intended to address the financing and capital improvement needs of the agency’s public housing portfolio. The Rental Assistance Demonstration (“RAD”) program was devised to solve public housing’s funding challenges by offering new mechanisms for private investment and recapitalization; in essence, to mortgage public housing in order to save it. Today, RAD has some (rare) bipartisan support, is purportedly budget-neutral, and has the potential to make millions of dollars in new investment available for a critical and ailing public asset.

Yet the program has provoked intense debates on its merits and implications for public housing authorities and residents. “Goodbye Public Housing,” “The Slow Death of Public Housing,” and “Privatizing Public Housing: The ‘Genocide of Poor People’,” are a few of the many dramatic headlines decrying HUD’s latest preservation scheme. RAD has riven ostensibly allied groups in an arena with high
stakes and limited resources—HUD officials, housing authorities, affordable housing advocates, public housing residents, and many others, remain deeply divided on the question of whether RAD’s promised benefits outweigh its inherent risks to one of our country’s most important social safety nets.

Many critics allege that RAD is a “privatization scheme” that, in addition to its potentially harmful effect on tenants and workers, will serve as a vehicle to transfer valuable public assets out of public control, helping investors acquire prime real estate and gentrify cities on the taxpayer’s dime. There is good reason for critics’ deep skepticism about RAD’s ethical, political, and economic implications—the history of public housing in the United States is sullied with federal experiments that lacked transparency, razed entire neighborhoods, contributed to uncalculatable psychological trauma, reduced the number of units affordable to the nation’s lowest-income renters. Yet despite these well-founded fears, RAD does not represent a seismic shift in federal affordable or public housing policy. On the contrary, RAD is in many ways the most obvious next step in a long march toward the reliance on the private sector for tools to finance, develop, and maintain affordable housing in the United States.

What is known at this early stage is that RAD looks extremely different at different housing authorities. Many high profile examples of implementation—such as at the Baltimore Housing Authority—have confirmed critics’ concerns, involving privatization of management, expulsion of unionized staff, a net loss of rights and privileges for tenants, and the sale or rehabilitation of only select properties within authorities’ portfolios. In other cases, however, agencies are enthusiastically embracing RAD as an empowering tool to ensure the financial stability of their entire portfolios, while maintaining public control over the process. By the time its RAD conversion is complete, the Cambridge Housing Authority (CHA) plans to have ensured the long-term preservation of 2,129 units of affordable housing with $382 million in capital improvement work across more than 17 of its properties—this without additional subsidy from HUD, without permanently displacing a single resident, and without transferring management of its units to a third party (CHA RAD Presentation, 2015). The Tacoma Housing Authority
(THA) is using RAD to restructure the financing of nearly 500 units in its nine remaining public housing properties, infusing the agency with approximately $90 million in rehabilitation and development capital while retaining and retraining its existing employees (THA RAD Development Plan, 2015).

This significant local variation in RAD implementation is being lost in the debates about the federal pilot program. Even more hidden from view are the tremendous organizational impacts—on the quantity and complexity of work, departmental configurations, institutional business practices, and others—that RAD requires of housing authorities like Cambridge and Tacoma that are maintaining a high degree of public control over the RAD conversion process. While RAD’s use of the private market as a financing tool is nothing new from a housing policy perspective, the pressure to internalize structurally some private-sector models within public entities like Cambridge and Tacoma is a significant development for the organization and management of public housing. This thesis attempts to identify and characterize the important yet externally imperceptible organizational changes occurring at the CHA and THA, describing the pressure RAD has created for a shift from a hierarchical bureaucracy to a flatter, decentralized organizational structure more commonly observed in the private sector.

As political pressure from affordable housing industry groups and public housing officials mounts to lift the demonstration cap on RAD conversions and allow every public housing unit in the country to access the program, federal elected officials are justifiably demanding more information about RAD’s efficacy in serving public housing residents (Waters, 2015). Part of this evaluation effort must be a more complete picture of the kind of institutional adaptations that have enabled the socially optimal outcomes in Cambridge and Tacoma so far—as well as the organizational changes still needed to sustain and build on those results. Lessons from the CHA and THA can offer guidelines for future housing authorities seeking to reorganize themselves to access RAD’s benefits while keeping their authority public.
1.4 Methodology

Even before their similar approaches to in-house portfolio-wide RAD implementation, the CHA and THA have often been compared to one another as consistently high-performing, progressive, and agile organizations that operate outside the strict administrative bounds of federal housing programs to secure the preservation of affordable housing in their local contexts. Both authorities participate in another HUD pilot, the Moving to Work (MTW) demonstration, and assertively use the flexibility it affords to pursue creative mixed-finance approaches to redevelopment and innovative social service programs for their residents. These similarities help provide common ground for studying the organizational impacts of RAD at both agencies.

The two organizational case studies presented in this thesis are the product of numerous site visits, workplace, meeting, and training observations, and over 25 hours of individual semi-structured interviews with PHA employees in Cambridge and Tacoma. The following groups of employees were used to aide in the selection of a diverse sample of knowledgeable informants from all levels of the housing authorities: 1) Executive Staff, 2) Departmental Directors, 3) Central Office Administrative Staff, 4) Site-Based Property Management and Facilities Staff. Interview subjects within these categories were chosen based on the recommendation of PHA staff members who were instrumental in the implementation of RAD at both agencies. All interviews were recorded and transcribed to facilitate coding using MaxQDA qualitative data analysis software.

---

1 Moving to Work is a demonstration program, enacted by Congress in 1996, under which a limited number of public housing authorities test ways to increase the cost effectiveness of federal housing programs, to increase housing choices for low-income families, and to encourage greater economic self-sufficiency of assisted housing residents. MTW agencies are able to apply for exemptions from many of the regulations and statutory provisions that apply to the public housing and Housing Choice Voucher (HCV) programs. MTW agencies have also been authorized to combine the federal funding streams for these programs into a single block grant that can be used flexibly.
Direct quotes from these interviews, meetings, and training sessions appear in the analysis of the case studies presented in Chapter 4. Attribution has generally been limited to one of the four categories listed above in order to protect identities and professional reputations.
2.1 A History of Underfunding Public Housing

Despite its crucial role as a home and safety net for those most in need, public housing today has been starved of financial resources by Congress and is in danger of defaulting on its promise to millions of Americans. An appreciation of the current financial crisis in public housing—and of the impetus for the design of the Rental Assistance Demonstration—requires consideration of the variegated history and regulation of the program’s funding. This section outlines the basic nature and constituency of the program, describes the evolution of its funding, and concludes with a picture of its current financial woes.

2.1.1 Public Housing’s Social Safety Net

Public housing was established by the Housing Act of 1937 and was the federal government’s first major low-income housing program. Though mostly funded by the federal government, public housing developments are owned and operated by public housing authorities established by local governments, which are in turn regulated by State laws. Administered federally by HUD, the public housing program currently contains approximately 1.1 million units, officially home to more than 2 million individuals in 3,500 communities (HUD Housing Resident Characteristics Report, 2015). Public housing residents generally pay no more than 30% of their income in rent, an amount supplemented by subsidy from the federal government. The program is means-tested—it is primarily household income that determines an individual’s eligibility for the housing subsidy. Households are eligible if they make less than 80% of the

---

2 Because of the pervasiveness of “unauthorized” people living with friends and family in public housing, these official numbers underestimate the actual number of individuals served by the program. In New York, there are about 400,000 “on-lease” residents, though the New York City Housing Authority routinely estimates that there are as many as 600,000 people living in their public housing units (Jacobson, 2012).
area median income. It is estimated that the program currently serves only about 25% of those who are eligible (Fischer, 2013).

More than 70% of those who do receive subsidy through the public housing program are classified as extremely low-income (i.e., earning less than 30% of the area median income) and would be unable to afford an apartment on the private market (Smetak, 2014). In short, without the critical subsidy offered by this federal program, the vast majority of public housing residents would quickly join the ranks of the more than 7.5 million renters exhibiting “worst-case housing needs” who paid more than 50% of their income on rent in 2013, or else be made homeless (HUD Worst-Case Housing Needs Assessment, 2015).

Public housing is often the best, most affordable, and most stable alternative available to low-income renters. The tenant-based voucher program has been shown to be vulnerable to shifts in the housing market; in gentrifying areas with a limited number of reasonably affordable private rental units, it is very difficult for a low-income household to find an apartment to rent (Human Impact Partners, 2012). Indeed, in such markets and in light of the “back to the city” movement, urban public housing—historically criticized for anchoring the poor to declining neighborhoods—seems to have the advantageous effect of anchoring those same households to gentrifying neighborhoods that would otherwise be out of reach (Dastrup et al, 2015).

2.1.2 Evolution of Funding Regulations

Prior to HUD’s implementation of the Performance Funding System (PFS) in 1975, local PHAs used only rental income collected from tenants to cover their operating expenses. However, as the demographics of public housing changed, in part because the 1969 Brooke Amendment (to The National Housing Act) guaranteed no resident of public housing would ever spend more that 25% of his or her income on rent (increased to 30% in 1980), HUD recognized the need to supply PHAs with ongoing operating subsidy to
keep them financially stable. The PFS defined an “allowable expense level,” which was intended to reflect what a well-functioning housing authority would spend on operations, based on a study of a small sample of agencies conducted in the early 1970s and updated annually to account for inflation. Under the PFS system, a PHA’s operating subsidy was defined as the difference between its allowable expense and its rental income. The PFS model ensured that PHAs would rely on annual appropriations from Congress for their operating subsidies.

Over the years, local PHA officials criticized PFS for basing operating subsidies on outdated funding levels that did not account for the actual cost of providing an adequate level of management and maintenance services (Real Cost Task Force, 2008). When President Clinton signed the Quality Housing and Work Responsibility Act (QHWRA) in 1998, the act required the replacement of PFS with new formulas for operating and capital funds. Seeking better, more contextual information about what it should cost to operate well-functioning public housing, HUD commissioned the Harvard Graduate School of Design to conduct a comprehensive analysis of the Federal Housing Administration (FHA) database of the budgets of over 1.5 million units of multifamily housing. The Public Housing Operating Cost Study (PHOCS) examined 147 variables, finding that only ten had a statistically significant effect on the operating cost variations found among projects, and crafted a formula to use those variables to calculate a federal public housing project’s fair operating cost (Stockard et al., 2003). The PHOCS formula forms the basis of HUD’s operating subsidy calculation for public housing authorities today.

QHWRA also transformed the method for allocating capital funding to PHAs by consolidating prior capital fund competitive grant programs into a single formula grant known as the Capital Fund Program (CFP). The CFP distributes capital funds to all PHAs regardless of size based on a formula not unlike the one HUD uses to determine operating subsidy. The CFP permits PHAs to use their capital funds for financing activities, such as debt service payments and other financing and soft costs, for the recapitalization and modernization of public housing units.
Despite these efforts to systematically and accurately define the cost of operating public housing, federal funding levels for the program have historically fallen short of meeting the needs of a stock built largely in the 1960s and 1970s and rapidly approaching the end of its productive life. Failing to provide the level of capital and operating funds described by HUD’s own formulas, Congress has effectively guaranteed that local public housing agencies fall behind on the maintenance needs of an aging public asset (Schwartz, 2015). A widely cited 2011 study of the unmet capital needs in public housing found an ongoing capital needs backlog of $25.6 billion (about $23,593 per unit), accruing at $3.4 billion dollars per year (ABT Associates, 2011). This consistent history of starving public housing budgets has had significant consequences: by some estimates, HUD loses 10,000 units (just under 1%) of public housing every year to physical obsolescence.

Although a significant number of properties remain in decent condition, many of those have been subject to repeated patchwork repairs over the years and will need more comprehensive rehabilitation if they are to remain habitable. As former Secretary Shaun Donovan testified in 2010:

[An] affordable housing project can limp along for some time with piecemeal, ad hoc strategies to address its accumulating capital backlog, but eventually the building will reach a ‘tipping point’ where its deterioration becomes rapid, increasingly expensive to remedy, and often irreversible. (Donovan, 2010)

Despite the many dire assessments of the urgency and depth of need, Congress has not appropriated sufficient funds to address the backlog. In fact, between 2001 and 2009, the capital funding provided for public housing declined substantially (Rice and Sard, 2009).

It is worth noting, as many analysts have, that preserving existing public housing units (even despite its extraordinary level of need) is more cost-effective than building those units from scratch. The replacement value of the existing public housing stock is estimated to be between $90 and $145 billion...
In essence, it would cost between three and five times as much to replace all of the country’s public housing units as it would to preserve those units with necessary repairs.

### 2.2 The Privatization Impulse

There is a long, influential, and distinctly modernist tradition in public administration—going back to Marx, Weber, and Hintze, and described famously by Nettl (1968)—of treating the state as a monolithic and autonomous entity distinct from the rest of society. While this stark delineation has never truly existed, the blurred boundaries between the ‘public’ and ‘private’ realms have become increasingly contested in the last half-century. The design and implications of the Rental Assistance Demonstration public housing preservation program are forged in this ambiguity, and so must be understood in the context of an historical urge to privatize public functions. This section attempts to define what is meant by privatization, to describe the theoretical basis of the privatization impulse in the public realm, and finally to trace its proliferation through federal affordable housing policy in the United States culminating in the emergence of the Rental Assistance Demonstration.

#### 2.2.1 Privatism and Consumer Preference Theory

In his 2008 survey of public administration, Robert Cropf defines privatization generally as “government’s use of the private sector (both for profit and not for profit) to implement public programs” (Cropf, 2008). He goes on to explain that privatization may result not only, as it is most often imagined, in “a transfer [or sale] of assets from the public to the private sector,” but a more subtle “transfer of governmental authority to the private sector” (Ibid, my emphasis). In so doing, Cropf acknowledges the complexity of a concept that has been considered and debated by many commenters in the past (Donnison, 1984; Flynn, 1988; Lundqvist, 1989; Forrest, 1991). A wide range of potential activities fall under the mantle of privatization, such as the private financing of a service that continues to be provided...
by the state (bank loans for students) or the private production of a service that continues to be state financed (private prisons).

Many scholars have attempted to classify the diverse range of activities comprising the phenomenon of governmental privatization. Several widely used terms for the market-like arrangements used by governments have emerged, including contracting out, load shedding, vouchers, and asset selling (Savas, 1987). While it is beyond the scope of this thesis to trace all of their respective meanings and histories, it should be noted that each model of governmental privatization has very different implications for how the public service is delivered to its beneficiaries. The underlying reasons for privatization (broadly defined) in the public realm are manifold and deeply entwined with beliefs regarding the proper role of government in a capitalist society. Interlocutors have typically fallen into two camps: those emphasizing the profitability needs of the private sector and those focusing on the revealed preferences of consumers (Forrest, 1991). We will now consider both in turn.

The private sector needs tradition (sometimes called “privatism,” and traceable all the way back to the American Revolution) asserts that individual and community happiness are to be achieved through the accumulation of personal wealth and that it is the primary obligation of political authorities to “keep the peace among individual money-makers” (Warner, 1987). In a modern context, the private sector needs explanation was most vocally espoused during the fiscal crises of the 1970s, when a relatively strong public sector (growing since the end of WWII) was blamed for crowding out profitable private sector activity. Public policy, from this perspective, must serve the profit motive of private interests—it is government’s role to focus on the facilitation of private capital accumulation via the free market (Squires, 1991).

On the other hand, the revealed consumer preference explanation for privatization holds that the private market is best situated to meet the demands of society for goods and services. Because governments are
inherently monopolistic and unresponsive to consumer demands, it is argued, people with the means to do so will always “exit” and choose a privatized alternative (Forrest, 1991). This perspective leads its proponents to the near-evangelical conclusion that privatization is the only “practical solution to the immediate industrial problems that most economies are confronting” (Veljanovski, 1987). Importantly, this does not imply that there is no role for state providers, but rather that they must be subjected to the same competitive forces that are believed to make private markets socially beneficial (Sclar, 2000).

These two theories driving the urge to privatize have come in and out of favor throughout U.S. history. They have, in fact, often been present simultaneously, shaping the form and purpose of many government programs. What follows is a consideration of how the privatization impulse has shaped federal affordable housing policy generally and the public housing program in particular.

2.2.2 Proliferation of Privatization in Federal Affordable Housing Policy

The history of private market forces shaping affordable housing policy in the United States is at least as old as subsidized housing itself. Many have noticed that the very nature of the Housing Act of 1937, which first established the public provision of housing, was strongly influenced by privatism. Fearing competition with the private market, the homebuilding industry successfully lobbied for a concession that required the destruction of one inadequate dwelling unit for every new unit of public housing created under the law. The intent was to ensure that public housing would only replace substandard units without adding to the overall stock available, thereby increasing the cost to build new public housing, and protecting the value of private rents (Marcuse, 1986; Bratt, 1986; Vale, 2000).

The Housing and Urban Development Act of 1965, which established the Department of Housing and Urban Development (HUD), also contained the seeds of a privatization impulse that would characterize much of the latter half of twentieth century affordable housing policy. By establishing additional subsidy
programs to reduce the cost of units built, owned, managed, and marketed by private entities, the 1965 Act strongly encouraged privately constructed low-income housing. The 1965 Act enabled the Federal Housing Administration to insure mortgages for private entities that would then construct homes for low-income families. It also permitted HUD to then provide subsidies to bridge the gap between the cost of these units and a set percentage of a household’s income (Bauman and Biles, 2000).

It was in the 1970s, however, that federal affordable housing policy began to move decisively away from the public housing model and toward a more direct reliance on privatization for the provision of affordable housing. The Housing and Community Development Act of 1974 established the Project-Based Section 8 program. Undergirded by a spirit of privatism, the project-based voucher program marked an emphatic shift toward facilitating private ownership of affordable housing by offering five to twenty year subsidy contracts to private landlords. HUD’s tenant-based voucher program, also enacted in 1974, took the public reliance on private housing a step further by issuing a voucher to an individual tenant that could be used to rent an apartment on the private market. Similar to public housing after the Brooke Amendment, the project- and tenant-based subsidy contracts bridged the gap between income-based rents and operating costs to owners.

The next move in federal policy towards the private provision of affordable housing was the Low-Income Housing Tax Credit (LIHTC) program. Now the country’s only significant affordable housing production program, LIHTC has supported the creation or rehabilitation of an estimated 2.5 million units of affordable housing by the private sector since its inception in 1986 (Collinson et al., 2012). The LIHTC program is authorized by the Tax Reform Act of 1986, regulated by the Department of the Treasury and the Internal Revenue Service, and administered by state allocating agencies. Allocating entities determine the priorities for the LIHTC program, awarding credits to private developers to support the construction and rehabilitation of low-income, rental housing. Projects are eligible for tax credits if at least 20% of
their tenants have incomes below 50% of the area median income or at least 40% have incomes below 60% of the area median income.

Further complicating the division of public and private, many LIHTC developments also receive other sources of public funding to cover construction costs, such as low-interest loans from state and local governments and rental assistance payments for very low-income tenants. In an analysis of ten states, O’Regan and Horn (2013) found that half of LIHTC tenants were also receiving some form of government rental assistance.

2.2.3 Private Strategies in Public Housing

The public housing program too has been dramatically impacted by this pervasive trend of using the private market as a tool to accomplish public policy objectives. In 1992, the National Commission on Severely Distressed Public Housing first recommended that the government allow public-private partnerships to leverage the funds needed to rehabilitate severely distressed public housing properties from the private market. Since that time, the government has been experimenting with strategies to utilize non-public sources of debt and equity in public housing, such as well-known private-public partnership programs like HOPE VI.

HUD provided HOPE VI grants with the express intention of leveraging private capital in public housing redevelopments. More than six billion dollars in HOPE VI grants were awarded between 1993 and 2010 (HUD, 2010). HUD’s general counsel in 1994 determined that there was no statutory bar to a private actor owning, operating, and receiving federal funds for a public housing development (Smetak, 2015). In fact, QHWRA (1998) actually encouraged local governments to enter into public-private partnerships to redevelop public housing into mixed-income communities.
The notion of mortgaging public housing to fill the gaps in funding introduced by Congress has been raised before RAD. The proposed Public Housing Reinvestment Initiative (PHRI) in 2003 is RAD’s direct predecessor, suggesting that approved PHAs could convert their funding from an annual federal appropriation to a long-term subsidy contract in order to attract private dollars. Deemed to have insufficient foreclosure and other protections, PHRI stalled until it was refashioned under a new political regime into the Rental Assistance Demonstration.

In 2012, HUD advanced the Rental Assistance Demonstration as the preservation tool to fund the significant capital needs of public housing developments across the country. As with PHRI, the principal tenet of RAD is that public housing developments (and more specifically the stable rental income they generate) are valuable but untapped public assets that can be leveraged in the private market to unlock much-needed funds. In order to make public housing attractive to private investors, RAD allows public housing developments to convert units to two different forms of project-based Section 8 Housing Assistance Payments (HAP) contracts—project-based vouchers (PBVs) or project-based rental assistance (PBRA)—either of which are intended to provide PHAs with predictable, long-term annual funding streams (Econometrica, 2014).

These 15- or 20-year subsidy contracts, combined with the rental income generated by the converted units, will provide sufficient collateral against which public housing authorities ("PHAs") may raise the funds necessary to conduct major capital improvements for their properties. PHAs utilizing RAD may use their HAP contracts to access a variety of public and private financing tools including traditional bank loans, bond proceeds, and/or tax-credit equity for their renovation projects. In the case of the use of tax credit equity, IRS regulations actually require that ownership of the formerly-public housing units be transferred to a for-profit private entity. In this manner, RAD opens public housing not only to private investment, but also to ownership and/or management by the private sector, albeit with stringent affordability requirements and tenant protections (HUD, Revised RAD Guidance, 2015).
RAD is currently a pilot program, being implemented on approximately 185,000 units of public housing managed by 375 PHAs that filed successful applications with HUD. The expectation is that with support from Congress and the affordable housing industry, RAD may eventually spread to the entire public housing portfolio.

2.3 Organizational Theory

In order to understand why and how the Rental Assistance Demonstration program is applying organizational pressures on certain public housing authorities, we must first briefly outline theories analyzing the structure of public bureaucracies and several reformist strains in public administration. This section attempts to show how the privatization impulse elaborated in 2.2 interrelates with the evolution of academic thinking about what, how, and why government organizations do the work that they do. The section has four parts: first, a sketch of the classical definition of bureaucracy as advanced by Max Weber; second, a consideration of some of the ways the classical view has evolved through reformist, private-sector perspectives; third, a discussion of James Q. Wilson’s nuanced and systematic description of different forms of contemporary bureaucratic organization; and fourth, a description of the benefits of one organizational response—cross-functional teams—to increasing task complexity in postindustrial economies.

2.3.1 Weberian Bureaucracy

In his influential essay “Politics as a Vocation,” and further elaborated in the book *Economy and Society*, Max Weber describes the rise of a characteristically modern form of political organization, to which he gives the term “bureaucracy.” Contrary to its contemporary popular reputation as a complex, slow, and inflexible system of administration, bureaucracy is characterized by Weber as the most advanced and
rational way to organize human work. According to Weber, bureaucracy is a form of organization based on systematic processes and organized hierarchies that are necessary to maintain order, maximize efficiency, and eliminate favoritism. In *Economy and Society*, Weber makes the comparison with modern technological advancement clear:

The fully developed bureaucratic apparatus compares with other organizations exactly as does the machine with the non-mechanical modes of production. Precision, speed, unambiguity, knowledge of the files, continuity, discretion, unity, strict subordination, reduction of friction, and of material and personal costs—these are raised to the optimum point in the strictly bureaucratic administration... (Weber, 1922)

In large part because of its explicit manner of prescribing a consistent and accountable flow of information throughout public agencies large and small, the Weberian bureaucracy in many ways has become the institutional expression of representative democracy in the modern era (Lynn, 2011).

Perhaps one of the most distinguishing features of Weberian bureaucracy is the utilization of a rigid division of labor within an organization, which results in many technically specialized administrative offices or functions. These functional silos, and a narrowing of the bureaucrat’s portfolio of work, mean that workers can be hired with specialized training and, through constant practice, increase their expertise in the profession. In so doing, the modern bureaucrat becomes a career public servant, valued for his or her technical skill and insulated from the political vagaries of society. Some have argued that the internal autonomy of departments within a Weberian bureaucracy are undergirded by a unitary notion of the bureaucratic state at large—in other words, a public sector that is insulated and analytically distinct from the private sector (Sellers, 2011).

2.3.2 *Post-Hierarchical Governance & New Public Management*

In the late twentieth century, a discourse of transformation within public administration has advanced various challenges to the traditional Weberian conception of modern governance. This post-hierarchical
literature argues “political systems around the world are transforming from hierarchically organized unitary systems of government to more horizontally organized, relatively fragmented systems of governance” (Eikenberry, 2007). In short, isolated, hierarchical, bureaucracies are being increasingly replaced by collaborative arrangements among public and private organizations to form “the new governance,” which is often characterized as “governance without government” (Lynn, 2011). This shift has amounted to a wholly different way of conceptualizing “state-society relations” such that new prominence is given to economic actors such as bankers and the financial industry, while undermining the power of state actors (Ruzza, 2014).

Out of this new governance and post-hierarchical discourse in the 1970s and 1980s, many practices and ideologies came together under the umbrella of “new public management” (NPM) and found champions among conservative and neo-liberal reformists. Much of NPM is supported by the same assumptions inherent in the privatization impulse behind revealed consumer preference (as described in 2.2.1)—i.e. that the market discipline of business entities must also influence the public sector, which should internalize private sector management practices and organizational models (Christensen et al., 2007). Most NPM reform stresses the role of “hands-on and entrepreneurial management; explicit standards and measures of performance; output controls; desegregation and decentralization; competition in the provision of public services; and discipline and parsimony in resource allocation” (Hood, 1991; Van de Walle and Hammerschmid, 2011).

Not all NPM, new governance, or post-hierarchical advocates carry a strong anti-state, or pro-business ideology. Indeed many scholars argue the need to find similarities between public and private organizations and to develop practices that are valid across them (Bozeman, 1987). In this universalist vein of thinking, there are other fundamentally important variables—such as goals, tasks, size, and industry—which may influence organizations more than their private or public status. One especially influential framework in this tradition is described in the next section.
2.3.3 *Wilsonian Bureaucracies*

James Q. Wilson’s seminal book *Bureaucracy* brings organizational sociology to bear on the subject of public administration. His largely descriptive book lends complexity to the study of government organizations through its distinctive focus on the operators, managers, and executives of public agencies. One of Wilson’s most fundamental and persistent ideas is that by looking at bureaucracies “from the bottom up,” we can assess the extent to which their management systems, cultures, and administrative arrangements are well or poorly suited to the *tasks* the agencies actually perform (Wilson, 1989).

Differentiating “tasks” from “goals” is critical to his analytical perspective on government organizations because—largely unlike their counterparts in the private sector—public bureaucracies tend to have general, vague, or inconsistent goals about which clarity and agreement can only occasionally be obtained (Ibid).

This “bottom up” and task-centric understanding of bureaucratic processes gives rise to Wilson’s four enduring typologies of public bureaucracies: *production* organizations, *procedural* organizations, *craft* organizations, and *coping* organizations. These types of agencies differ fundamentally from one another in two main respects, as Wilson asks: Can the activities (“outputs”) of the operators be observed? Can the results (“outcomes”) of those activities be observed? Outputs consist of the work that the agency does on a daily basis, whereas outcomes are the results of that work. To take Wilson’s example of a police department, an officer’s *output* would be the calls answered, patrols walked, tickets issued, and arrests made; the *outcomes* are the changes, if any, in the degree of public safety, security, and order in a community.
Where a bureaucracy falls within Wilson’s matrix has important implications for the design of its management system. In a production organization, for example, the agency can most easily link worker output to organizational outcomes and thereby adopt efficient incentive systems for operators not unlike those used by the private sector, whereas it would be nearly impossible to utilize such a scheme for a coping organization like the foreign diplomatic service. Even in the case of a production organization, however, Wilson notes that the (comparatively) easily observed outputs and outcomes can often only be evaluated by making political, subjective, and conflict-ridden judgments. Wilson argues that the closest approximation of an external, objective, and non-political evaluation of performance—the “market test” of an agency’s ability to earn from customers revenues in excess of costs—is untenable for most public agencies because they supply a service for which there are no willing customers (for example, prisons or the IRS) or are monopoly providers of a valued service (for instance, welfare offices or the Department of Motor Vehicles).

It is important to note that PHAs are public agencies that actually pass aspects of the Wilsonian market test. There are millions of willing customers for public housing (as estimated by the number of individuals currently on active waitlists maintained by PHAs) and while the stock of privately owned and operated affordable housing in this country does not come close to meeting the demand, it does offer
competition for its publically owned alternative. While PHAs have limited ability to dictate the sources of their revenue (subsidy and resident contributions), they can and do innovate to reduce their expenses by seeking greater operational and administrative efficiencies. These realities suggest that PHAs are a form of public agency that might productively benefit from some of the strategies advocated by NPM and other reformist veins of public administration. If PHAs were internally reorganized, for example, so that individual worker outputs and agency outcomes were more clearly observable, management systems for both evaluating and incentivizing work might be productively borrowed from the private sector. In the next section, we review literature articulating the value of one such reorganization—the creation of project-based, cross-functional teams—in the context of public and private sector organizations.

2.3.4 Cross-Functional Teams

Organizational research has observed the rise of teams and team-based work as one response to an increasingly dynamic and unstable environment facing organizations. Project teams can be defined broadly as two or more individuals, who have specific roles, perform interdependent tasks, are adaptable, and share a common goal (Salas et al., 1992). Emerging from the extensive research literature on contemporary cross-functional work teams is an emphasis on horizontal, peer-to-peer work relationships over vertical, subordinate-to-supervisor work relationships (cf. Weber) as a rational organizational response to increasing task complexity in postindustrial economies (Kozlowski et al., 1999; Katz-Navon & Erez, 2005; Kozlowski & Ilgen, 2006).

The performance value of these cross-functional teams has been most commonly observed and evaluated in the private sector where its application has a longer history. For over 30 years the airline industry has used a team-based approach to organize work and train employees. Research has found that developing diverse, horizontally organized crews of workers who work consistently together across professional specializations has resulted in heightened safety-related attitudes; improved communication, coordination,
and decision-making behaviors; and enhanced error-management skills (Wiener et al., 1993; Helmreich and Merritt, 1998). Conversely, in the still vertically-structured field of healthcare, the rigid hierarchical relationship between physicians, nurses, and technicians has made it difficult for medical teams to achieve this level of coordination and cohesiveness. In fact, research suggests that the extreme hierarchical difference between physicians and nurses in particular can contribute to dysfunctional communication yielding less than optimal patient care (Keenan et al., 1998; Knox and Simpson, 2004).

Innovation in public sector management has seen the productive use of cross-functional teams to achieve operational efficiencies in government agencies. For instance, when the Office of Multi-Family Housing Programs, part of the Federal Housing Administration (FHA), fell behind on its work issuing insurance to lenders who finance apartment buildings in the wake of the financial crisis, part of the reform strategy was to break staff out of vertically ordered functional silos and rearrange them into small work teams who worked closely on a small pool of insurance applications (Gebre et al., 2012). These new project teams decentralized decision-making power to frontline staff that were encouraged to customize work processes of each initiative for their own office (Ibid.).

Research suggests that three basic strategies promote effective teamwork across disciplines:

1. **Staffing.** Specific individuals who possess team-oriented “knowledge, skills, and attitudes” (KSAs) can be selected to lead or participate in a team or to perform team-based work. This strategy requires precise measurement of individual-level team competencies and a correct balancing of task-oriented and team-oriented KSAs among team members (Klimoski and Mohammed, 1994).

2. **Business Process.** The formal tasks, workflow, and environmental conditions surrounding workers can be reengineered to cultivate teams that align with the firm’s strategy (Campion et al., 1993; Campion et al., 1996). These internal business processes are normally designed around one or a combination of these four dimensions: functions, products, geographies, or customers. Ensuring “fit” between team structure and organizing dimension(s) improves team outcomes (Kates, 2007).

3. **Training.** Developing individual staff members’ competencies through team KSA training is a commonly used strategy to improve team performance. Great diversity in the design and delivery of team training exist, such as assertiveness training (Smith-Jentsch et al., 1996), cross-functional training (Volpe et al., 1996), stress management training (Driskell and Johnston, 1998), and team self-correction (Smith-Jentsch et al., 1998).
Having briefly traced the theories analyzing the organizational structure of public bureaucracies and private firms, as well as the rise of cross-functional teams in both sectors, we will turn to an overview and analysis of the Rental Assistance Demonstration program. Three typologies of program implementation being pursued by public housing authorities will be discussed, as well as the unique organizational implications of each.
3.1 Program Overview

The Rental Assistance Demonstration program is a wide-ranging effort to preserve federally-subsidized affordable housing—both public housing and a variety of expiring rent subsidy programs still administered by HUD. As noted previously, RAD’s primary stated goal is to offer PHAs a mechanism by which they can access funds to preserve and improve their properties. By allowing public housing units to convert to the project-based Section 8 program, RAD greatly increases PHAs’ ability to utilize debt, and makes them newly eligible for Low Income Housing Tax Credits and other funding sources to support modernization work.

To convert under RAD, a PHA must enter into a multi-year Housing Assistance Payment (HAP) contract with HUD, in which HUD commits to providing each development with a Section 8 contract equivalent to the amount of capital and operating funds previously received under the public housing program. This newly converted housing development can still be owned and operated by the PHA, or it may be transferred to a private non-profit organization, or in the case of a deal utilizing tax credits, a for-profit entity.

A simple hypothetical example, developed by Schwartz (2015), illustrates how the RAD program functions:

A 500-unit property, in need of extensive capital improvements, including windows, roofs, and boilers, had received $865,000 in capital funds, $1.73 million annually in operating funds, and $1.8 million in rental income. The [PHA] and HUD signed a Section 8 HAP contract obligating the federal government to provide $2,595,000 annually to the project.

The project-based Section 8 allocation, combined with tenant rents, is termed the
project’s Contract Rent, which the owner can borrow against. Assuming that the project’s operating costs will total $3.1 million after renovations are completed, its net operating income would total $1,295,000. Assuming a debt coverage ratio of 1.2, the development would be able to afford $1,080,000 for debt service. With this income, the owner could take out a 40-year mortgage at 6% interest in the amount of $16.36 million. In other words, the property could undertake more than $16 million in repairs and capital improvements almost immediately. Had the project remained in public housing, the most that could have been borrowed would have been $3 million.

While helpful for understanding the fundamental idea and utility of RAD, the example captures only one of many different possible RAD outcomes. The RAD program is not overly prescriptive about the PHA’s approach to the conversion of public housing, and as a result there is a great deal of diversity across participated housing agencies. Unpublished project-level data from HUD on pending and closed RAD conversions as of July 2015 can offer a more detailed look into how the program is working in practice.3 This nationwide dataset shows 390 PHAs have at least one HAP contract, covering a total of 1,103 development projects (this amounts to 128,333 RAD units, or just over 10% of the public housing units in the country4). Of these projects, only about 15% (174) had actually completed RAD conversion (“closed”) by July 2015. Analyzing this data alongside PHA performance ratings reveals a great deal of diversity in the uses and outcomes of the program for PHAs.

3.1.1 Participating PHAs (High, Standard, and Substandard Performers)

HUD conducts ongoing evaluation of PHAs’ performance on four indicators—physical housing condition, financial health, resident satisfaction, and management capacity—in order to assess each PHA holistically. These indicators are averaged to assign each PHA a designation of High, Standard, Substandard, or Troubled performance. Considering these performance data can help give a better picture of which PHAs are choosing to participate in the RAD demonstration. The following chart shows that by

---

3 These data were initially procured from HUD by Prof. Alex Schwartz of the New School, who generously shared them (and his paper offering preliminary analysis) with the author for inclusion in this thesis.
4 The actual number of congressionally-approved RAD units is slightly higher than the number represented by the Schwartz dataset, standing at 185,000 units or approximately 15% of the public housing stock in 2016.

- 31 -
sheer quantity most (almost 90%) of PHAs using RAD are High or Standard performers. However this fact partially obscures another truth: Poorly performing PHAs are utilizing the program at a faster rate than their High- or Standard-performing peers. More than 20% of Troubled or Substandard performers are electing to utilize RAD as compared to 11% of High performers and 15% of Standard performers.

<table>
<thead>
<tr>
<th>RAD PHAs</th>
<th>% of ALL PHAs</th>
<th>% of RAD PHAs</th>
<th>% of Performance Category</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Performers</td>
<td>4.61%</td>
<td>41.79%</td>
<td>11.33%</td>
<td>163</td>
</tr>
<tr>
<td>Standard Performers</td>
<td>5.06%</td>
<td>45.90%</td>
<td>14.99%</td>
<td>179</td>
</tr>
<tr>
<td>Troubled and Substandard</td>
<td>0.96%</td>
<td>8.72%</td>
<td>20.70%</td>
<td>34</td>
</tr>
<tr>
<td>Performers No Performance</td>
<td>0.40%</td>
<td>3.59%</td>
<td>1.92%</td>
<td>14</td>
</tr>
</tbody>
</table>

This would logically suggest that a PHA’s performance is related to its decision to use RAD, with poor performance correlated with a greater likelihood of RAD usage. In an interesting counterpoint, considering the management performance indicator in isolation, RAD PHAs actually scored an average of half a point (out of 30) higher than their non-RAD counterparts, suggesting that there may be organizational capacity barriers to entry in the RAD program.

3.1.2 Size and Extent of RAD Conversions (Portfolio vs. Targeted Approaches)

The average RAD-converted property contains 115 units, while the mean number of RAD units per PHA is 376. The largest RAD portfolio contains over 5,000 units, while the smallest has just 8. It is perhaps more instructive to consider the share of existing PHA portfolios these RAD units represent. The average RAD share is 71% (median of 97%). Unsurprisingly, the PHAs with the highest proportions of RAD units are small—essentially all RAD-participating PHAs with less than 100 public housing units (n=72) are converting their entire portfolio through RAD. Predictably, as the size of participating PHAs increases, the share of units converted decreases.
<table>
<thead>
<tr>
<th>PHAs By Size</th>
<th>Mean RAD Share</th>
<th>Median RAD Share</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>All PHAs</td>
<td>70.70%</td>
<td>97%</td>
<td>375</td>
</tr>
<tr>
<td>PHAs &lt;100 units</td>
<td>97.20%</td>
<td>100%</td>
<td>72</td>
</tr>
<tr>
<td>PHAs 101-500</td>
<td>82.20%</td>
<td>99.50%</td>
<td>171</td>
</tr>
<tr>
<td>PHAs 501-1,000</td>
<td>53.30%</td>
<td>46.80%</td>
<td>60</td>
</tr>
<tr>
<td>PHAs 1,001-3,000</td>
<td>34.40%</td>
<td>30.10%</td>
<td>52</td>
</tr>
<tr>
<td>PHAs 3,001-7,500</td>
<td>26.80%</td>
<td>8.10%</td>
<td>13</td>
</tr>
<tr>
<td>PHAs &gt;7,500</td>
<td>13.30%</td>
<td>14.70%</td>
<td>7</td>
</tr>
</tbody>
</table>

Just over half of all participating PHAs appear to be utilizing RAD as a portfolio-wide solution, meaning that they will convert upwards of 95% of their entire stock through RAD, all but completely exiting the public housing program. On the other extreme, 12% of participating PHAs are converting less than 15% of their entire stock, with the vast majority of those conversions occurring in just one or two projects. There does not appear to be a relationship between a PHA’s performance and the share of its housing portfolio being converted—on average, Troubled and Substandard performers converted 76.3% of their public housing stock under RAD, compared with 70.6% in Standard performers and 74.8% in High performers.

Even from these very preliminary data, it is clear that RAD means very different things for different PHAs—some have elected to use RAD in order to transform their entire approach to housing provision, while others appear to be using the program in order to address the needs of only one or two projects within their larger portfolio.
3.1.3 Costs and Funding Sources of RAD Conversions (Simple vs. Complex Approaches)

The 134 RAD projects that had closed as of July 2015 represent capital improvement costs of approximately $1.34 billion. After controlling for differences in project sizes, Schwartz finds that the cost per unit ranges from $692 to more than $600,000, with the median cost per unit being $36,477.

While on average, RAD projects receive funds from about four different sources, 11% are being funded from a single source and almost 40% are using just two sources. On the other hand, more than 17% are being financed with seven or more sources of funding. The following chart summarizes some of Schwartz’s analysis of the types of funding scenarios used in RAD conversions that have closed thus far and the median project costs per unit for each scenario.

These data suggest two important aspects of RAD conversions completed thus far. The first is that most PHAs (almost 85%) appear to be using RAD in one of two distinct ways: a) to simply change their funding stream without accessing any additional public or private capital, or b) to use RAD in order to put together more complex deals involving combinations of traditional debt and tax credit equity. The second important aspect is that it appears as though PHAs are electing to use tax credit equity as a vehicle to raise capital for more complex and expensive projects. The implications of this diversity in RAD implementation will be discussed in the following section.
3.2 Typologies of RAD Implementation

Drawing on the available data and interviews with PHA and affordable housing industry professionals, it is possible to begin to describe the RAD implementation strategies of PHAs more systematically. Three broad approaches—with plenty of diversity within them—have emerged amongst those agencies participating in the demonstration, I have termed them: i) Financial Stability, Conversion-Only; ii) Strategic Recapitalizations; and iii) All-In Portfolio Transformations. While the primary focus of this thesis is to describe the organizational impact of the All-In approach through detailed case study of two PHAs, we will briefly consider each in the following sections, touching on the organizational implications for the PHA’s implementing the approach.

3.2.1 Financial Stability, Conversion-Only

When financial analysis demonstrates that a post-RAD conversion property will accumulate a sufficient amount of financial reserves to meet the capital needs of the project as determined by the required Physical Condition Assessment (PCA), the PHA can complete the RAD conversion to project-based Section 8 without using any debt financing or tax credit equity. As indicated in 3.1.2, nearly half of the RAD conversions made up through July 2015 have chosen this pathway of RAD implementation.

While initially it may seem counter to RAD’s main purpose of leveraging new sources of capital, the Conversion-Only approach is an option for PHAs who have properties that may be in good or fair physical condition but could be at risk of deteriorating without a commitment of ongoing resources for future capital repairs and replacement (Econometrica, 2014). This typology of RAD implementation provides an option to place a public housing property into the more adequately and consistently funded Section 8 program, ensuring more stable financial footing and long-term affordability. Whereas appropriations for the Public Housing Capital Fund decreased by $704 million, or 27 percent from fiscal
year 2005 to 2015, appropriations for project-based rental assistance increased by $2 billion, or 82 percent, over the same period (Schwartz, 2015).

The Conversion-Only approach is the most straightforward for a PHA to implement—it is at least capacity-neutral, and in some cases could represent a net-decrease in the responsibilities of the PHA. In most cases the PHA will continue to operate the same housing as before, in a slightly less-burdensome regulatory context, with the same arrangement of central office and site staff. In another scenario, a PHA might also take this opportunity to shed management responsibility for its RAD-converted units to a private entity, thereby reducing the overall quantity of work it directly performs.

3.2.2 Strategic Recapitalization

Many PHAs are using RAD in order to conduct major capital improvements on a few targeted properties within their portfolio. These buildings may simply be components of a PHA’s stock that represent a disproportionate amount of the agency’s overall physical needs—as is the stated justification of the New York City Housing Authority’s (NYCHA) approach to RAD—or they may be those that have the greatest opportunity of attracting capital from equity investors because of their condition or location within a local housing market.5

No matter what the justification for the Strategic Recapitalization approach, the pathway represents an infusion of capital and significant physical rehabilitation for a certain subset of a PHA’s inventory, made possible by the engagement and coordination of multiple new parties. As a result, this approach will always constitute an important increase in the organizational capacity required of a PHA over that of the

---

5 James Hanlon, who is conducting research on the RAD conversions so far, suggests that more economically viable housing projects are potentially more likely to be converted, as opposed to more severely distressed, poorer projects—to the extent that better-off projects will be more attractive to potential investors (Stephens, 2014).
Conversion-Only model. Strategic Recapitalizations involve many, if not all, of the following entities: Developer, Lender(s), LIHTC Investor, State Housing Finance Agency, and the Development Team (i.e. general contractor, architect, attorneys, accountants, management agent, etc.) (Costigan, et al., 2015).

While HUD strictly regulates the outcomes for residents, it is not overly prescriptive about RAD implementation, meaning that PHAs undergoing Strategic Recapitalization may choose their level of direct involvement and control over the process. The primary decision point is whether the PHA will serve as the developer because the entity in the developer role has a great deal of discretion to structure all of the project financing, develop the overall program (design, unit- and income-mix), and assemble and manage the development team. Despite the benefit of retaining public control of the process afforded by in-house development, most PHAs have little or no experience carrying out these responsibilities—as one affordable housing legal consultant who has worked with many PHAs on RAD closings noted, “there is a strong incentive to work with an external developer.” But this incentive to privatize a function is particularly strong in the Strategic Recapitalization pathway because a PHA is only converting and rehabilitating a small portion of its housing stock and therefore cannot benefit from the economies of scale or institutional learning that would result from carrying out the same in-house development process in an iterative manner across its entire portfolio.

NYCHA’s repositioning of its Ocean Bay complex under RAD is characteristic of a Strategic Recapitalization approach. Representing a tiny sliver of its vast public housing portfolio—24 of its 2,596 properties—Ocean Bay (aka Bayside) is over 50 years old and has extremely high capital improvement needs of approximately $174 million (NYCHA, 2015). In February 2016, NYCHA issued a Request for Proposals (RFP) to select a developer partner for Bayside. When chosen, this developer will take on an ownership interest in the development and will be responsible for coordinating all of the construction and the ongoing property management post-conversion. Under this arrangement, union employment is not guaranteed during construction, nor is the continued employment of NYCHA staff by the new third party management entity that will manage the site (Ibid). It is anticipated that the new managers of Bayside will
move to an Optimal Property Management Operating Model (OPMOM) where local property managers—
instead of a borough-wide management office—have control over the budgeting and staffing of the
complex.

3.2.3 **All-In Portfolio Transformation**

The last typology of RAD implementation—the All-In Portfolio Transformation—involves the most
extensive possible use of RAD as well as the maximum extent of direct PHA involvement and control
over the process. As suggested by its name, the All-In Transformation means the conversion of all, or
nearly all, of a PHA’s public housing units to project-based Section 8 vouchers. Depending on the size of
a PHA’s portfolio, these kinds of conversions will almost certainly be phased over several years. The
distinguishing characteristic of an All-In strategy is need for long-range planning and significant
leveraging of private funds to address all of the physical needs of a PHA’s portfolio in a comprehensive
manner. As reported by the data in 3.1.2, this level of investment is largely being achieved through the
syndication of tax credits, a financing decision that triggers dramatic changes to the regulatory
environment of the participating PHA (as will be discussed later in 4.1.1).

Unlike the Strategic Recapitalization approach, there are strong incentives for All-In PHAs to self-
develop their RAD conversions. Foremost, because the developer is permitted to collect a fee of
approximately 10-15% of the total development cost, a portfolio-wide conversion is potentially very
valuable source of revenue for a financially starved PHA. Furthermore, because the conversion and
rehabilitation process is replicated across each of the properties within the agency’s portfolio, there are
significant economies of scale as well as opportunities for organizational learning that do not exist within
a single project. As the executive director of one All-In PHA described, converting the entire portfolio has
presented a worthwhile justification for fundamentally changing business practices, whereas the
redevelopment of a single property through HOPE VI did not.
From a public accountability perspective however, the greatest incentive for in-house development as a part of an All-In RAD Transformation is the ability to maintain public control over key management decisions affecting the entire agency and its residents. The decision to self-develop has enabled the housing authorities in both Cambridge and Tacoma to retain control over the decision to contract property management work back to their existing public and represented workforce as well as extend tenant protections afforded under public housing regulations to the residents of the converted properties. For example, because it has stayed operationally responsible for the management of its RAD units, the CHA was able to use its MTW authority to issue a rider on its HAP contract explicitly affirming that “any public housing due process and grievance rights (including informal conference and grievance hearings) exceeding RAD statutory tenant protections” would be guaranteed to tenants residing in RAD-converted housing going forward.6

6 It is stated in the Consolidated and Further Continuing Appropriations Act of 2012 that tenants of RAD-converted public housing “shall, at a minimum, maintain the same rights under such conversion as those provided under sections 6 and 9 of the [United States Housing] Act [of 1937],” so the grievance protections affirmed by the CHA should have applied as a rule.
CHAPTER 4 – CASE STUDIES: CAMBRIDGE AND TACOMA

ORGANIZATIONAL IMPACTS

My interviews with employees of two All-In RAD housing authorities revealed that implementing the program in this manner has stretched the capacity of staff to a new normal. Across the board—from maintenance technicians to property managers to departmental directors—employees at the CHA and THA described the stress of doing more and often more complex work than they had previously. Undoubtedly, managing and preparing for major construction activity was an immediate driver of this daunting impact of RAD. Reflecting on the burden of self-developing, one CHA staffer noted that before RAD the agency had never conducted more than $75 million in construction at once, but that it currently had over $200 million in activity to supervise in phase one of its portfolio-wide solution. A CHA director commented:

“That level of activity change and growth in a short period of time, [it] is a stress for the agency... the Planning and Development department was at the forefront of the RAD tsunami, but it very quickly awashed [sic] all of the agency's business.”

This observation points to the unique challenge of the CHA and THA’s approach to RAD, which is not limited to significant, if not unprecedented, in-house construction management. The distinctive stress of the All-In variety of RAD implementation is the need it creates for the PHA to plan and manage this physical transformation of its housing stock at the same time that the organization entirely exits a funding and regulatory environment it was strategically designed to navigate. Understanding these dual interrelated challenges, as well as how the CHA and THA are and could be adapting to them organizationally, is critical if future PHAs are going to successfully negotiate this complex and unfamiliar transition.

The remainder of this thesis presents the major challenges of All-In RAD implementation as experienced in Cambridge and Tacoma, in three realms. Section 4.1 describes the impact of the new web of external relationships (and attendant uncertainty) that PHAs are subject to as a result of their conversion; 4.2
explains the new pressure on interdepartmental coordination across functional lines within the PHAs; and 4.3 illustrates the implications that portfolio-wide RAD conversion has on the hierarchical relationships within housing authorities. Each section begins with a summary of the issues pertaining to it, followed by a description of some of the organizational adaptations made by the CHA and THA so far, and concludes with future opportunities for building on those outcomes.

4.1 External Entities and Operational Uncertainty

“I'm not sure where we are going to end up—RAD is sort of like a play unfolding, you don't really know what the end is going to be until you get there.” (CHA director)

4.1.1 Organizational Challenges

Concurrently with construction-related work, All-In RAD transformations have created unique administrative burdens for PHA staff as a result of new external relationships. Because the two housing authorities are retaining public control over the converted property, a substantial portion of this new work has flowed from the accountability procedures required by LIHTC financing, which was integral to both agencies’ RAD strategies. More specifically, the need to verify incomes of tenants in all tax credit units to ensure that they qualify for the program (even when almost all do by definition of their status as a formerly public housing resident) has required an extraordinary effort by PHA staff.

Tax credit income certifications are much more complicated, invasive (for residents), and time-consuming than those required under the public housing program—they require, annually, an external third-party verification of all assets in a household (public housing does not requires this if assets claimed are under $50,000), as well as both current and projected income of all adult earners (public housing does not require forecasting). These administrative discrepancies were keenly felt at the CHA, which since 2006 had been using its MTW authority to dramatically streamline its income certification process, including implementing biannual recertifications, under their Rent Simplification Program (Khadduri, 2014). One
frustrated CHA staff member responsible for supervising the LIHTC recertification process at two properties described this shift bluntly as “going backwards.” Another employee bemoaned the “brain damage” sustained in attempting to reconcile incompatible regulations issued by HUD and the IRS. A third noted the inefficiency and redundancy of completing tax credit paperwork, which she stated was “intentionally repetitive,” and often internally inconsistent, in order to allow more opportunities for outside auditors to catch errors made by PHA staff.

Income recertification regulations imposed by the IRS are not the only manner in which the demands of new entities have impacted business practice at the CHA and THA. Now that tax credit investors would be formally approving each individual property budget, a department director in Tacoma noted that whereas previously the agency’s public housing budgets would run “in the red” as a rule (because federal funding levels for the program so consistently failed to keep up with expenses), now every property would be “zero-based.” With an investment interest in the financial health of properties being operationally managed by a public agency, LIHTC investors will be inserting themselves directly into the minutiae of the THA’s business. The same director, anticipating “much more back and forth” about line items in property budgets, explained to me that his department would probably need to shift his annual budgeting timeline forward in order to meet these new accountability demands.

Layered on top of these kinds of very tangible impacts to business practices at the CHA and THA, there was a more general sense of uncertainty expressed by many staff members about the nature of their day-to-day tasks. Employees described the feeling, many for the first time in their career, that RAD had made their work unpredictable and complex. One staff member charged with coordinating RAD activities across the agency said that implementing the program had created an environment where “every week

7 Zero-based budgeting means that subsidy and operating income will at minimum cover operating costs. In reality, RAD regulations dictate that a certain quantity of “replacement reserves” in excess of normal operating expenses be set aside on an ongoing basis to cover each property’s routine capital expenses.
was a different catastrophe” that needed to be addressed. Another PHA worker described a process with HUD where “the rules were changing all of the time,” while yet another called the federal agency “schizophrenic,” before noting the difficulty of planning ahead with coworkers in that context. During an especially revealing conversation, one property manager (PM) observed that uncertainty in his work was exacerbated by a more attenuated web of supervisors—questions or approvals he sent to central office had to “bounce around” many different people (several external to the housing authority) before coming back to the site (and the agency) with an actionable reply.

4.1.2 Organizational Adaptations

The CHA and THA have already begun adapting to the challenges described in the preceding section. Generally this has meant finding ways of anticipating the perspectives and requirements of external entities and of incorporating them structurally into new business practices at the authorities. New mandatory employee tax credit training programs at the CHA and the maturation of a formal asset management function at the THA have been important organizational adaptations for both of these All-In RAD PHAs.

Tax Credit Trainings at the Cambridge Housing Authority

The CHA offers a variety of staff trainings, both internally and through outside providers, to assist in developing its employees in a variety of capacities. Past technical and skills trainings have included topics such as procurement, accounting, and professional writing, among others. Behavioral trainings, such as an agency-wide customer service course, have provided opportunities for staff to develop important “soft skills” and to improve the culture of the agency’s departments. The CHA’s mandatory tax credit administration training for property management staff has blended elements of both these aspects of
employee development and has helped agency staff to cope with the new demands from external entities on their business practices.

The CHA’s tax credit trainings have evolved over time. One PM explained that early sessions were run by outside consultants and provided CHA staff with a broad overview of the LIHTC program. Another PM commented that these early sessions often felt very “top down,” with upper management seemingly telling operations staff what they needed to know about the use of tax credits in public housing, instead of asking CHA staff what they felt they needed to learn from the training programs. One PM told me that they wished those sessions had been more “soup to nuts,” focused on helping site staff navigate the new IT systems and paperwork that were required of them.

Observing a recent CHA tax credit training session first hand was illustrative of how these sessions have evolved and become more tailored to the specific needs and feedback of staff most impacted by the use of LIHTC under RAD. A deputy director of operations led the session in tandem with a PM from a former CHA public housing site that had been repositioned and recapitalized using LIHTC and American Recovery and Reinvestment Act grant funding. Property managers, assistant managers, and managers’ aides attended the two and half hour session, bringing a wide range of familiarity with the tax credit program. In the first half of the training, workshop leaders covered many of the different forms and procedures in detail, pausing to explain very specific concerns such as when different kinds of child support (such as cash, groceries, or diapers) constitute resident income and must be verified by PHA staff. The second half of the training walked through two case studies of actual residents and their income certification process as narrated by the staff member who had actually completed the work.

Throughout the session, leaders reinforced the importance of “inhabiting the mindset” of the third-party auditor, who would be reviewing all of the income certification paperwork on behalf of the tax credit investors, by asking questions like “what is the maximum amount of money this person might potentially
make?” Tips for getting certifications approved as well as “red flags” that could hold up the process were identified and discussed. Beyond its more technical aspects, this training also stressed the importance of engaging the resident in an effective and compassionate way. Workshop leaders noted that most public housing residents had never been subjected to this kind of invasive process before and that there would be widely varying degrees of preparedness and understanding amongst CHA customers. Observing that tenant cooperation was integral to an accurate and efficient recertification process, one PM commented on the importance of meeting face to face with individual residents, addressing their concerns, and explaining the process in detail.

**Asset Management at the Tacoma Housing Authority**

The THA first developed a formal asset management capacity in 2012 with the arrival of their first and current asset manager. The in-house role had been created at the recommendation of an outside consultant in order to provide oversight of both the agency’s property management and real estate development (RED) departments. This management function—ubiquitous in private sector real estate, but not yet formally incorporated into the organizational structure of many PHAs—brings a “return-on-investment” type of analysis to bear on the “analytical framework for operational decision-making” (Smiriotopoulos, 1999). One THA employee described asset management’s role simply as “playing the owner;” indeed, the department has been instrumental in evaluating the financial health of THA’s housing portfolio, helping the agency to make fiscally responsible decisions about acquiring, selling, redeveloping, and recapitalizing new and existing assets.

During workplace observation at the THA the “natural tension” (as it was described to me by a staff member) was evident between the asset management (AM) and RED departments, as well as between AM and the property management department. At one meeting of the asset management committee, directors of RED and AM discussed the various “checkpoints” at which RED would present development
proposals to AM for review and guidance. The timing and frequency of these checkpoints was of intense interest to RED since each of them implies a “go forward” or “don’t go forward” decision that will fundamentally impact the development timeline.

This accountability function for AM has needed to mature and become more uniformly understood throughout THA in order to carry out the agency’s RAD portfolio preservation strategy. The agency’s associate director of administration and asset management described the process of “bumping heads” with RED early on during the RAD process months earlier. Initially, the AM team had “lost sight” of its true role and found itself actually generating the development, finance, and construction documents related to THA’s RAD strategy; work for which it should have been providing accountability and oversight instead. “We really had to stop and reassess,” a THA staffer commented, “we needed to reallocate that work—which is when RED staffed up and took the lead [on RAD].”

Interestingly, in response to the pressures of external entities brought on by RAD, the accountability perspective held by AM appears to have found its way into the framework for operational decision-making at the THA at large. For instance, the RED director explained that “evolving out of RAD, [our department] started insisting on certain things...[such as] an open conversation about what it is costing us to manage our properties—what should it be costing us? We spend a lot of time talking about our operating expenses” This perspective has resulted in what one THA employee described as a “dynamic tension” between departments, though it appears to be a healthy and productive one. In essence, the AM mindset reproduces internally the pressures the agency will face externally competing in the private affordable housing capital market, thereby allowing THA to anticipate future pitfalls and possibilities.

4.1.3 Organizational Opportunities

The adaptations discussed in the preceding section help point to opportunities for both the CHA and
THA, as well as other PHAs undergoing All-In RAD implementation. With approximately half of its housing portfolio already financed using tax credits before RAD, many THA staff have first-hand experience operationally managing tax credit properties. As the director of property management told me, these staff know about the ins and outs of the income recertification process, the many non-THA entities who are involved, and the necessary inspections that need to take place. With this valuable in-house capacity at hand, THA would benefit from instituting a formalized training process to assist PMs at all RAD sites to “join the tax credit world.” If lessons from Cambridge can be a guide, staff-driven, case-based, and detail-oriented workshops will be the most effective resources for PM staff. Finally, incorporating “softer” skills, like effective customer service, into technical tax credit trainings will best prepare PHA staff to handle the full range of complexity inherent to the process.

Some upper-level management staff I spoke to at the CHA judged that a formalized asset management function would be useful in helping the agency to navigate its new web of external relationships and requirements under RAD. Referring to the private market as a role model, one CHA director commented on how he would like to see the organization evolve:

If you look at a private [real estate] company...you've got an asset manager. We don't have anyone working in that role...[they need to be] asking things like “is the property cash flowing properly? Are their appropriate internal controls? Are the reports getting to the investors on time” Right now, if anyone is an asset manager [here], it would probably be the director and deputy director of Operations, but that is kind of like having the fox watching the chickens. I think that will change.

The director’s observations here point out the CHA’s need for the kind of “natural” or “dynamic” interdepartmental tensions fostered by THA’s AM function. Ideally this new capacity within CHA would be centrally located, responsible for the financial health of the agency’s housing portfolio overall, and report directly to the executive director. Creating a new AM department would add a new member to the CHA’s executive leadership, befitting of the oversight and accountability role this department must have over the Planning and Development and Operations departments.
PHAs considering an All-In RAD strategy in the future would be well served by establishing an asset management function in advance of conversion. As the department most directly responsible for strategic planning and portfolio preservation, AM is a natural place to start devising an All-In RAD strategy. Furthermore, in a context where PHAs are increasingly competing in the affordable housing capital market for debt, bond, grant, and tax credit financing, All-In PHAs need a market-oriented perspective embedded within their organizational structures. Such an approach will enable PHAs to conduct strategic planning for their portfolio by evaluating their own strengths and weaknesses in relation to opportunities and constraints in the market.

4.2 Horizontal Integration

“These departments were set up when the whole mission of the organization was based on responding to things...But these bright divisions of labor are really a vestige. If I were to say that at a staff meeting I would be uniformly ridiculed.” (CHA director)

4.2.1 Organizational Challenges

This quote succinctly encapsulates much about a second set of challenges facing PHAs implementing the demonstration program this way. First and foremost, it suggests there is a structural misalignment between this PHA’s organizational design and its (current) mission. More specifically, the “bright divisions” between bureaucratic departments and their specialized functions (different forms of “labor”) are indicted as “vestigial” and at least partially responsible for this disjunction of organization. Finally, in reflecting on how such a view would be received by fellow staff members at the agency, the quote speaks volumes about organizational inertia and the difficulty of changing long held understandings about how work is organized. This section considers evidence from Cambridge and Tacoma that describes how All-In RAD implementation is demanding unprecedented levels of collaboration across bureaucratic departmental silos, and thereby intensifying the structural misalignment identified in the opening quote.
Employees at both the CHA and THA reflect on the strain that All-In RAD implementation places on an agency organized around functional departments. The following chart is a generalization of the existing organizational structure at both the CHA and THA. It illustrates the dominance of functional logic over the organization of departments and staff.

“We’re very bureaucratic,” one CHA employee commented; “we silo everything, we don't communicate—Leased Housing doesn't talk to Operations, Operations doesn't talk to Fiscal…that's not how things are going to work in RAD. The only way RAD works is if we all communicate and work together.” A THA employee echoed this sentiment: “RAD revealed all the weaknesses in the theory that [our departments] were super collaborative and all on the same page.” These kinds of realizations about the importance (and absence) of effective interdepartmental collaboration were motivated by specific experiences with RAD implementation. Describing the difference between interdepartmental staff
meetings before and after RAD, a CHA employee remembered the former as infrequent “high-level updates from different departments,” with a representative from each department sharing information. “The thing about the RAD meetings that was different,” she continued, “is that they were very in the weeds…just very nuts and bolts, and it could be incredibly tedious, but people had to hear each other out and had to come up with a really practical solution to a real problem.”

The nature of this kind of practical problem-solving function in the interdepartmental RAD meetings highlights an important reality facing All-In RAD PHAs: the lines between departments have become more porous, their work increasingly interdependent. Staff at the CHA and THA generally attributed this fact to the demands of significant construction and relocation efforts and the requirements of administrative changes attendant to exiting the public housing program. Commenting on the challenges of coordinating construction and relocation across the portfolio, one CHA director observed:

There is a much higher demand to RAD. The first wave of demands is construction and relocation, which requires everyone to interact in a different way. So everyone has to pull weight on that, almost every department—we now have two relocation staff who are working with the managers and P&D and Operations, and the Leased Housing department—it pulls people together in activities that we have done in the past, but never to this extent.

Another CHA director noticed that RAD relocation and construction phasing had demanded two “previously siloed” departments—P&D and Operations—work much more closely together. This has meant a cultural change in the agency’s workplace; where previously interdepartmental issues would be resolved by a “flurry of emails,” one CHA employee noted that the complexity of the agency’s development work was necessitating face-to-face meetings to solve problems requiring the embedded knowledge of three or more departments.

Planning and managing complex (but temporary) construction activity is not the only All-In RAD business requiring greater horizontal integration across PHA departments; the agency-wide transition to a project-based Section 8 administrative model is presenting similar organizational challenges. Property
Management staff from both the CHA and THA noted the unique challenge of exiting the public housing program budgeting mindset and entering a truly site-based model. Under the public housing program, the relationship between the Finance and Property Management departments at the THA exhibited a kind of bright division of labor—one Property Management staff member characterized the mentality of Finance towards their department as “well, there's your budget, make it work.” In the post-RAD Section 8 world, the same employee stated that there would need to be much more “meaningful collaboration” between the two departments on property budgets. A director observing the same kind of pressure at the CHA elaborated on the reason for this, explaining that property managers would have to become much more empowered and responsible for coordinating across departmental lines about not only the “uses” of their budgets, but the “sources” as well:

[In public housing] the manager of the site just had to be sure that if the budget says they’re supposed to spend $5,000 a month on labor, that they are hitting that target. But [post-RAD] the property manager has more control over what money is coming in from the voucher program (because if they don't ask for an Operating Cost Adjustment Factor (OCAF) rent increase every year, they're not going to get one). If for some reason someone in Leased Housing forgets to put a recertification in, and the PM gets shortchanged a recertification, well the PM needs to pick up on that—the money isn't coming automatically anymore.

The pressure to integrate business horizontally across departments is seen as inexorable. “We don't have a choice now,” a CHA director explained, “we have to kind of blend together and work together.” One THA employee told me that the new necessity of this kind of collaboration had made her appreciate the “impact of everything we do on everything else we do,” a fact she viewed as both a profoundly difficult challenge and exciting opportunity.

4.2.2 Organizational Adaptations

The CHA and THA are rising to RAD’s unique demands for interdepartmental coordination and problem solving. Both agencies have introduced new business processes and staff roles that foster an organizational shift away from functional silos toward greater horizontal integration. In the case of both
CHA and THA, the agencies have relied on new RAD project managers, as well as interdepartmental task forces and project-specific teams, to facilitate change. It is instructive to consider how two All-In RAD PHAs with different organizational structures and cultures have experienced these similar adaptation strategies.

The Cambridge Housing Authority’s RAD Taskforce

The CHA determined early on that its All-In strategy would require a new RAD-specific taskforce drawing members from each of the organization’s functional departments. This working group met regularly (every other week) throughout the agency’s early RAD planning stages and has continued working (though with less frequency) after the agency’s first phase closing with HUD to serve as a critical space for anticipating and resolving thorny issues arising from implementation. The staff members in this flatter, interdepartmental strategic grouping are professional peers more or less without hierarchy, each contributing expertise from their area of specialization. A new RAD project manager, who does not come from any of the functional departments and who reports directly to the deputy executive director, has been tasked with managing all of the moving parts, coordinating and setting the agenda for bi-weekly, in-person meetings with the entire taskforce. She is described to me as the first point of contact for anything related to RAD and she is ultimately responsible for designating team tasks and shepherding the project along.

Observation of a recent meeting of this team offered a dynamic opportunity to see the strategy of this organizational design in action. The RAD project manager began the meeting by walking through a current property’s closing timeline, soliciting input from each of the team members as she went. With information freely flowing from all departments, unforeseen logjams to the project were identified and averted. For instance, when the project manager turned the conversation to the new resident rent statements, the Operations team member explained that tenants had already received information about
the new single-purpose LLC to which they must now make out all their future rent checks. This raised a concern from a P&D staff member who explained that HUD and the tax credit investors want the LLC’s accounts to be empty at the time of the official closing date, which had been scheduled for two weeks in the future. After several minutes of conversation on the topic, the team embraced a plan proposed by a member of Fiscal, who suggested that a new separate account could be created to temporarily hold incoming funds until after the closing, thus enabling the LLC to “start clean” while also avoiding any further confusion to residents. This short exchange is indicative of a pervasive, problem-solving team ethos that has been intentionally fostered through thoughtful organizational management at the CHA.

Commenting on the impact of the new RAD project manager staff position and the interdepartmental taskforce, a director at the CHA said that together they were helping to “re-engineer” the agency’s business process. “[The RAD project manager] touches every facet of the organization,” he stated, “she is building, through business practice or policy, new relationships in the agency with each one of those issues that she knocks off her list.” Bridging departments with this new staffing pattern did not happen effortlessly; in fact, collaboration often required direct executive-level enforcement. The RAD project manager noted that she often finds herself in the difficult position of asking CHA employees to provide a new report or try on a new process on top of the “day to day work that they are already doing.” One executive staff member told me that he needed to act as a “bull dog” in order to ensure that departmental deputies and directors were accountable to the timelines and requests made by the RAD project manager who was new to the agency and comparatively junior.

The Tacoma Housing Authority’s Committee Structure

The THA’s culture of interdepartmental coordination revolves around its longstanding committee structure. These groups, chaired by the director of the department after which they are named, are comprised of members (usually directors) of the agency’s other functional departments. For example, the
THA’s Asset Management Committee is run by THA’s director of Asset Management, and regularly attended by directors from Real Estate Development, Finance, Property Management, etc. Committees meet on a regular basis, depending on the amount of business, usually every week or two weeks. At the time of writing the THA has 12 committees governing different aspects of its business.

This existing committee structure has contributed to a culture of interdepartmental collaboration that is more formally entrenched at THA than it was in Cambridge before RAD. A director at THA noted that he felt the organizational structure of the agency was well suited to RAD—the “Asset Management Committee is the pivot point,” he clarified. Another director described the committees as being “critical for us” in the implementation of RAD, noting further that she had needed to increase the frequency and duration of committee meetings to “handle all the cross departmental work.” But a longtime THA employee expressed the benefit of committee work most concretely:

I've seen working relationships get better because [RAD] is a new project and sometimes in an agency you don't get to work with someone, or you might only talk to someone on the phone or through email and then sometimes what they're requesting doesn't flow with your schedule so you're like “well, I can't get to it,” but when you are on the committee together, and you actually see them regularly, you're like “oh, I understand what you do now.” I think the benefit is being able to see what the others do, what their work really consists of.

By structuring sustained, in-person working relationships, committees facilitate not only interdepartmental communication, but also an important prerequisite to effective collaboration: mutual understanding.

All-In RAD implementation has placed a new premium on exactly this sort of interdepartmental understanding. Commenting on the challenge of doing complex development work at the THA one member of the RED team told me that while at a private entity there would be an “implicit understanding that real estate development is risky” and that you are moving something forward with projections, in a public agency “that is not really how [the other departments] perform.” Working in this environment, she explained, “there is often a need to foster an understanding of how development works, [that] it is risky
and being comfortable with that.” Elaborating further, she added: “Unknowns aren’t necessarily there because RED isn’t capable, but because they are a normal part of the process. That’s been a learning experience for other departments. For me too...[I realized that] if you don’t have that risk tolerance, people work and proceed differently.”

Committee meetings have not uniformly elicited this kind of cross-departmental understanding. “There is a tendency right now to have too many meetings,” a THA director commented, there are “too many people weighing in on what you are doing. We are trying to sort through what is nice, but not necessary, and what is essential to ensure all the right people are at the table to make the right decisions.” Another THA employee acknowledged meeting fatigue, noting that she does not attend all the meetings of the committees of which she is a member. “I filter in and out,” she said, “the committees are good, as long as they stay on track and there is progress, because if there is no progress then it is a waste of an hour because I could be at my desk pushing something forward.”

4.2.3 Organizational Opportunities

There are important opportunities for building on the adaptations toward greater horizontal integration that both PHAs’ All-In RAD implementations have required. Namely, the creation of cross-functional teams at both CHA and THA might serve to memorialize collaborative working patterns that have developed out of RAD implementation. This opportunity could help both agencies to utilize RAD as a transformative tool not only for their housing, but for their organizations as well.

With respect to establishing better coordination across departmental lines, the challenge for the CHA will be developing new formal structures to sustain the level of collaboration that has already begun under RAD. The CHA’s All-In strategy has necessitated the formation of several “flatter” strategic groupings drawing members from different corners of the agency. Many of these groups are currently property-
specific and have been formed to manage the conversion and construction activities at each site. After conversion and construction have stabilized, how will the agency instill this collaborative, problem-solving approach into its business practice? At least one member of the executive team at the CHA worries that the agency could miss this opportunity: “I think there is a sense, not correct in my view, that once the construction is done we are going to fall back into the older relationships. I'm not saying that the agency couldn't do that, but that it would be a mistake to do that. We have to define some new relationships about work across departments.”

Creating new permanent cross-functional teams at the CHA would go a long way towards translating these experimental changes in working patterns into lasting cultural change at the agency. These teams would be composed of members that currently belong to different departmental silos, and could be designated to serve strategic groupings of CHA properties that are typologically similar or geographically proximate. A CHA executive team member envisions a scenario of corporate teams—organized around each of the three new LLCs created to enter the tax credit partnerships—that would be staffed by members of the Operations, P&D, and Fiscal departments. Members of what are currently Leased Housing and Resident Services could also be productively added to these teams, while the physical rearrangement of CHA offices could ensure that teams were spatially clustered, not separated along functional lines. Perhaps most importantly, each group would need a corporate manager (with responsibilities akin to the RAD project manager) to design internal workflow and ensure the multidisciplinary teams were meeting targets set by the agency. The following chart illustrates an organizational structure built on such a cross-functional logic.
In essence, the reorganization would allow CHA employees to re-envision their role within the agency by creating a new non-functional group with which to identify professionally. The conceptual shift is subtle, but powerful—an accountant is no longer only a member of the Fiscal department with a certain set of projects, but also, and perhaps more importantly, the accountant for an area-wide interdepartmental team.

There are many advantages to this organizational shift for a public agency that is exiting the relatively well-known “safe harbor” of a heavily regulated, single-source federal operating and capital budget and casting out into an increasingly diversified web of relationships with external entities (see 4.1.1) and a competitive market for development capital. One key benefit of structuring work around the outcomes of project teams instead of the professional specializations of their members is that it facilitates flexibility, creativity, and responsiveness amongst employee groups to dynamic market and technical requirements. Through RAD implementation, CHA staff has already experienced first hand this problem-solving power.
of cross-functional, project-based teams, which has enabled them to successfully navigate the poorly charted waters surrounding a PHA in a post-public housing world.

Structuring work around corporate teams would help move CHA more squarely into the realm of a Wilsonian “production organization” (see 2.3.3), thereby enhancing the agency’s ability to use performance measures in its management system. The CHA could allow interdepartmental teams to experiment with designing new approaches to managing properties and serving their residents with the expectation of evaluating and comparing the outcomes across groups. By rendering the product of interdepartmental groupings conspicuously observable to all in the organization, a project-based team structure would lend a new layer of accountability to the CHA’s long-held tradition of experimentation.

The THA is currently contemplating a version of this organizational shift, albeit limited to the Property Management department staff. Explaining his vision for the future reorganization, a THA director said that a PM, two site office support staff, and two maintenance technicians would share the operational responsibility for approximately 250 units of housing (approximately 15% of the portfolio that the agency currently owns and manages). An outside consultant as well as an internal evaluation found that this more decentralized private sector model would “help streamline” the department’s workflow and allow the Property Management staff to be more responsive to residents.

RAD presents an opportunity for THA to carry the logic behind this Property Management department reorientation into more structural organizational change that honors the interdisciplinary collaborative spirit of its committees. In a fashion similar to that described for CHA above, THA could expand its new property groupings to include the units for which it provides rental assistance and then allow the expanded groups to become the primary organizing unit for work across the agency. Staff from both Community Services and Rental Assistance could be redistributed to these new teams, as well as accountants from the Finance department. These teams would provide a structural framework to support
the new demands for collaboration—such as those described in 4.2.1—that have developed post-RAD. In so doing they could help to ease pressure that has mounted on the agency’s various committees, which have needed to bear the brunt of the responsibility for interdepartmental coordination.

4.3 Vertical Integration

“\text{I think [central office] understands the work conceptually, but if you don’t go through it then how can you have a good sense of what it entails? In a bakery, all you see as a customer is the bread, you don’t know what’s going on in the back room—who is turning the dough, fixing it, and putting it in the oven. If you’re not in the back room then you can’t appreciate what really is going on.}” (CHA site staff)

4.3.1 Organizational Challenges

If the challenges in the preceding section revolved around the ability of functional departments to integrate horizontally, a third set of challenges now facing All-In RAD PHAs appears to be how they are coming together vertically within their existing staff hierarchies. Evidence from the CHA and THA suggests that the demands of RAD are threatening vertical integration, by exacerbating existing cultural divisions within their organizations, most notably between that of the central office and the site-based teams. An increasing sense of isolation and disempowerment at the sites, as well as a perceived lack of respect and understanding from central office, have all contributed to this critical organizational challenge.

The quote by a site staff employee at the beginning of this section highlights one of the major themes coming out of the CHA and THA: a keen sense that the work of site staff is poorly understood by employees in the central office. Another PHA employee agreed that, at least initially, “there was no appreciation of the magnitude of what RAD really meant [for site staff].” This perception of central office’s failure to understand the new administrative strain on site staff as a result of RAD is worsening long-standing fault lines in both agencies. Commenting on this existing lack of professional
understanding, one THA employee noted “what central can’t really appreciate” is that for site staff, “most of your time is conflict resolution all day long…you’re dealing with domestic violence a lot, homelessness, damages in the units…so many issues.” The perspective of this and other site staff was that by working directly with tenants, PM staff has developed a relationship with residents that central office does not fully understand or appreciate.

Perhaps compounded by this lack of professional understanding, RAD implementation has also left many site staff feeling more isolated in their job. One CHA employee expressed several times the feeling that she and her staff were “out on their own” once the agency had transitioned to RAD. This staff member suggested that central office was more “hands off” yet expected the same results. A different site worker echoed this sense of being left behind and of diminishing support from central office peers, observing that central was now fully preoccupied with closing phase two of RAD and did not have time for his team’s outstanding phase one issues. A THA employee implicated the spatial division of staff in this feeling of isolation, explaining that some central employees had worked at the agency for “years” and never visited a site.

In more extreme circumstances, site staff reported feeling increasingly disempowered and even disrespected by central staff during the rush of RAD implementation. Remark on the failure of communication between central and his site-based team, one THA employee explained that he would routinely get urgent calls from central office to “drop everything” and show an external contractor or lender representative around a site—as if the site staff “had nothing else going on.” In a different example of communication failure between central and site staff that resulted in feelings of lack of respect, THA maintenance and property management crews only received 48 hours notice about excavation work in a resident parking lot, which left site staff scrambling to notify tenants and relocate 50 vehicles in a very short space of time. A housing advocate in Cambridge noticed a very similar dynamic present during the CHA’s RAD implementation. “There are [site] staff who don't feel involved in decision making at the
CHA,” she observed, “[property] management staff are often the last to know about things around here. Our organization will usually know way ahead of them.”

While the individual impact of any one of these communication lapses is not particularly serious—one THA employee referred to them as “nuisances”—the net effect on company culture is concerning. As these All-In RAD PHAs continue to ask more of all their staff, including their site-based management teams, they cannot afford to exacerbate cultural divisions that threaten organizational unity. The experience of Cambridge and Tacoma suggests that without adaptation, the stress of portfolio-wide administrative change and significant construction-related activity is poised to augment distance between PHA employees based on where they fall within their institutional hierarchy.

4.3.2 Organizational Adaptations

The CHA and THA have responded organizationally to the challenges to vertical integration brought on by RAD described in the preceding section. These adaptations have ranged from efforts to improve agency culture through new kinds of staff meetings and employee focus groups, to strategic internal hiring decisions, and the redesigning of basic business practices such as the budgeting process for properties.

In preparation for undertaking their All-In RAD transformation, the CHA started by engaging its employees. “The big thing was to communicate,” one director explained as he discussed the effort to get as many of the agency’s employees together at the same time as possible. “It is not easy to do because we are spread out over the whole city, but for RAD we did it.” The CHA held several employee focus groups early on, the director said, “with all departments and employees, whether they were blue collar employees or directors and deputy directors,” to explain the agency’s motivations for undertaking RAD and how the conversion would impact its business. A notable aspect of these focus groups—where up to a quarter of
the agency’s workforce was present—was the quality of communication between central and site staff. One CHA director remembered that property management employees “had great questions” about very specific operational issues pertaining to the RAD conversion that central had not anticipated. One site staff member observed that the focus groups gave her a rare and welcomed opportunity to sit down with her colleagues from all parts of the agency and feel heard.

At the THA the strategic repositioning of one long time site staff employee has provided a vital communication link between central office and the sites that has helped eased tensions of RAD implementation described in the preceding section. This 13-year THA employee, who had worked exclusively on site-based teams, was recently rehired for a central office relocation position in preparation for RAD. Drawing on her experience as a property manager who helped relocate residents at a single property during redevelopment, this THA staff member is now responsible for a small team coordinating relocation activities across the agency’s entire portfolio. The transition has had a profound impact on this employee’s own perspective, which she framed in terms of improved professional understanding:

[For me] the benefit has been really understanding what RED does because I have never been able to sit in the meetings and I’ve never been inside of this department...so now I appreciate what they do, the time that they put in, going out, meeting investors, trying find the money. So that is a huge benefit, being able to see internally how the departments are run. My focus has changed... it has really opened up some things for me.

If some site staff have experienced RAD as isolating and disempowering, this employee had a near opposite experience:

I used to think I just wanted to get out of social services. But now I am looking more at project management. Looking more at tailoring the way that I work on things. So it has increased a lot of things, it has built up a lot of things in me that I didn't think needed to be changed or built. But I am learning so much from this side (i.e., central office) from being in a new context and sitting in the construction meetings...

Her new position—and her physical presence within central office—has not only increased her understanding of what her new coworkers in central do, but also reenergized her commitment to an agency where she feels new room to grow.
Importantly though, the impact of this strategic internal hire at the THA has not been constrained to the evolution of one employee’s perspective, it has also helped the agency become more vertically integrated. In her new role this employee has become not only a tangible example of the kind of crossover between central and site that that is critical for building mutual understanding, but also a trusted informal channel of information sharing between the sites and central office. This staff member told me that her PM colleagues routinely call her to convey what the residents “are really thinking” in advance of important tenant meetings so that she will know what they are going to ask about. The open lines of communication flow both ways through this employee, as she told me:

Regardless of which department I am in, I can help answer questions for Property Management or Section 8— I am going to answer those if you come to me, or else I will lead you to where you can get the answer. I am careful not to step on toes because I am no longer a PM, but I still have that knowledge, and staff and residents know this, so they'll call me.

Employees like this help to keep the THA “family” (as it was often described to me) together by ensuring that lines of informal communication and understanding stay open between rungs of the agency’s hierarchy. Using RAD implementation as an opportunity to reposition this employee has helped the agency remain vertically integrated in a time of stress.

A final adaptation that the CHA and THA are making to improve communication and become more vertically integrated is to redesign the budgeting process to bring PMs and central office staff together. As described in section 4.2.1, a longer and more collaborative budgeting process between the central office’s accounting team and the sites’ PMs will ensure not only better communications between departments, but across the site-central cultural divide as well. A CHA director commented on how the budgeting process has been a tool for bridging this organizational divide in the past. Concerned by the fact that the central office Resident Services employees seemed to have “no relationship” with the property management site staff, this director pushed funding for Resident Services down to the site budgeting process. Incorporating
a new resident services fee line item into the site budget forced the two corners of the agency to “become more aware of each other” and develop a working relationship.

4.3.3 Organizational Opportunities

Adapting to the challenges to staff cohesion precipitated by All-In RAD implementation has revealed strategic opportunities for organizational reform at the CHA and THA. Finding ways to promote professional understanding and respect amongst staff has eased tensions and formed small bridges across the individualized cultural identities of site teams and central office. A more structural organizational change, however, could cement this progress and help to permanently erode the bright distinctions between what are currently understood as the two ends of a bureaucratic hierarchy. Reassigning staff from central and site teams to project-based groupings working in new non-centrally located offices could help both agencies become “flatter”—improving staff cohesion along vertical lines just as it would better integrate them interdepartmentally (see 4.2.3).

Evidence from Cambridge and Tacoma strongly supports basic tenets of organizational psychology suggesting that collaborative project assignment, face-to-face communication, and the spatial arrangement of where work occurs all have important impacts on the perceived level of understanding and respect between employees (Schein, 1965). Reorganizing work at the CHA and THA around cross-functional teams based “in the field” would go a long way toward reconciling the conflicting cultures of site and central office. If given enough time and flexibility to forge new “common experiences” amongst members, these teams will allow a new “communication system and climate of trust to emerge” (Ibid.).
The pervasive critique of the Rental Assistance Demonstration program is that it is a privatization scheme heralding the end of the era of direct public provision of affordable housing to some of the most vulnerable households in the United States. For this reason, policy discussions about RAD have not tended to scrutinize program implementation but instead become deadlocked in an ideological debate about encroaching neoliberalism. The benefit of the “demonstration” component to RAD is that we can now begin to understand what different approaches to the program actually look like in practice, which should provide a new anchor for constructive conversation about how we address the longstanding financial crisis facing public housing authorities across the country.

In many ways the program is nothing new—the array of private sector financial tools made available through RAD is ubiquitous in the affordable housing industry and actually has been accessible to PHAs in a less economically powerful fashion for almost 30 years. Yet as this thesis has tried to show, the devil is truly in the details of implementation: while some typologies of RAD strategy may mean a continuation of business as usual for PHAs or a net loss in their operational authority, others have revealed an entirely new set of organizational challenges facing these public agencies. The All-In RAD approach presents a bit of a puzzle: the strategy constitutes the most meaningful effort to keep authority over public assets in the hands of public entities, yet has simultaneously unearthed new pressures on those agencies to internalize private sector strategies in their organization and business practice.

The challenges of navigating new webs of demanding external relationships, confronting new pressures to problem-solve across disciplines, and responding to new strains on an organizational culture built around spatially reinforced hierarchies have already precipitated organizational adaptation at two All-In PHAs. The important question for All-In RAD agencies like the CHA and THA is how they will build on these
lessons and whether they will recognize RAD as a unique opportunity to fundamentally restructure their business going forward. Greg Russ, the executive director of the CHA, sees this transformative power of RAD implementation clearly:

The way to think about capital is like a train you put on a track—it takes a long time to get the engine and the cars and everybody lined up, then you start off and it is very slow, but after you get up to speed, that engine is really moving, that’s how you can change your organization. You can leverage that speeding train … to change the whole agency.

Perhaps the formidable experience of All-In RAD implementation can also be a formative one. Borrowing a term from ethology, James Q. Wilson has described the early influential experiences of organizations as a process of “imprinting” during which a lasting vision and culture of what the organization should be is established (Wilson, 1989). Indeed there is a profound opportunity obscured by the stress and anxiety provoked by the “RAD tsunami,” as one PHA employee referred to All-In implementation: it is the chance to rethink long-held ideas about how PHAs work.

To retain meaningful public control over RAD outcomes it will be critical to understand what organizational transformation looks like under successful All-In RAD implementation. Moving past a too-narrow definition describing the explicit transfer or sale of public assets to a private entity, Robert Cropf articulates privatization as a transfer of governmental authority to the private sector. For many PHAs, regardless of how well- or poorly-managed they are, RAD will continue to constitute exactly this sort of privatization—some important public authority or power is lost with the decision to use a private development entity. Legal scholars like Jaime Alison Lee have begun to document the inadequacies of HUD’s remedies to affirmatively protect tenants’ rights when this public authority is handed to private managers. HUD’s strongest contractual remedies (like the reduction or termination of subsidies or utilization of receivership) may hurt low-income tenants more than private landlords, while “intermediate-level sanctions” that are effective at influencing PHAs (such as requiring increased reporting, new performance standards, and mandatory trainings) may be highly ineffective tools for private landlords (Lee, 2014).
Meanwhile, All-In PHAs, like the housing authorities in Cambridge and Tacoma, are charting a different course through RAD’s new and turbulent waters, endeavoring to keep that authority public. It is the path of greatest resistance in the long inexorable transition from “public housing” to “public-private housing” (Vale and Freemark, 2012). More research on the organizational models and capacity barriers of All-In implementation for PHAs will be needed to guide reform of the RAD program and to ensure optimal public stewardship and accountability over our most deeply affordable housing resource.


Donovan, Shaun (2010). House Committee on Financial Services, 2010 Hearing on Transforming Rental Assistance Initiative, supra note 57, at 48 (written testimony of Shaun Donovan, Secretary of Housing & Urban Development).


Econometrica, Inc. (2014). “Status of HUD’s Rental Assistance Demonstration (RAD) Evaluation and Results to Date.”


O’Regan, M. Katherine and Keren M. Horn (2013). “What Can we Learn About the Low-Income Housing Tax Credit Program by Looking at the Tenants?” Housing Policy Debate. 23(3): 597-613.


Stockard, James; et al. (2003). “Public Housing Operating Cost Study,” Harvard University Graduate School of Design.


