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Bringing HUD's Moving To Work Demonstration to Small Housing Authorities: Prospects and Barriers

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Abstract

Previously focusing predominantly on large public housing authorities (PHAs), the 2017 Moving to Work Demonstration expansion calls for a substantial expansion in the number of small housing authorities that are part of the demonstration. This expansion to small PHAs raises a series of questions regarding which small housing authorities are likely to participate, what types of institutional and service needs can be addressed via MTW program design, and what factors may influence participation in the demonstration program. We take a mixed methods approach to these questions that draws upon both cross sectional data for the nation's housing authorities and a series of in-depth interviews with PHA administrators in Illinois. We find that two interrelated factors have a large influence on PHA performance ratings, which are a major MTW eligibility criteria. Small housing authorities, particularly those in rural areas are less likely to be designated as "high-performing", and regional heterogeneity affect small PHA performance levels. Semi-structured interviews with nine Executive Directors and administrators of small housing authorities in Illinois revealed substantial variability regarding knowledge of the MTW program and the expansion as well as capacity and desire to apply for the demonstration program. We then discuss some suggestions for outreach and engagement of the small housing authorities who are selected for program participation.

Introduction

Created by Congress in 1996, the Federal Moving to Work (MTW) demonstration program is designed to test a suite of measures focused on increasing public housing authority (PHA) operating efficiency and service delivery for low-income households. Targeting the nation's two largest low-income housing assistance programs, Public Housing and the Housing Choice Voucher Program (HCV), MTW couples operational flexibility and fungibility of operating funds between programs, which should allow participating PHAs to respond more effectively to local conditions and innovate beyond the constraints of federal regulations under the U.S. Housing Act of 1937 (Abravanel et al., 2004).¹ 39 PHAs currently participate in the MTW demonstration, testing a variety of new approaches and reforms related to the program's statutory objectives.

The 2016 Appropriations Act authorized the U.S. Department of Housing and Urban Development (HUD) to expand the MTW demonstration by an additional 100 additional high-performing agencies over the next seven years. This expansion focuses in particular on increasing the number of small PHAs that are participating in the program – half of the new PHAs that will enter the program will administer 1,000 or fewer aggregate public housing and HCV units. Although there is a precedent for small PHAs to participate in the MTW demonstration, the majority of participating PHAs have been much larger. This substantial expansion in the number of small PHAs in the demonstration raises a series of questions regarding which of the nation's small housing authorities are likely to participate, what institutional and service needs can be addressed by MTW program design, and what factors may influence participation in the demonstration program.

We take a mixed methods approach to engage with these questions. First, we analyze HUD administrative data to identify factors affecting agencies' high-performance designation, which is a major eligibility criterion for MTW. We use Multilevel Modelling (MLM) as an empirical framework to identify administrative and operational factors as well as regional demographic features that influence agency performance ratings at different geographic scales. Second, we conduct a series of semi-structured interviews with Executive Directors and administrators of small housing authorities in Illinois to understand their perspectives on *i*) their current operating environment and challenges, *ii*) their perception of the MTW demonstration, and *iii*) their prospects for applying for the demonstration program.

The Moving to Work Demonstration

Demonstration Design and Objectives

The MTW demonstration was legislated by Section 204 of the Omnibus Consolidated Reversions and Appropriations Act of 1996 and is contracted to run until the end of the 2028 federal fiscal year. According to HUD estimates from 2010, 33 MTW agencies managed around \$2.7 billion in HCV operating funds, \$730 million in public housing operating funds, and \$380 million in capital funds, and these PHAs administered 13 percent of all housing vouchers and 11 percent of the

¹ The terms “public housing authority” and “agency” are interchangeably used in this study.

nation's public housing stock (Cadik and Nogic, 2010). MTW is designed to test ways to achieve three statutory objectives:

- i)* reduce cost and achieving greater cost effectiveness in Federal expenditures;
- ii)* give incentives to families with children where the head of household is working; is seeking work; or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient; and
- iii)* increase housing choices for low-income families. (HUD, 1996, p. 66857)

Rather than prescribing specific policy approaches, MTW grants regulatory flexibility for participating agencies to develop innovative and locally-driven activities by waiving certain federal regulations. MTW activities are broadly categorized into 13 policies (Table 1). As of 2014, the majority of MTW agencies implemented activities addressing policies regarding rent reform, housing quality inspection, and project-based initiatives, while only a few implemented activities on capital programs. On average, MTW agencies implemented activities for eight policies, and about one-third initiated activities for ten or more policies. In addition to these policy-driven reforms, MTW agencies are granted fungibility between their operating and capital funds in service of planning, implementing, and evaluating MTW policies and reforms (Brick and McCarty, 2012).

[Table 1 is inserted here]

Eligibility and Selection

Eligibility for MTW participation requires applicants to *i)* meet the requirements included in Section 204 of the 1996 Act; *ii)* be designated as a high-performing agency; and *iii)* based upon the merit of their administrative plan for planning, administering, and evaluating proposed MTW policies. These baseline criteria have evolved over time (Table 2). For example, the cut-off point for an agency's high-performance designation increased from 80 points in 1996 to 90 points in 2009; different points were assigned to measure agency administrative competitiveness; and the size of PHAs targeted in the MTW demonstration. In addition, some PHAs were added into the MTW demonstration based upon considerations other than the eligibility criteria (Cadik and Nogic, 2010). After applicant PHAs meet the program's eligibility criteria and submit an application for participation, Congress authorizes certain PHAs to become part of MTW or allows HUD to select PHAs based on scores of the four evaluation criteria.

[Table 2 is inserted here]

The 2017 MTW Expansion

In the 2017 MTW expansion, HUD makes a substantial alteration to eligibility criteria by explicitl, encouraging small PHA participation: *i)* no less than 50 PHAs shall administer 1,000 or fewer aggregate public housing and HCV units; *ii)* no less than 47 PHAs shall administer 1,001-6,000 aggregate assisted units; and *iii)* no more than three PHAs shall administer 6,001-27,000 aggregate assisted units. Looking at the size distribution of the nation's PHAs (Table 3), 83.9 percent of all PHAs in 48 contiguous states administered 1,000 or fewer assisted housing units,

13.7 percent administered between 1,001 and 6,000 assisted units, and 2.4 percent administered between 6,001 and 27,000 assisted units. Although there is a precedent for small PHAs to participate in the MTW demonstration, the majority of participating PHAs have been much larger. Only two of the current 39 MTW agencies - Keene Housing Authority and Lawrence-Douglas County Housing Authority administer fewer than 1,000 aggregate assisted units. An additional 16 MTW agencies administer between 1,001 and 6,000 aggregate units. The remainder of MTW agencies administer more than 6,000 units. Based on the expansion scenario, the MTW demonstration will engage at least 1.6 percent of PHAs that administer up to 1,000 assisted units and 12.2 percent of PHAs that administer between 1,001 and 6,000 assisted units, and at most 25.8 percent of the remainder, large PHAs.

[Table 3 is inserted here]

In addition to the aforementioned size criteria, eligible PHAs must be designated as high performers under the Public Housing Assessment System (PHAS) or Section 8 Management Assessment Program (SEMAP), depending on agencies' assisted housing portfolio. HUD's 2017 call also stresses geographic diversity.² HUD will stratify their selection of PHAs from within five HUD defined regions: five from the Northeast region, seven from the Southeast region, five from the Midwest region, ten from the Southwest region, and three from the West region. Eligible PHAs who are not chosen for the demonstration may be assigned to a control group for evaluation. Additionally, unlike the flexibility afforded to existing MTW agencies to select their own intervention strategies, new MTW agencies will enter the demonstration program by cohort, and within each cohort, HUD will choose one specific policy intervention to be implemented and tested.

Method

Given the major changes involved in the MTW expansion and the explicit inclusion of small PHAs, we question which PHAs will be eligible to participate based upon performance criteria and question what some of the operational considerations may be for small PHAs in determining whether to apply to participate. Our empirical strategy involves using administrative data on housing authorities to understand which housing authorities are likely to receive the high-performance designation that is a major eligibility requirement for MTW participation. We then use a series of interviews with housing authority leadership in Illinois to provide perspective on decision-making around MTW participation and activities within small housing authorities. Our interviews also question how small housing authorities qualify their impact on assisted tenants and surrounding communities. Taken together, these analyses provide evidence regarding which housing authorities are likely to participate in the demonstration and what aspects of their operations are likely to be captured in the performance metrics used to establish eligibility and application merit. Our approach provides information about small housing authorities that is relevant both for understanding the implications of the MTW program, but also information that is valuable for contrasting the operational challenges and complexities of small housing authority operations when compared to the activities of very large housing authorities which are frequently the subject of academic and policy evaluations.

² Additional eligibility requirements are detailed in PIH notice published in January 2017 (HUD, 2017, p. 4).

Empirical Framework

Multilevel Modelling (MLM) has been extensively used in the analysis of hierarchically structured data (Goldstein, 2011). MLM specifies models at each hierarchy level by including individual and contextual determinants as well as the random-effect term, which represents unobserved variations between clusters. For example, PHAs in some counties may exert higher performance relative to others. One possible explanation is that there is a cluster of PHAs in a county that manage their assisted housing stock more efficiently due to their strengths in administration and management. On the other hand, higher performance may be a result of contextual (regional) effects, associated with place characteristics such as the poverty rate, supply and demand of rental housing, and housing authorities' relationships with local government. Ignoring this clustering structure in the data can bias parameter estimates and standard errors, and the likelihood of bias in estimates increases with a higher correlation among PHAs within the cluster (Duncan and Jones, 2000; Guo and Zhao, 2000).

We structure a two-level model in which PHAs are grouped into counties. We denote PHA and county by i and j , respectively. t is a binary indicator for time, but the index is omitted from the subscript for simplicity. We denote y_{ij} , a binary designator for a PHA i holding high-performance designation in county j , s_{ij} the PHA size, and x_{ij} and z_j a set of explanatory variables at the PHA and county level, respectively. The following equations show a two-level logit model:

$$\log \left[\frac{p_{ij}}{1 - p_{ij}} \right] = \beta_{00} + \mathbf{s}_{ij}^T \beta_{s0} + \mathbf{x}_{ij}^T \beta_{x0} + \mathbf{z}_j^T \gamma_{0z} + t + u_{0j}, \quad (1)$$

where $\mathbf{s}_{ij} = [s_{1ij}, \dots, s_{pij}]^T$, $\mathbf{x}_{ij} = [x_{1ij}, \dots, x_{qij}]^T$, $\mathbf{z}_{rj} = [z_{1j}, \dots, z_{rj}]^T$.

β_{00} is the overall intercept, and β and γ are parameters to be estimated for variables at the PHA and county level, respectively. u_{0j} is a random-effect term for county, which is assumed to be normally distributed with mean 0 and variance of σ_u^2 . With this random-effect term, the variance between counties – the intercept varies randomly between counties – is modelled explicitly. In addition, MLM can relax the assumption of the fixed-effect coefficients in Eq. (1) by allowing, for example, the effect of the PHA size to vary randomly across counties, written as:

$$\beta_{s0} = \delta_{s0} + \pi_{s0}, \quad \text{where } \pi_{s0} \sim N_p(0, \Omega). \quad (2)$$

β_{s0} can be modeled as the mean slope (δ_{s0}) and county-level error term (π_{s0}), and this error term represents the deviation of the slope within the county relative to the overall slope (δ_{s0}). County-level variables can be added into the Eq. (2), according to the model design, which yields cross-level interactions. In this case, the total effect of an agency's size can be computed by summing fixed- and random-effect terms. However, since there is no strong argument suggesting heterogeneous effects of an agency's size on the high-performing designation between counties, as well as its complexity of the estimation and interpretation, we do not include random-slopes and cross-level interactions in the models.

Interviews

We conducted semi-structured interviews with PHA executive officers in Illinois. Illinois was chosen as the geography for case study development due to the range of contexts in which small housing authorities are located, the existing presence of MTW housing authorities (Chicago Housing Authority and Housing Authority of Champaign County), and based upon researcher familiarity and previous experience with housing authority officials in the state. Our case study method is focused on developing information to aid in the interpretation and understanding of our models. While it is not intended to be generalizable to small housing authorities throughout the country, the information provides valuable context for our models. Using data from the 2016 HUD Picture of Subsidized Households, we identified 87 PHAs in Illinois serving less than 1,000 combined subsidized units. We decided to keep our sample open to include housing authorities that were designated as high performers as well as those that did not receive the designation so that we could compare different perspectives related to performance ratings and accountability. PHA Executive Directors received a letter in the mail inviting them to participate in the research. This was followed up by an additional email and phone call.

We interviewed a total of nine PHA officials at eight small PHAs in Illinois, a recruitment rate of 9 percent. This included 5 PHAs designated as “high performing”. Each PHA official was asked about the history and background of their PHA, PHA performance and accountability, and perceptions of the MTW program. A total of 372 minutes of interview audio was captured and transcribed. We summarize findings related to two themes that emerged from the data – small PHA management and accountability, and implementation of the MTW demonstration.

For those PHA executives who chose to participate, interviews were conducted and simultaneously recorded via the *zoom.us* video conference software. Interviews lasted between 40 and 70 minutes. With the permission of the interviewee, video conference audio was recorded. Recorded audio was then transcribed and subsequently coded. We used an inductive coding approach focused on identifying concepts and patterns and on highlighting key themes within the data (Cresswell and Clark 2016). Although initial results from our models provide some sense of the relationship between PHA size, location, and performance, we chose to approach our analysis of qualitative data without making use of preconceived notions or categorizations of these data (Corbin and Strauss 2014). Interview transcripts underwent three rounds of coding – the first round focused on identifying broad trends within the data, the second round focused on identifying specific themes occurring within the data, and the third round focused on thematic refinement.

Data

This study draws upon multiple sources of data. First, we use two years (2014-2015) of HUD’s Public Housing Assessment System (PHAS) data, reporting agency’s performance scores on public housing management. Second, we use two years (2014-2015) of HUD’s Picture of Subsidized Households (PSH) data that contain a variety of administrative and management characteristics at the PHA level. Third, this study collects regional attributes data from Census Bureau’s five-year (2011-2015) American Community Survey and the rural-urban classification from Economic Research Service (ERS)’s 2013 Rural-Urban Continuum Code.

High-Performance Measurement

PHAS score is used to determine high-performance status for PHAs with public housing portfolios (PHAs operating both public housing and HCV programs require the high-performance designation from both PHAS and SEMAP). The PHAS score is based on four indicators: the Physical Assessment Subsystem (PASS), the Management Assessment Subsystem (MASS), the Financial Assessment Subsystem (FASS), and the Capital Fund Program (CFP). The total PHAS score ranges from 0 to 100 points, and PHAs with scores of 90 points or above are designated as high performers.

SEMAP scores measures PHAs overall performance in management of the HCV program. SEMAP scores are not publicly available, meaning that missing data may create measurement errors in PHAs' high-performing designation status in case when PHAs are designated as high-performing by PHAS but not by SEMAP. Indeed, Fischer and Sard (2016) show that the average SEMAP score for PHAs administering fewer than 250 HCV units was significantly lower – “four times more likely to be designated as “trouble” or “near trouble” under SEMAP and less likely to be designated as high performers” – than larger PHAs. This indicates that the likelihood that PHAs are designated as high-performing by PHAS but not by SEMAP increases if the size of the HCV program is small.

Descriptive Statistics

As the current round of expansion targets nation's small PHAs, we focus on PHAs that administer 1,000 or fewer combined public housing and HCV units. We consolidate the data at the PHA level across the 48 contiguous states. Due to lack of the SEMAP data, we exclude PHAs with only a HCV program. We also exclude 146 PHAs from the analysis due to missing values in the PHAS and Picture of Subsidized Households data. Cumulatively, we analyze a final sample of 1,514 PHAs with only public housing programs and 806 PHAs with both public housing and HCV programs (Table 4).

[Table 4 is inserted here]

We created a categorical variable that divides the PHA size into quartiles (Figure 1). In 2014, 63.6 percent of PHAs administering 34 or fewer public housing units (PH1) were designated as high performers. 69.4 percent of PHAs administering between 35 and 61 public housing units (PH2), 69 percent of PHAs administering between 62 and 121 public housing units (PH3), and 59.1 percent of PHAs administering between 122 and 1,000 public housing units (PH4) were designated as high performers. Similarly, 59.3 percent of PHAs administering 197 or fewer combined public housing and HCV units (PHV1), 54.7 percent of PHAs administering between 198 and 357 combined units (PHV2), 61.2 percent of PHAs administering between 358 and 580 combined units (PHV3), and 57.3 percent of PHAs administering between 581 and 1,000 combined units (PHV4) were designated as high performers by PHAS.

[Figure 1]

Besides the PHA size, we include a set of PHA administrative and management characteristics as well as contextual sociodemographic characteristics at the county level. We describe these

variables in Table 5. The descriptive statistics show that high-performing agencies that only had public housing programs tended to serve a lower percentage of minority households and a higher percentage of elderly households, compared to those of non-high-performing agencies. In addition, high-performing agencies were less likely to be located in rural counties with a lower percentage of African American and Latino population. We observe similar patterns for PHAs operating both public housing and HCV programs (Table 6).

[Table 5 is inserted here]

[Table 6 is inserted here]

Finding

Which PHAs Are Likely to Receive the High-Performing Designation?

Table 7 presents the results of the MLM logit models. For PHAs operating only a public housing program, PHAs administering between 35 and 61 public housing units and PHAs administering between 62 and 122 public housing units were more likely to receive the high-performing designation by 5.4 and 5.6 percentage points, respectively, relative to PHAs administering 34 or less public housing units. With regards to contextual factors, PHAs in regions with a higher percentage of female-headed or elderly households were more likely to have a high-performing designation, while presence of a higher percentage of minority households and greater number of occupants per housing unit decreased the chance to become high performers. Also, assisted households' annual income was positively associated with receiving high-performing designation, while PHAs located in rural counties were less likely to become high performers.

[Table 7 is inserted here]

Our model's random-effect estimates allow us to predict whether unobserved effects increased or decreased agency's likelihood of receiving high-performing designation. Due to the HUD's consideration of geography in MTW selection process, we aggregate random-effect estimates by state and HUD's region (Figure 2).³ The results show that there were 16 states with negative regional random effects (at mean), and, among them, the effect size was greater for Massachusetts, Virginia, Montana, and New Hampshire. On the other hand, 26 states present some level of positive effects, and the effect size was greater particularly for Ohio, Washington, and Pennsylvania.

[Figure 2 is inserted here]

Column (3) reports MLM regression estimates for PHAs with both public housing and HCV programs. Due to lack of the SEMAP data, we have to rely on the PHAS data to determine agencies' high-performing designation. However, since SEMAP scores of PHAs administering fewer than 250 HCV units were significantly lower than larger PHAs (Fischer and Sard, 2016), our regression estimates will provide a lower limit of such agencies's size effects on the high-performing designation. Our regression results show no statistically significant effect of an

³ The number of PHAs within the state is reported in Appendix A. Since there exist some states with only few PHAs, the results – the comparison of the average values across states – need to be interpreted with caution.

agency's size on the high-performance designation. However, the data show that about 50.1 percent of the PHV1 group and 47.5 percent of the PHV2 group administered fewer than 250 HCV units, while 23.6 percent of the PHV3 group and only 4 percent of the PHV4 group administered fewer than 250 HCV units. This means that the chance that a PHA was designated as high-performing by PHAS but not by SEMAP increased in PHV1 and PHV2.

The results also show that the percentage of female-headed households, minority households, number of people per unit, and assisted household income were statistically significant factors affecting agency's high-performing designation. Notably, PHAs located in rural areas were less likely to receive the high-performing designation by 22.5 percentage points. Estimated variances for both models are highly statistically significant, validating the presence of a random-effect at this geographical level. The likelihood-ratio (LR) test statistic is highly significant and confirm that including a random-effect term (county-level intercept) improves the goodness of the fit to the data.

Previously, HUD brought PHAs with both public housing and HCV programs into the MTW demonstration, while the current expansion opens opportunity for PHAs that operate public housing or HCV program. Our results, however, show that the smallest "small PHAs" in rural counties were less likely to receive the high-performing designation and thereby less likely to be eligible to apply to the demonstration.

Why Is It Difficult for Small PHAs to Receive the "High Performing" Designation? Challenges in Program Management and Accountability

We began our interviews by asking PHA administrators about what they perceived as the specific management challenges associated with running small housing authorities. We also asked administrators to describe the challenges associated with reporting and accountability at both the local level and to HUD. Administrators described several tradeoffs associated with being a small housing authority: *i*) bricks and mortar versus "soft" service, *ii*) concerns regarding effective demand for housing, *iii*) measuring utilization versus outcomes.

A main theme which emerged around management and accountability was a feeling that small housing authorities (and housing authorities more generally) were stuck between a mandate to deliver "bricks and mortar" housing benefits while also needing to provide a series of "soft" services for assisted households:

My admissions manager told me this the other day. It's the best worst job ever. And it's the truth. And I think what's interesting from a director's perspective is running a public housing agency, it's not about bricks and mortar. It is a human service and it's about lives. However, they have us and HUD operates as a bricks and mortar regulatory oversight environment. – Executive Director of a High Performing PHA in Northern Illinois

This tension permeated the conversation around HUD performance measures and scoring. Administrators saw themselves making tradeoffs between looking good for the sake of meeting performance requirements and doing good for assisted households:

It's like a lot of housing authorities, they've had to make decisions between financial stability in some areas or lower FASS, you make it for your financial stability. So, it's kind of a ... I think it's not a good representation to people who are studying if they're a high performer at housing authorities out there. When they were first looking at MTW, they were wrestling with that, and they had the verbiage for high capacity housing authorities, which I liked, but somewhere that got lost. – Executive Director of a High-Performing PHA in Northern Illinois

The PHA administrators we interviewed were sympathetic towards the challenges which HUD faces in evaluating PHA performance and making resource allocation decisions impacting PHAs. At the same time, many administrators saw the need for ways to account for “soft” forms of progress and service delivery impacts for assisted households:

What is not captured is outcomes of individuals that are utilizing our services. There's no process that exists to capture that. In the past, HUD has kind of gone back and forth on evaluations. We used to have to do evaluations that tenants or program participants would do. I don't think that was the right tool. That didn't seem to really offer much and that's probably why HUD ultimately got rid of it. But you know, if I've been working with or our program's been working with a family for five years, I have no way to show any form of an outcome or a realization of a goal to any stakeholder. – Executive Director of a PHA in Central Illinois

Even with comparatively small public housing stocks, administrators described the challenges of balancing physical maintenance concerns and management of public housing units and taking the time to work closely with assisted tenants on a range of other housing and non-housing needs:

Well, the story that's not getting to them is that a cracked light switch cover fails HQS. So it's not a good indicator of whether you have a strong Section 8 program or not. It's not a good indicator if you're working with a quality landlord or not. You know, my house won't pass HQS. That's a common thing. The White House won't pass HQS. So, it's just the kind of thing that can be manipulated poorly ... other housing authorities with challenges of working in very distressed areas are not going to be able to get that, and that's not representative of the Housing Authority's work, or even of the landlords or such that they work with. – Executive Director of a High-Performing PHA in Northern Illinois

Other administrators pointed to forms of structural disadvantage associated with their housing authority context which made it challenging to meet HUD targets as well as the broader human service needs of assisted households:

Well, like I said, urban areas have their own particular set of situations. However, they have a lot of strengths that they don't take as a strength. They have transportation access, they have a support network, all the social services agencies work together. They're serving the same clientele. They have a good clinical and

health advocacy situation. You don't have that in a rural area. – Executive Director of a PHA in Central Illinois

At the same time, some administrators felt that their small size made it more possible to facilitate and sustain relationships with local stakeholders and landlords, thereby increasing available housing opportunities and increasing capacity to administer programs:

Well, I think we have pretty good relationships with everybody in our county, our landlords, you know, county officials, other nonprofits and whatnot. You know, I went up to our courthouse one day and I had to talk to somebody. He said, "I didn't know we had a housing authority in this county." I go, "What?" So that's been kind of my goal. I've been out letting people know what we do and how we do it, trying to get away from this stigma of what we do. You know, I think we're involved with every landlord we can find in this county. And when landlords have vacancies they call us first. – Executive Director of a PHA in Northern Illinois

A second area where administrators described tradeoffs was around effective demand for housing units. Lack of demand was attributed to factors including unit obsolescence, lack of local employment and economic opportunities, and to a broader spatial mismatch between unit location and employment opportunities.

In our county, we don't have many people involved in our housing authority. They really don't care. That's why I keep bugging them. I think the biggest thing that needs to be measured is are we 100 percent on our utilization of our vouchers and 100 percent occupied? Because we have open vouchers, empty units ... What are they [people on the waitlist] doing? Living on the street. Where? We could be housing them.– Executive Director of a PHA in Northern Illinois

Another administrator described broader patterns of population ageing as impacting service delivery and demand for assisted housing:

What I'm beginning to see is with this rural area my biggest concern is as the elderly begin to age and move out of our units to go into nursing homes, I'm very fearful that there won't be elderly that's going to want to move or any elderly's going to want to move in public housing. Because the people don't come back to the county after the kids leave high school. They go onto college because there is really no major job opportunities here. And so for the long term, to me it is going to be a concern, and even for the families. – Executive Director of a PHA in Northwest Illinois

What Drives Small PHAs' Participation in the MTW Demonstration: Prospective Benefits and Costs

The second theme we discuss in this paper focuses on the prospects for small PHA participation and implementation of the MTW demonstration. We asked PHA administrators to describe the demonstration in their own words, to describe the prospect of participation in MTW, and to

describe what the most attractive and unattractive features of the demonstration were from their perspective. Because several of the administrators we interviewed ran PHAs that were ineligible for the demonstration because they were not designated as High Performing, we also asked about whether the MTW demonstration served as an incentive to improve performance metrics and other operational standards. Several insights emerged within this thematic area. First, administrators of small PHAs perceive a high opportunity cost for participating in MTW. While several administrators thought this opportunity cost was worth the time and effort, several administrators felt that preparing an application would tap into valuable resources that could be spent on service delivery. Second, while the principle of fungibility of funds was very attractive to PHA administrators, many were unsure how other MTW provisions might dovetail with current client needs to deliver new or different benefits. Third, PHA administrators pointed to regional collaboration and collaborative MTW submissions as a potential means of dealing with some of the previously identified barriers to participation in MTW.

We began engaging administrators in describing their perceptions of the MTW demonstration and expansion, and asked them to describe their personal thoughts on engaging their PHA in the demonstration. Two of the Executive Directors we talked with were actively planning to apply to the demonstration. Several other administrators were aware of the program, but had not contemplated applying. Administrators saw several potential benefits to expanding the program to target small PHAs. One Executive Director describes the potential for MTW to help re-balance administrative regulations geared towards large urban PHAs:

Now, from the HUD point of view, from looking at the HUD point of view, some of the regulations that come down, they are looking at the urban areas, the larger authorities. That is extremely onerous to a small rural agency with limited staff. That's why I'm running so hard, because I've got to do everything just to keep up. And that's the reason why I'm applying for MTW, because it allows some flexibility. – Executive Director of a PHA in Central Illinois

Enthusiasm for program benefits was contrasted by a perception that there is a high opportunity cost to applying for the demonstration. As one Executive Director of a High Performing PHA in Northern Illinois described it, "... It's overwhelming to think about walking down the path of a new program or trying to do a new program. That's the biggest stumbling block. Because like I said, we're pretty progressive, very open minded and it's just sheer being overwhelmed..." Administrators liked the notion of program flexibility and using experimental frameworks to better highlight how benefits can effectively be delivered to assisted households:

And we are so often just thought of as landlords for the very low income and we're not. I mean, we do so much more than that, but I also think there's so much more we could do with the right resources. And help us design a program that, you know, has much more benefit to individuals or families' lives than just safety sanitary housing. – Executive Director of a PHA in Central Illinois

The enthusiasm of some administrators was tempered by questions regarding the potential costs of experimentation and intervention in the lives of assisted households:

Whenever we start talking about less oversight or less regulations, yes. We are very regulated in this field to the extent that I think there could be some good reform that would be very beneficial and useful by all of us. But I have to always draw the line at how does that impact the population that we intend to serve? – Executive Director of a PHA in Central Illinois

Administrators who were choosing to apply to the demonstration also described significant up-front monetary costs to participation:

I'm relying on a grant writer to help me. And I'm spending about \$14,000, I think it is. But, you know, also, which we can afford, but I also have a part-time employee that I can't make full time because of that. You know, some decisions that smaller housing authorities who are probably the ones who are going to fit to cohort that they're looking at will have to make. – Executive Director of a High-Performing PHA in Northern Illinois

Administrators who were not choosing to apply for MTW at the time of our conversation brought up perceived monetary costs to applying for the program as a barrier to participation. We asked administrators to talk about the types of benefits which they would like to achieve via participation in MTW, or in the case of PHAs who weren't eligible to apply, via a MTW-like program that granted administrative flexibility and fungibility. With regards to housing, administrators consistently talked about using funds to address capital financing gaps for public housing units. Looking beyond the physical and capital needs of housing units, administrators identified a range of ways in which they might use flexibility of funds to better engage with the needs of assisted households. Increasing employment access and dealing with spatial mismatch between jobs and housing locations was a consistent theme that came up, particularly within rural housing authorities:

And I think in a rural community, a rural county, transportation is a huge thing, because where our public housing units are, the towns have nothing. In fact, one of the towns, their grocery store is shut down. They don't even have a grocery store anymore... Back in the 70's and 80's when they were built there was a need. Now there is not. Things change. But I think that's the biggest thing in our county is transportation. If people had transportation we could keep them working, which is going to help them out. – Executive Director of a PHA in Northern Illinois.

Leveraging PHA funds to innovate around social service partnerships also came up as a strategy:

Public housing and supportive services, I totally see a need to come together more... That is our number one thing we struggle with is our tenants and their daily living habits, their mental health needs. So we have been reaching out every which way we can, getting creative, trying to fulfill that need, to make them successfully housed. – Executive Director of a High Performing PHA in Northern Illinois

We asked PHA administrators whether regional collaboration or collaborative MTW applications might be an effective strategy for dealing with some of the scale issues which came up in our

conversations. The majority of administrators saw regional collaboration as a potential option to engage with these problems while also creating more effective partnerships to streamline service delivery. The Executive Director of a PHA in northern Illinois describes the challenge:

They [MTW program designers] need to realize we're small. So we have seven employees - or six employees and one half time employee for our ... units. And sometimes it is tough to keep up. We do the same stuff as a big housing authority. You know, and I realize they have more people. But you know, me as an executive director, you know, I get a lot of applications. The other day I was helping an old lady get her refrigerator cleaned underneath... in a small housing authority, the employees pretty much have to do everything. We can't just be doing the finance, doing the occupancy, doing the background checks. Where bigger housing authorities have people for that. They have to realize we're small and the funding is going to be small. So we aren't able to employ people to do those separate things. Which, again, I think working with other housing authorities could solve that. – Executive Director of a PHA in Northern Illinois

Several administrators suggested that the demonstration should maintain a preference for regional cooperation amongst small PHAs. For example, an Executive Director from a Northern Illinois PHA suggests, "... start it regionally, see where it goes, just take it from there...." At the same time, some administrators pointed to the challenges of collaboration:

It's really been the personalities. I get along really great with the other executive directors. I get along great with the other boards. It's relationships like working with people they know. And, you know, I'm very open with what they want to do and how we can benefit each other. But, you know, those are always as good as the moment. – Executive Director of a High-Performing PHA in Northern Illinois

Blending local politics, figuring out how to share resources, identifying divisions of labor, and allocating accountability all came up as concerns with regards to designing collaborative MTW applications and programming.

Discussion and Concluding Remarks

This study examines elements of selection and participation for small PHAS in the 2017 MTW expansion. We also examine administrative perspectives on institutional and service needs which can be addressed by the MTW demonstration's regulatory flexibility. Our main results suggest that smaller small housing authorities located in rural counties were less likely to receive the high-performing designation, and are therefore less likely to be represented in applications for participation. We also find that program sociodemographic factors and population served influence the likelihood of receiving high performance designation. We also find heterogeneous regional effects on agency's performance level rating at different geographic scales. Interviews with housing authority officials in Illinois revealed a substantial variability regarding knowledge of the MTW demonstration program as well as capacity and desire to apply.

The small PHA officials we interviewed all had some knowledge about the MTW demonstration and the expansion. We saw different levels of engagement with the prospect of applying, from not considering the program – often due to not being a high-performing agency – to actively pursuing the demonstration. Although our interview sample is small, we see some evidence that the greater administrative capacity of larger small PHAs may put them in a better position to apply for the demonstration. We also note that the 2017 expansion’s experimental design that allocates interventions to PHAs represents a risk for some PHAs that may not find the assigned activities to be the highest priority for meeting needs within their housing market and population served. While the lack of a more robust and unifying experimental framework is a past criticism of the MTW demonstration (Webb, Frescoln, and Rohe, 2016), which is likely reflected in the decision to assign interventions to participating PHAs, allowing some flexibility or agency regarding the grounds for applying specific interventions could increase the range of housing authorities willing to participate in the demonstration. Furthermore, small housing authorities in rural areas – PHAs that have arguably received less attention from HUD’s demonstration programs – demonstrate wide variations in the level of awareness about the demonstration program, thus housing authority officials were less likely to see the potential value of the demonstration for their housing authorities.

To address the issues of low levels of knowledge, limited capacity to consider and apply for MTW, and the link of a PHA applying and being arranged to the control group, HUD could consider the following steps. HUD might distribute appropriate information about the MTW demonstration and potential value by educating housing authority staff or through supporting other agencies and institutions to spread the information to the housing authorities. Also, HUD might consider a program to incentivize regional collaboration across small PHAs in order to create and facilitate economies of scale in the MTW demonstration. In addition, the current expansion call randomly selects treated and control group housing authorities, and this may be a fairly risky tradeoff for PHAs requiring considerable effort to create understanding and persuade participation.

PHA executives also talked about the need for more holistic and qualitative measures of their impact on assisted tenants and the surrounding community. They described multiple languages of accountability – one regarding what needed to be reported to HUD, and another that reflected accountability to their board and the community at large. The majority of interviewed PHA executives argued that the current scoring system (PHAS and SEMAP) does not adequately account for the strengths of small housing authorities such as serving assisted households closely and facilitating and sustaining relationships with local stakeholders and landlords. There exists little room for measuring non-housing impacts of housing support within the current framework – areas in which appropriate approaches to documenting PHA strengths or allowing extra points to the current high-performing scoring systems will increase the chance of small housing authorities’ participation in the demonstration.

Lastly, context matters – many small housing authorities, particularly those in rural areas expressed broader concerns with regards to demand for their current public housing stock, as well as unmet transportation and job access needs, and broader social service and mental health needs. Thinking and communicating about ways in which MTW might be able to help small PHAs meet these needs or incentivize partnerships to meet these needs would help to encourage small PHAs’ participation in the demonstration as well as further address the reasons why individuals are demanding housing support in the first place.

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Tables

Table 1: Moving to Work Policies by PHA (As of September 2014)

Activity Type	Number of PHAs	PHA Names
Admission	16	Alaska, Baltimore, Charlotte, Chicago, Delaware, District of Columbia, Keene, King County, Louisville, Minneapolis, New Haven, Oakland, San Antonio, San Mateo, Santa Clara, Vancouver
Capital Program	6	Baltimore, Cambridge, Delaware, Louisville, San Bernardino, Seattle
Deconcentration of Poor	4	Charlotte, Louisville, Reno, San Diego
Affordable Housing Development	20	Alaska, Baltimore, Boulder, Cambridge, Champaign, Charlotte, Chicago, Lawrence-Douglas, Lexington-Fayette, Louisville, New Haven, Oakland, San Antonio, San Bernardino, San Diego, San Mateo, Santa Clara, Seattle, Tacoma, Tulare
Funding Fungibility	18	Baltimore, Boulder, Cambridge, Charlotte, District of Columbia, Portland, King County, Lawrence-Douglas, Louisville, Minneapolis, New Haven, Oakland, Portage, San Antonio, San Bernardino, Seattle, Tacoma, Vancouver
Homeownership	16	Alaska, Baltimore, Champaign, Chicago, Delaware, District of Columbia, Keene, King County, Lawrence-Douglas, Louisville, Minneapolis, Orlando, Pittsburgh, Portage, San Diego, Seattle
Housing Quality Inspection	28	Alaska, Baltimore, Boulder, Cambridge, Champaign, Charlotte, Chicago, District of Columbia, Portland, Fairfax, Keene, King County, Lawrence-Douglas, Lexington-Fayette, Lincoln, Minneapolis, New Haven, Oakland, Portage, Reno, San Antonio, San Bernardino, San Diego, San Mateo, Santa Clara, Seattle, Tacoma, Vancouver
Occupancy	24	Alaska, Baltimore, Boulder, Cambridge, Champaign, Charlotte, Chicago, District of Columbia, Fairfax, Keene, King County, Lawrence-Douglas, Lincoln, Louisville, New Haven, Oakland, Portage, San Bernardino, San Diego, San Mateo, Santa Clara, Seattle, Tacoma, Vancouver
Project-Based Voucher Program	27	Alaska, Baltimore, Boulder, Cambridge, Chicago, District of Columbia, Fairfax, Portland, Keene, King County, Lexington-Fayette, Lincoln, Minneapolis, New Haven, Oakland, Orlando, Portage, Reno, San Antonio, San Bernardino, San Diego, San Mateo, Santa Clara, Seattle, Tacoma, Tulare, Vancouver

Rent Reform	33	Alaska, Baltimore, Boulder, Cambridge, Champaign, Charlotte, Chicago, Delaware, District of Columbia, Fairfax, Portland, Keene, King County, Lawrence-Douglas, Lincoln, Lexington-Fayette, Louisville, Minneapolis, New Haven, Oakland, Orlando, Philadelphia, Pittsburgh, Portage, Reno, San Antonio, San Diego, San Mateo, Santa Clara, Seattle, Tacoma, Tulare, Vancouver
Resident Services	27	Baltimore, Cambridge, Champaign, Charlotte, Chicago, Delaware, District of Columbia, Portland, Keene, King County, Lawrence-Douglas, Lincoln, Louisville, New Haven, Oakland, Orlando, Philadelphia, Reno, San Antonio, San Bernardino, San Diego, San Mateo, Santa Clara, Seattle, Tacoma, Tulare, Vancouver
Supportive Housing Partnership	24	Baltimore, Boulder, Cambridge, Charlotte, District of Columbia, Portland, Keene, King County, Lexington-Fayette, Louisville, Minneapolis, New Haven, Oakland, Philadelphia, Portage, Reno, San Antonio, San Bernardino, Seattle, Tacoma, San Diego, San Mateo, Santa Clara, Vancouver
Use of Funds	10	Alaska, Baltimore, Cambridge, Charlotte, Keene, King County, Lawrence-Douglas, Lexington-Fayette, San Diego, Vancouver
Other	14	District of Columbia, Keene, King, Lawrence-Douglas, Louisville, Minneapolis, New Haven, Philadelphia, Pittsburgh, San Bernardino, San Mateo, Seattle, Tacoma, Tulare

Source: 2014 Moving to Work Conference

Table 2: Eligibility and Selection Criteria for Participating in the Moving to Work Demonstration

Year	Eligibility				Evaluation			
	PHA Size	Performance Measure	High-Performance Indicator	Other	Capability	Feasibility of MTW Plan	Resident and Community Support and Involvement	Local and National Impact
1996		Public Housing Management Assessment Program (PHMAP)	At least 80 points		10	60	10	10
2000	2,500 or more units							
2009	No more than 5,000 aggregate HCV and public housing units	Public Housing Assessment System (PHAS)	90 points or above	HOPE VI grantee	10	60	10	20
2010	No more than 5,000 aggregate HCV and public housing units	Public Housing Assessment System (PHAS)	90 points or above		30	45	15	10
2012	No more than 5,000 aggregate HCV and public housing units	Public Housing Assessment System (PHAS)	90 points or above		22	52	13	13

Sources: 1996 HUD Notice, PIH Notice 2000-52, PIH Notice 2009-29, PIH Notice 2010-29, and PIH Notice 2012-16.

Notes: In addition to PHAs selected through eligibility and selection criteria above, some PHAs were specifically named and authorized in 1999 appropriation (Charlotte and Pittsburgh), in 1996 statute (Chicago), and in 2008 appropriation (Alaska, San Bernadino, San Jose, and Santa Clara).

Table 3: Distribution of PHAs by Size

	PHAs in 48 Contiguous States	MTW PHAs in 48 Contiguous States
1,000 or fewer aggregate assisted units	3,198 (83.9%)	2 (5.3%)
Between 1,001 and 6,000 aggregate assisted units	523 (13.7%)	16 (42.1%)
Between 6,001 and 27,000 aggregate assisted units	89 (2.4%)	20 (52.6 %)
Total	3,810	38

Source: 2014 Picture of Subsidized Households data

Table 4: PHAs that Administered 1,000 or Fewer Aggregate Public Housing and Housing Choice Voucher Units

	Public Housing Program Only	Public Housing and HCV Programs
PHAs in 48 Contiguous States	1,610	902
Missing Data (from PHAS and PSH)	75	71
Attrition in 2015	21	25
Total Sample	1,514	806
Sample Reduction	5.9%	10.6%

Source: 2014 and 2015 Picture of Subsidized Households data

Table 5: Description of Variable

Variable	Description
HPA	1 if a PHA is designated as high performing by PHAS, 0 if otherwise
<i>PHA-Level Characteristics</i>	
PH1	a 1 if a PHA administers 34 or fewer public housing units; 0 if otherwise (base)
PH2	a 1 if a PHA administers between 35 and 61 public housing units; 0 if otherwise
PH3	a 1 if a PHA administers between 62 and 121 public housing units; 0 if otherwise
PH4	a 1 if a PHA administers 122 or more public housing units; 0 if otherwise
PHV1	b 1 if a PHA administers 197 or fewer aggregate public housing and Housing Choice Voucher units; 0 if otherwise (base)
PHV2	b 1 if a PHA administers between 198 and 357 aggregate public housing and Housing Choice Voucher units; 0 if otherwise
PHV3	b 1 if a PHA administers between 358 and 580 aggregate public housing and Housing Choice Voucher units; 0 if otherwise
PHV4	b 1 if a PHA administers 581 or more aggregate public housing and Housing Choice Voucher units; 0 if otherwise
Percent Public Housing Units	b % of public housing units of the entire assisted unit
Number of People per Unit	Total number of assisted people in a housing unit
Assisted Household Income	Average household income per year
Percent Female Head	% of households headed by female
Percent Disability	% of all persons in assisted households who have a disability
Percent Elderly	% of households in which the older of the household head or spouse is age 62 or older
Percent Minority	% of households in which the race of the head of household is Black, Native American, or Asian or Pacific Islander, or the ethnicity is Hispanic
<i>County-Level Characteristics</i>	
Rural	1 if a PHA is located in the rural county (8 and 9 categories) in ERS's Rural-Urban Continuum Code, 0 if otherwise
Multiple PHAs	Number of PHAs that are located in the same county
Percent Black	% of the Black population in the county
Percent Hispanic	% of the Hispanic population in the county
Population-Housing Ratio	The number of people in a housing unit in the county
Household Income	Average household income per year in the county
Year	0 if FY 2014 and 1 if FY 2015

Notes: 'a' indicates PHAs with only public housing program, and 'b' indicates PHAs with both the public housing and HCV programs.

Table 6: Descriptive Statistics of Characteristics by High-Performing Designation

	PHAs with Only Public Housing Program		PHAs with Both Public Housing and HCV Programs	
	High-Performing PHAs	Non-High-Performing PHAs	High-Performing PHAs	Non-High-Performing PHAs
<i>PHA-Level Characteristics</i>				
PH1	24.87%	26.76%		
PH2	26.39%	21.90%		
PH3	26.49%	22.38%		
PH4	22.24%	28.95%		
PHV1			25.51%	24.30%
PHV2			23.59%	27.11%
PHV3			26.25%	23.11%
PHV4			24.65%	25.48%
Percent Public Housing Units			44.49%	43.93%
Number of People per Unit	1.78 (0.51)	1.95 (0.53)	2.05 (0.40)	2.15 (0.41)
Assisted Household Income	14,596.44 (3,299.40)	14,313.07 (3,780.86)	13,726.94 (2,667.32)	13,266.99 (2,732.97)
Percent Female Head	36.52%	36.19%	38.81%	38.00%
Percent Disability	23.05%	20.24%	24.38%	22.60%
Percent Elderly	20.67%	16.86%	15.40%	13.33%
Percent Minority	28.73%	42.34%	35.48%	41.23%
<i>County-Level Characteristics</i>				
Rural	14.41%	17.43%	2.24%	5.78%
Multiple PHAs	2.66 (2.18)	2.86 (3.15)	3.83 (5.10)	3.31 (4.68)
Percent Black	9.72%	13.44%	7.51%	8.90%
Percent Hispanic	8.06%	9.56%	11.96%	10.44%
Population-Housing Ratio	2.17 (0.32)	2.17 (0.33)	2.25 (0.34)	2.24 (0.32)
Household Income	58,066.15 (12,168.98)	57,699.87 (14,628.52)	66,332.57 (18,155.28)	64,837.96 (17,779.22)
Obs.	1,987	1,050	937	675

Notes: Descriptive statistics are calculated by using data in 2014 and 2015. Standard deviations are in parenthesis.

Table 7: MLM Logit Regression Results

	Small PHAs with Only Public Housing Program		Small PHAs with Both Public Housing and HCV Programs	
	Coefficient	Marginal Effect ^d	Coefficient	Marginal Effect ^d
	(1)	(2)	(3)	(4)
PH2	0.321** (0.147)	0.054		
PH3	0.338** (0.151)	0.056		
PH4	0.070 (0.160)	0.012		
PHV2			-0.069 (0.124)	-0.020
PHV3			0.100 (0.127)	0.029
PHV4			-0.048 (0.130)	-0.014
Percent Public Housing Units			0.154 (0.229)	0.045
Number of People per Unit	-0.428*** (0.161)	-0.072	-0.531*** (0.198)	-0.156
Assisted Household Income ^c	0.524** (0.256)	0.088	0.903*** (0.347)	0.265
Percent Female Head	0.042*** (0.007)	0.007	0.028*** (0.008)	0.008
Percent Disability	0.007 (0.005)	0.001	0.007 (0.007)	0.002
Percent Elderly	0.015*** (0.004)	0.003	0.006 (0.006)	0.002
Percent Minority	-0.010*** (0.004)	-0.002	-0.005* (0.003)	-0.001
Rural	-0.379** (0.176)	-0.063	-0.766*** (0.257)	-0.225
Multiple PHAs	-0.084 (0.122)	-0.014	-0.004 (0.013)	-0.001
Percent Black	-0.004 (0.006)	-0.001	0.007 (0.006)	0.002
Percent Hispanic	-0.003 (0.006)	-0.000	0.014*** (0.005)	0.004
Population-Housing Ratio	0.211 (0.212)	0.035	-0.187 (0.180)	-0.055
Household Income ^c	-0.459 (0.347)	-0.077	-0.155 (0.321)	-0.046
Year	-3.589*** (0.558)	-0.432	-2.285*** (0.678)	-0.450
Constant	4.894 (3.623)		-5.318* (3.086)	
Estimated Variance				

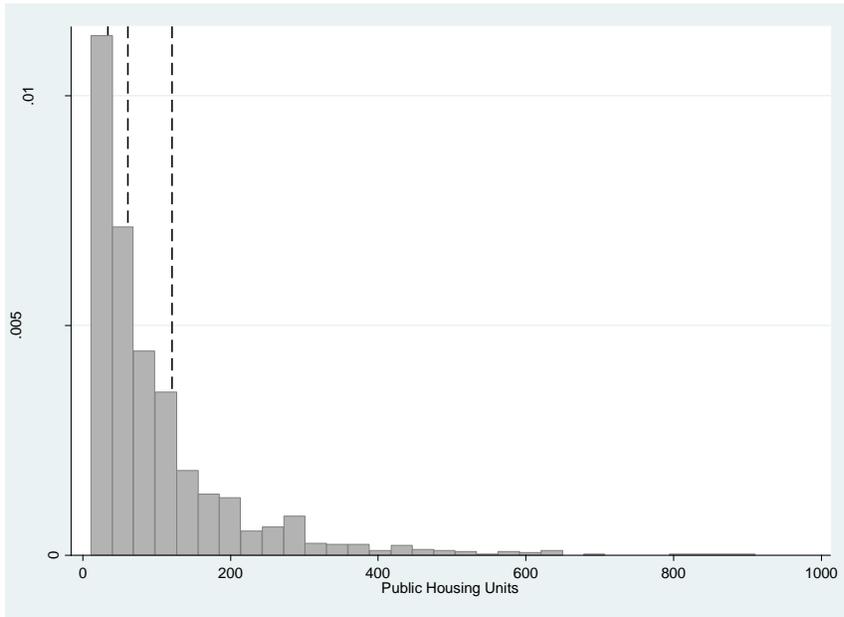
County (σ_{0j}^2)	1.642*** (0.291)	0.646*** (0.154)
Log-Likelihood	-1788.650	-1,022.206
Obs.	3,028	1,612

Notes: Standard errors are in parenthesis. ‘c’ denotes variable measured in natural logarithms. ‘d’ reports the marginal effects of a discrete change in binary variables and a percent change in continuous and percentage variables. * denotes significance at 10 percent level, ** denotes significance at 5 percent level, and *** denotes significance at 1 percent level.

Figures

Figure 1: Distribution of PHAs that Administered 1,000 or Fewer Public Housing or Housing Choice Voucher Units

(a) PHAs with Only Public Housing Program



(b) PHAs with Both Public Housing and HCV Programs

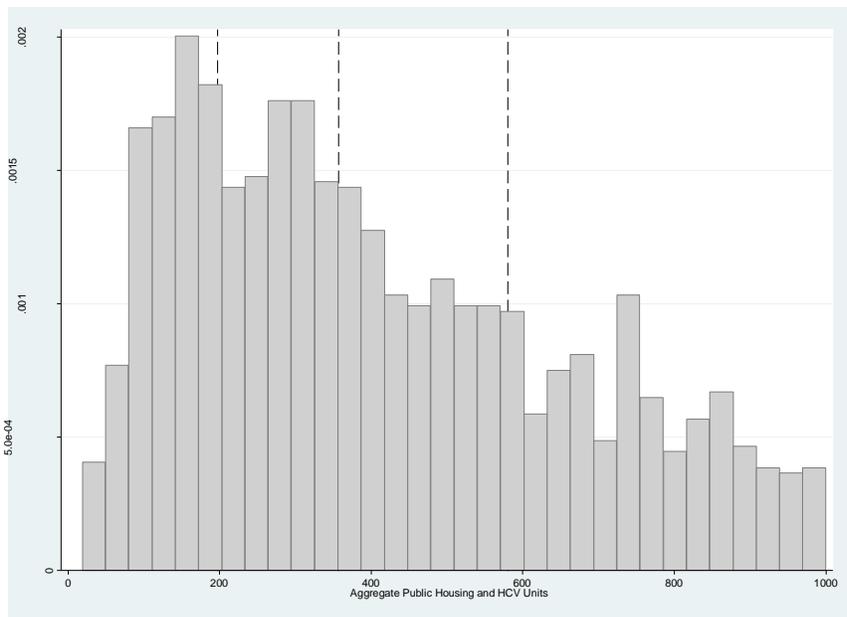
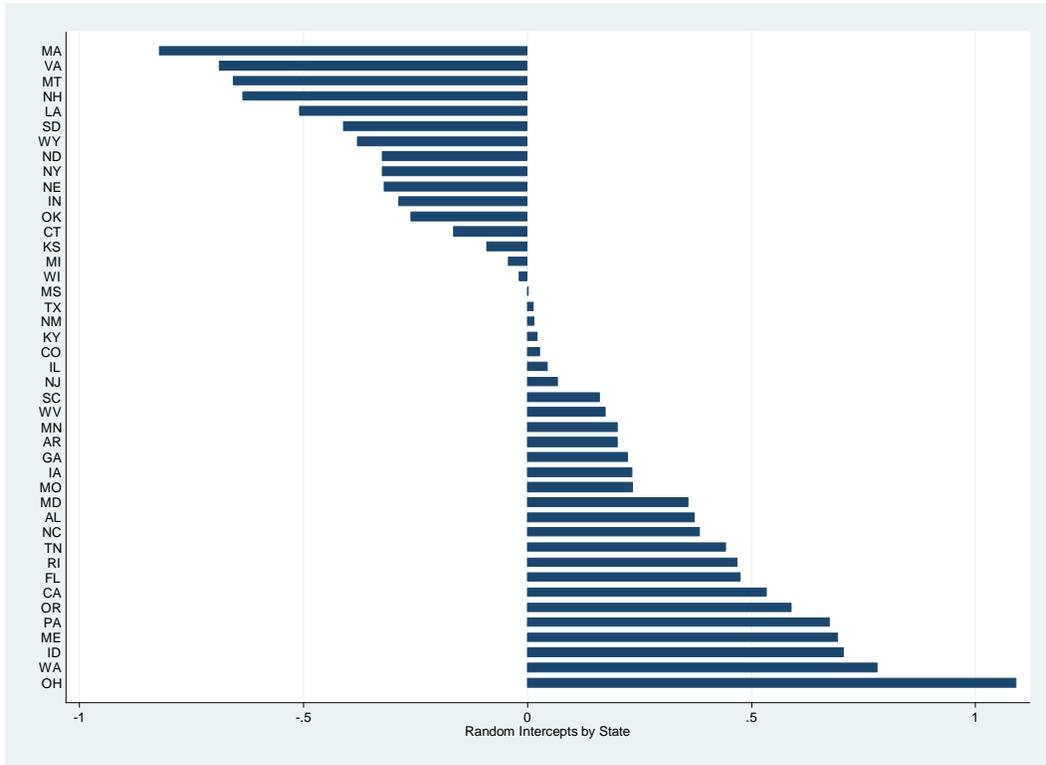
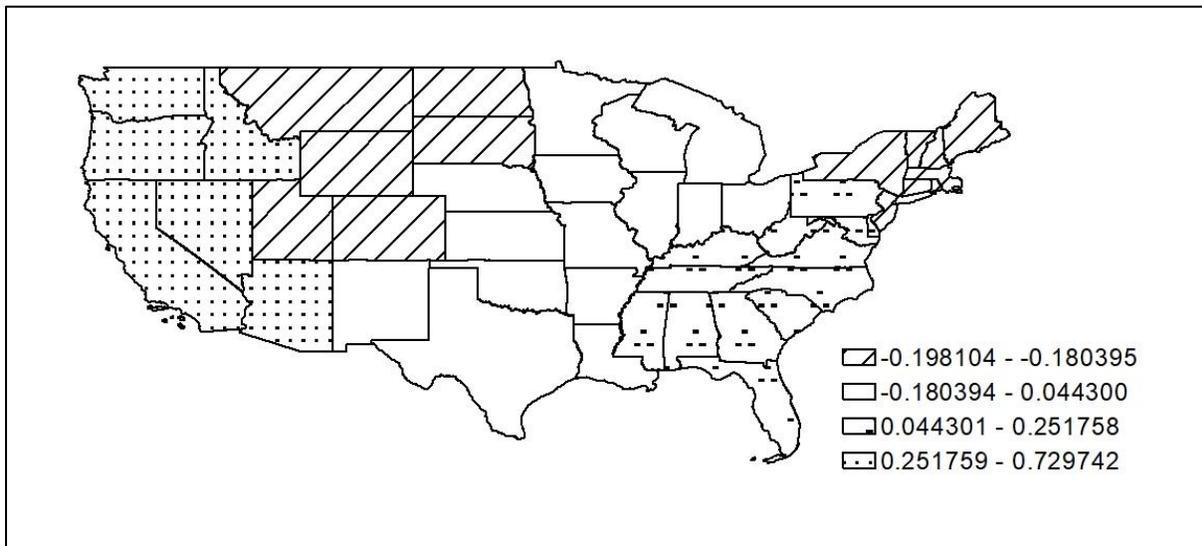


Figure 2: The Average of Estimated Random Intercept Effects for PHAs that had Only Public Housing Program

(a) By State



(b) By HUD's Region



Appendix

Appendix A: Number of PHAs that Administered 1,000 or Fewer Assisted Units

State	PHAs with Only Public Housing Program	PHAs with Both Public Housing and HCV Programs
AL	80	68
AR	70	46
AZ	0	18
CA	6	16
CO	22	20
CT	4	24
DE	0	4
FL	14	58
GA	138	10
IA	25	28
ID	5	6
IL	33	76
IN	9	32
KS	74	18
KY	80	34
LA	58	48
MA	6	82
MD	6	10
ME	4	22
MI	59	86
MN	67	72
MO	74	44
MS	31	4
MT	2	14
NC	50	30
ND	1	22
NE	80	26
NH	1	22
NJ	15	48
NM	18	16
NY	26	62
OH	1	40
OK	76	32
OR	1	14
PA	2	76
RI	1	36
SC	7	34
SD	15	14
TN	57	20
TX	216	150
UT	0	10
VA	2	22
VT	0	12
WA	5	18

WI	56	46
WV	13	16
WY	4	6
