Evaluation of the Rental Assistance Demonstration (RAD)

Organizational Change of Public Housing Agencies (PHAs)

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

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

Prepared by
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Econometrica, Inc.

March 21, 2023

Acknowledgments

The team of site visitors and interviewers included Jennifer Stoloff, Alex Thackeray, Margaret McGilvray, Amanda Klein, Gabriel Schneider, Peace Gwam (of the Urban Institute), Tony DiBiase, Pamela Roberts, and Selisa Jefferson. Most of the team took turns in the notetaker role and were aided by Kurt von Tish and Erin Detty.

Our team of NVivo coders and data analysts was led by Amanda Klein and Jennifer Stoloff and included Gabriel Schneider, Pamela Roberts, and Selisa Jefferson. Ms. Klein developed the process for transferring the data to NVivo as well as the initial guidebook. Ms. Jefferson de-identified our detailed site visit notes so they could be shared with HUD.

We were guided in all efforts by Econometrica's Director of Housing and Finance, Dennis Stout, and our Contracting Officer's Representative from the U.S. Department of Housing and Urban Development, Teresa Souza.

Foreword

The Rental Assistance Demonstration (RAD) was authorized by Congress in 2012 to preserve affordable housing units over the long term by enabling public housing agencies (PHAs) to apply to HUD to convert at-risk public housing properties to two different forms of project-based Section 8 Housing Assistance Payments contracts—project-based voucher (PBV) or project-based rental assistance (PBRA). Doing so gives PHAs more flexibility to access private and public funding sources to meet short-term capital needs, reduce their reliance on limited appropriations, and stabilize their financial and physical condition. Choice Mobility, an additional feature of RAD, allows residents of RAD properties to request a Housing Choice Voucher that they can use to move to a housing unit in the private market.

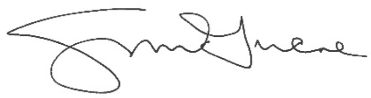
PD&R has supported research on RAD since its authorization, with reports completed in 2014, 2016 and 2019. The 2019 report, "Evaluation of HUD's Rental Assistance Demonstration," found that RAD had helped HUD-assisted properties access funding through sources such as the Low-Income Housing Tax Credit and commercial loans to support capital improvements. Although some properties converted without construction, most converted with a rehabilitation investment. The 2019 report also showed that construction costs for shallow rehabilitations of RAD properties averaged $10,025 per unit, whereas the average construction cost for moderate to deep rehabilitation of RAD properties was $61,888 per unit. When compared to non-RAD properties, the research showed that RAD conversions "were able to improve their physical condition, whereas non-RAD properties experienced a decline in their physical condition."

This 2023 report is part of five follow-up studies that addressed some longer-term questions about RAD. The five studies were conducted in response to Congress' request to evaluate the Choice Mobility option, RAD implementation and its impact on tenants, related protections, and long-term preservation of housing affordability.

This study focused on the organizational changes that PHAs experienced during RAD conversion regarding ownership structures, new skills and staff training needs, administrative and operating costs, and financial stability.

The study found that PHAs that converted their entire public housing portfolio to RAD experienced the most significant organizational changes. PHAs that lacked experience administering tax credits reported the greatest need for learning new skills, although staff who were familiar with these programs still required training on RAD administration and compliance. A majority of PHAs sampled reported that their conversions yielded positive cash flow and resulted in developments that were financially stable or anticipated to be stable in the future. Many indicated that the funding reliability of conversions facilitates budgeting and better predicts revenue. Most of the PHAs interviewed reported either no change or a decrease in operating costs. Overall, PHAs that experienced organizational changes generally did not consider RAD to be a causal factor of these changes but rather as one component of a larger plan or transformation process for the PHA. Although the findings in this report are based on interviews of only 26 PHAs and thus not representative of RAD PHAs overall, they nonetheless provide valuable insight into the organizational changes and challenges PHAs experienced while implementing RAD.

Solomon Greene



Principal Deputy Assistant Secretary for Policy Development and Research
U.S. Department of Housing and Urban Development

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List of Acronyms

Acronym	Definition
AMP	**Asset Management Project.** Public housing projects managed with a business model similar to multifamily housing, with project-based budgeting, accounting, and management.
CHAP	**Commitment to Enter into a Housing Assistance Payment.** After HUD reviews a PHA's Rental Assistance Demonstration (RAD) application, HUD issues an initial approval that allows the PHA to begin its RAD conversion process.
HAP	**Housing Assistance Payment** contracts are used in the Section 8 voucher program and constitute the legal agreement between a Section 8 project's ownership entity and either HUD or the PHA that manages the Section 8 vouchers to provide HAPs on behalf of eligible tenant households. The HAP contract specifies the number and bedroom count of covered units and the terms and procedures by which HUD subsidy payments are made to the property.
HCV	**Housing Choice Voucher.** A Section 8 program of the Office of Public and Indian Housing through which PHAs receive federal funds from HUD to administer HCVs locally. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. This unit may include the family's present residence. Rental units must meet minimum standards of health and safety as determined by the PHA. Maximum rents are set by HUD and the PHAs, and tenants pay 30 percent of their adjusted income.
HUD	**U.S. Department of Housing and Urban Development**
LIHTC	**Low-Income Housing Tax Credits.** The program gives state and local LIHTC-allocating agencies the equivalent of approximately $8 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households.
LLC	**Limited Liability Company.** A business structure in the United States that protects owners from personal responsibility for its debts or liabilities. LLCs are hybrid entities that combine the characteristics of a corporation with those of a partnership or sole proprietorship.
LP	**Limited Partnership.** A partnership of two or more partners in which the general partner oversees and runs the business while limited partners do not partake in managing the business. The general partner of an LP has unlimited liability for the debt, whereas any limited partners have limited liability up to the amount of their investment.
OCAF	**Operating Cost Adjustment Factor.** Established by HUD and applied to the existing contract rent (minus the portion of the rent that is paid for debt service), OCAF values are determined by HUD annually and published in the *Federal Register*.
PBRA	**Project-Based Rental Assistance.** A Section 8 program administered by HUD's Office of Multifamily Housing. Under the terms of a PBRA contract between HUD and a project owner, HUD provides a housing assistance subsidy that makes up the difference between what an eligible tenant household can afford and the approved contract rent for an adequate housing unit in a multifamily project. Eligible tenants must pay the highest of 30 percent of adjusted income, 10 percent of gross income, the portion of welfare assistance designated for housing, or the minimum rent established by HUD. PBRA contracts are attached to specific housing units and are not portable for the tenant. PHAs are not party to a PBRA contract unless the agency is a project owner.
PBV	**Project-Based Voucher.** Section 8 vouchers that are attached to specific housing units and administered as part of a PHA's HCV program. Under the PBV program, a PHA enters into an assistance contract with the project owner for a specified number of units and for a specified length of time. The PHA refers families to the project owner to fill project vacancies. Because PBV assistance is tied to the unit, when a family moves from the PBV unit, the assistance remains with the unit.

Acronym	Definition
PHA	**Public Housing Agencies** (which can be any state, county, municipality, or other governmental entity or public body) administer programs under the National Housing Act, which could include public housing and HCVs. It should be noted that many PHAs also act as local Redevelopment Authorities and are then referred to as Redevelopment and Housing Authorities.
PILOT	**Payment in Lieu of Taxes.** An agreement that many PHAs have with their local municipalities that allows them to negotiate a payment in lieu of real property taxes.
RAD	**Rental Assistance Demonstration.** Established under the Consolidated and Further Continuing Appropriations Act of 2012 to stem the potential loss of public housing and other subsidized housing units due to the growing backlog of unfunded capital needs. The program has two components: The first component focuses on the conversion of existing public housing to project-based Section 8 assistance, and the second component focuses on existing Section 8 projects that are being phased out.
TRACS	**Tenant Rental Assistance Certification System.** A HUD computer system developed to help improve financial controls over assisted housing programs. This system is used by the Office of Multifamily Housing to monitor its programs, including PBRAs.

Executive Summary

Since 2014, Econometrica, Inc., and its subcontractors and consultants, the Urban Institute, EMG Corporation, Jaime Bordenave of The Communities Group, and John Weicher of the Hudson Institute, have evaluated the Rental Assistance Demonstration (RAD) program. RAD enables public housing agencies (PHAs) to apply to the U.S. Department of Housing and Urban Development (HUD) to convert their public housing to project-based Section 8 housing. Conversion allows PHAs to address their short-term capital needs and preserve the long-run viability of their housing while protecting resident rights and enhancing opportunities for resident mobility. This report, a study of the organizational change of PHAs after a RAD conversion, is part of the evaluation of RAD conducted between 2019 and 2022.

Under RAD, converted properties replace public housing support that is funded through Section 9 of the U.S. Housing Act of 1937 with an assisted housing subsidy that is funded through Section 8 of the U.S. Housing Act of 1937. The Section 8 contract is project-based, covers a 15- to 20-year term, and must be renewed. The Section 8 contract uses either project-based vouchers (PBVs), which are administered by HUD's Office of Public and Indian Housing, or project-based rental assistance (PBRA), which is administered by HUD's Office of Multifamily Housing. The ongoing Section 8 subsidy is calculated based on the total amount of capital and operating subsidies that the public housing program was provided before conversion, adjusted by an annual Operating Cost Adjustment Factor.[1] HUD provides no additional appropriated funds to converted projects for ongoing rental assistance under RAD.

By leveraging their projects' PBV or PBRA subsidies after conversion, PHAs can finance debt and access other external funds, which may include grants and private-sector equity investment, such as investment through Low-Income Housing Tax Credits (LIHTCs) and other tax credits or incentives. PHAs can then use those funds, in conjunction with internal resources structured as grants or "soft loans," to recapitalize, rehabilitate, or replace projects. Some properties use RAD for repositioning onto a new regulatory platform, often funding replacement reserves for future rehabilitation costs, whereas other properties use RAD to pay for upfront construction expenses to rehabilitate existing buildings or, in the case of new construction, to demolish dilapidated structures and build new ones in their place. In some circumstances, the PHA can transfer the Section 8 contract to a different property or properties, which HUD calls a "Transfer of Assistance."

Under contract with HUD's Office of Policy Development & Research, the evaluation team carried out this standalone study to answer the following research questions:

- What are the types of ownership structures used in RAD conversions, and what are PHAs' roles?
- What were the major PHA organizational changes that happened during RAD conversions?

[1] Capital and operating subsidies are the two streams of funding that HUD provides to PHAs to assist with capital improvements and subsidize the management operations of public housing units. Capital funding is allocated based on the age, size, and estimated capital needs of each property; operating funds are determined using formula-based expenses, reduced by the amount contributed by the tenants.

- What new skills, capabilities, or responsibilities did the PHA take on as a result of conversion?
- Did the PHA convert (or otherwise reposition) all of its public housing units, or does it have plans to do so?
- Were PHAs already employing an asset-based cost allocation model before RAD participation?
- For properties that converted to PBV, if there are increased costs of administration, are they covered by administrative fees the PHAs earn?
- How was financial stability affected by the RAD conversions?

Research Design

Data Collection

The evaluation team developed a sampling strategy to select a reasonably representative sample of PHAs with closed RAD transactions using 2019 data collected from the RAD Resource Desk. The final sample included 75 PHAs, with 25 primary PHAs and 50 alternate PHAs. Selection criteria were PHA size (small PHAs are those with up to 249 public housing units, medium PHAs have 250 to 1,249 public housing units, and large PHAs have 1,250 public housing units or more), Census region (Northeast, Midwest, South, West), subsidy type (PBV, PBRA), and conversion type (new construction, rehabilitation, paper). "Paper" conversions occur when there are no construction costs and no new construction; thus the conversion is on paper, but no relocation of families is usually involved. Although 25 PHAs were included in the study, it used a sample size of 26 for most of the analysis. One PHA initially directed the evaluation team to interview the owner-property manager for a set of RAD conversions that were former HOPE VI developments. Later, the team completed a second full site visit with PHA staff. The team found that it made more sense analytically to treat these as two separate organizations because their responses and experiences were quite different.

This study is qualitative and uses a grounded theory saturation approach to data collection. The goal was to gather information on the concepts and ideas represented in the interview guide, which was developed to answer research questions about all aspects of organizational and management change at PHAs related to participation in RAD. The process continually reviewed whether all the concepts were raised and if the evaluation team could fully understand the meaning of the various responses. This work is designed to elucidate these many and varied issues because they also may occur in the full group of PHAs that have used RAD to convert public housing properties.

Data were collected primarily using site visits. In the context of this study, a "site" is the entire PHA, not an individual property at the PHA. Because the study occurred during the height of the COVID-19 pandemic, 20 site visits were conducted virtually over Zoom and 6 visits were held in person. Site visit data were supplemented by RAD Resource Desk data and, when provided, PHA administrative data and organizational charts. For each site visit, the team conducted semi-structured interviews using an interview guide based on the study's research questions. The team took detailed notes, recorded the interviews, and developed a Summary Report for each PHA.

Data Analysis

The qualitative data analysis began in the field and in biweekly meetings with the evaluation team. The evaluators developed a series of hypotheses based on the research questions to guide the analysis. The discussions identified major categories and themes in the interview data, and the researchers compiled these themes into a comprehensive codebook based on the research questions and hypotheses. The team further organized, stored, and categorized the data using NVivo software, developing a series of nodes and classifications based on PHA characteristics and interview data. Based on the successful results of an inter-coder operability test, the research team was able to proceed using four coders with confidence that the data were interpreted and coded consistently. The team also used Microsoft Excel to produce tables and charts to help further understand and visualize the data.

Findings

Levels of Organizational Change and Reasons for RAD Participation

The team categorized the 26 participant PHAs' level of organizational change related to their RAD conversions as either major, minor, or none, based on how much of their public housing stock was converted; the level of staff training, reassignment, and reorganization; and changes to compliance processes. It categorized 6 PHAs as having major organizational change, 15 PHAs as having minor change, and 5 PHAs as having no change.

Of the 21 PHAs that had major or minor organizational change, many did not consider RAD a causal factor and instead viewed it as one component of a larger plan or transformation for the PHA. Other PHAs considered the changes minimal, with little or no change to the agency's structure or function. When discussing the reasons for seeking RAD conversions, the reasons most frequently given were funding stability and preservation of affordable housing. PHAs mentioned rehabilitation and development of new housing 11 times, whereas the need to demolish or dispose of properties was mentioned 4 times. PHAs wanted to revitalize their stock by acquiring capital financing (via tax credits or private mortgages) and saw RAD as offering the flexibility that would allow them to carry out these plans.

The team examined the reasons for conversions and observed a few major themes. Some PHAs hoped for a financial benefit, either in the form of attracting more capital to the organization or reducing administrative costs by having to deal with less paperwork. Many PHAs mentioned the lack of capital funding and that, due to proration, the funding was unstable. Some PHAs wanted to revitalize—or rehabilitate—their properties, whereas some wanted to demolish or dispose of the properties and used a transfer of assistance to accomplish this goal. Other PHAs wanted to develop new properties.

Ownership Structures

The evaluation team compared different ownership structures and explored how they were related to organizational change. It examined the following main categories of ownership types:

- PHA is the sole owner/member in an affiliate entity (PHA-affiliate) (11).
- PHA owns the project (PHA) (4).
- A public or nonprofit entity unaffiliated with the PHA owns the project (unaffiliated) (3).
- PHA is an LIHTC partnership (LIHTC) (5).

- Combinations:
    - o LIHTC + PHA-affiliate (2).
    - o Unaffiliated + PHA-affiliate (1).

Most PHAs fit into one of the first four categories listed above because the majority of their conversions were either entirely or mostly in one category. All PHAs that had multiple ownership types for their RAD conversions had either major or minor organizational change. The PHAs that retained ownership had minor or no organizational change. The majority of PHAs (18) retained an ownership stake in the converted properties. Almost all PHAs mentioned retaining the ground lease, even when they no longer owned the building or managed the property. The LIHTC partnerships were more likely to use PBVs, as were most (but not all) of the PHA-affiliate entities, due to the requirements of the different subsidy types. It was common for PHAs to form instrumentalities—usually limited liability companies (LLCs)—in which they were the sole member and continued ownership of the project (14 PHAs). Four PHAs had outside entities that had ownership and management responsibilities for the property. Two PHAs had an equal mix of LIHTC deals and non-LIHTC deals.

The reason mentioned most often (20 times) for conversion was stable funding, which also included financial issues and flexibility in spending the funds. Stable funding was mentioned by all PHAs except for those that had an unaffiliated owner. PHA-affiliate owners mentioned stable funding 10 times. Ten PHAs mentioned rehabilitating or revitalizing their properties as a reason for conversion; of those, two were LIHTC partnerships, four were PHA-owned, and three were PHA-affiliate owned. Eleven PHAs mentioned development as a reason for conversion, specifically meaning new construction, although often it was in looking to the future and not part of the current RAD conversion. Three PHAs with LIHTC partnerships mentioned development, as did four PHA-owned and six PHA-affiliate owners. PHAs that had LIHTC partnerships all had some level of organizational change, whereas sites with unaffiliated partner entities usually had no or only minor organizational changes, as did those in which the PHA retained sole ownership.

New Skills and Training

The team asked PHAs about new skills they needed and skills they no longer needed. Nineteen of the PHAs interviewed mentioned new skills and staff changes. Training to acquire new skills in compliance was mentioned frequently. Additional topics in which new skills were needed included LIHTCs, PBV administration, RAD rules, and multifamily issues. Three PHAs specifically mentioned issues with mortgages, legal issues, and finance issues, sometimes related to LIHTCs. When new skills were added, they were related to whether the ownership type or subsidy type post-conversion was new to the PHA. Ten PHAs mentioned that there were skills they no longer needed. The types of skills no longer needed were generally related to administering the public housing program, including reductions in staff; public housing admissions, compliance, and reporting; and property management and maintenance.

Remaining Public Housing Portfolio

PHAs were classified as those that had converted or planned to convert all public housing units with RAD (18) and those that converted some units but had no plans to convert any remaining units (7). Nine PHAs had already converted all their public housing stock, and six of these were small PHAs requiring only one Commitment to enter into a Housing Assistance Payment. PHAs in the South (7) and small PHAs (6) were most likely to have converted or plan to convert their entire stock. Of the 16 PHAs with remaining public housing in their portfolio, 8 indicated that RAD had an impact on the administration of their remaining public housing. Four of these PHAs said that the loss of capital funds resulted in less available funding, less flexibility, or a net loss in support for remaining as public housing units. For the seven PHAs that did not plan to convert remaining units, three PHAs reported that an experience with RAD motivated the decision to stop conversions. In the other cases, there were plans to convert properties with other tools (such as Section 18),[2] and a large PHA planned to convert only part of its public housing portfolio using RAD.

Operating Costs

Maintenance costs were likely lower if the conversion included rehabilitation or new construction. Utility costs were also likely to be lower after conversion. Overall, 32 percent of PHAs noted a decrease in operating costs, 48 percent said there was no change, and 20 percent noted an increase. PHAs with minor changes were likely to have no change in operating costs. Some cost increases were common across the board, often related to the new ownership structures, whereas other costs—such as for maintenance—decreased.

Increased Administrative Costs—PBV Only

The evaluation team asked PHAs that converted using a PBV subsidy if their post-conversion administrative costs were covered by the administrative fee. Of the 14 PHAs that used PBVs for at least part of the RAD conversion, 10 PHAs provided information about whether the post-conversion administrative fee was sufficient. Eight PHAs said the fee covered their costs, and two said it did not. The responses indicated that usually the additional fee received for the new PBVs was sufficient to administer the program.

Revenue and Financial Stability

Twenty PHAs indicated that cashflow exceeded expenses in RAD properties, indicating current or future financial stability. The remaining six PHAs said they were concerned that revenues and the administrative fee would not be sufficient to meet all expenses without finding another source of funding. All the PHAs with major organizational change reported financially stable developments. A major theme expressed throughout the site visits was funding reliability. Fifteen PHAs anticipated that RAD conversion would allow them to better budget, predict revenue, and manage around the projections.

PHA Concerns

Throughout the site visits, some of the PHAs used the opportunity to speak with their interviewers to voice concerns and offer suggestions to HUD regarding the RAD program. Some of the primary concerns were lack of knowledge or insufficient training about voucher programs, including the various regulations, compliance, and administrative burdens. Several PHAs offered suggestions on how to improve the RAD process from the PHA perspective, including offering

[2] Section 18 enables public housing agencies to demolish or dispose of properties under certain conditions, such as physical deterioration that is not cost-effective to rehabilitate.

updated HUD training and resources, guidance and peer mentoring from successful PHAs, and increasing administrative fees.

Conclusion

The PHAs included in this study had diverse and varied experiences. Most PHAs had to make some organizational adjustments, especially those related to RAD rules and how they differed from non-RAD rules and regulations across the different subsidy options. Only two PHAs completely outsourced management of their conversions and had no additional conversions planned, making RAD-associated adjustments to their organizations unnecessary. Several other PHAs had only minimal or temporary adjustments related to their RAD-converted properties. In general, the PHAs converting their entire public housing portfolio had the greatest organizational changes as they moved out of one housing subsidy program and into another. Other PHAs had previous experience in tax credit work and used RAD as another development tool, so although they had a good deal of RAD activity, changes to their organizations predated RAD, and they only had to undertake minor training activities or small staff allocation adjustments related to their conversions.

1. Introduction

1.1. Overview of the RAD Evaluation

The study of public housing agency (PHA) organizational change is part of the larger Evaluation of the Rental Assistance Demonstration (RAD) Econometrica conducted between 2019 and 2022 for the U.S. Department of Housing and Urban Development (HUD). RAD was established to help address the large and growing backlog of capital needs in public housing projects. Mandated in the Consolidated and Further Continuing Appropriations Act of 2012, as amended, RAD enables PHAs to apply to HUD to convert their public housing to project-based Section 8 housing using either project-based vouchers (PBVs) or project-based rental assistance (PBRA). Conversion allows PHAs to address their short-term capital needs and preserve the long-term viability of their housing while protecting resident rights and enhancing opportunities for resident mobility. The goal of RAD is to infuse private capital to address PHAs' repair and rehabilitation needs and put properties on the path of financial stability over the long term. RAD makes it easier for PHAs to leverage additional funding sources, such as Low-Income Housing Tax Credits (LIHTCs) and private mortgage debt.

Under the first RAD evaluation, completed in 2019, Econometrica delivered two reports: the *Interim Report: Evaluation of HUD's Rental Assistance Demonstration* (September 2016) and the *Final Report: Evaluation of HUD's Rental Assistance Demonstration* (June 2019). The first study presented findings on PHAs' reasons for participating in the program, roles of lenders and developers, types of projects and purposes for which the program was used, project financing, and factors affecting timely program participation. The second report focused on whether RAD was achieving its affordable preservation goals; how RAD has affected the financial viability of projects after conversion; the experiences of PHAs, tenants, and other stakeholders in the RAD program; and recommendations for improving the RAD program.

The interim report demonstrated that RAD has been popular with PHAs, has been successful in attracting capital to help stabilize affordable housing developments, and may strengthen the long-term financial stability of converting projects. The final report demonstrated that the physical and financial condition of converted properties improved and that most tenants reported the condition of their units and developments was better after conversion. These two reports support the idea that RAD helps preserve affordable housing by improving its physical and financial condition.

This report represents one component of the RAD evaluation. The current study examines the effect of the RAD program on participating PHAs' organization, including their functions, ownership structure, staffing, and resources. This document presents the findings of the PHA organizational change study. The other components of the RAD evaluation include the implementation of the Choice Mobility option, the effect of RAD on long-term housing preservation and financial viability, the adequacy of asset management for RAD conversions, and the effect of RAD on other tenant outcomes. Findings for each of those components will be presented in separate reports.

1.2. Short Description of RAD

RAD allows PHAs and owners to convert public housing and other HUD-assisted properties to long-term project-based Section 8 rental assistance and enables them to access private debt and equity to address immediate and long-term capital needs of the projects. RAD for Public Housing (Component 1)[3] involves a competitive application process in which public housing units are selected to convert to project-based Section 8 Housing Assistance Payment (HAP) contracts (either PBV or PBRA). Initially, the cap on RAD conversions was 60,000, but it has been raised three times and is currently 455,000. PHAs can use the subsidy to finance debt and raise LIHTCs, private equity, or other sources of funds to recapitalize, rehabilitate, or replace properties. Alternatively, PHAs can transfer the subsidy to other properties. A Choice Mobility option is available to residents of RAD-converted properties, who can request a tenant-based voucher to move elsewhere after 1 year in a PBV property or 2 years in a PBRA property, subject to PHA caps and HUD waivers.

1.3. Description of Current Study and Purpose

Econometrica studied the effect of RAD on PHA organization and operations, including staffing, structure, management practices, and fiscal effects. Its main approach was to interview PHA staff about RAD's effect on their organization and operations. The goal of this study was to gain a better understanding of how the RAD program affected major functions at PHAs before, during, and after the RAD conversion. To answer the research questions, the evaluation team used administrative data, PHA documents, and semi-structured in-person and virtual site visits with a sample of approximately 25 RAD PHAs. Each site visit covered all of the RAD-converted properties at the PHA. The team prepared a detailed Research Design/Data Collection and Analysis Plan that specified the conceptual and methodological framework for the study. The research framework addressed each of the research questions provided by HUD and expanded upon and refined them.

1.4. Analysis

The analysis focused on seven core research questions. It explored the reasons for conversions and classified PHAs as having major, minor, or no organizational changes. The categorization of PHAs is somewhat subjective, and the team based its determination on a full reading of the site visit notes, not solely on whether a PHA reported major changes. It explored the reasons for conversion, types of ownership structures, and the number of and types of skills they acquired or no longer needed post-conversion. The research team examined the differences between PHAs that planned or had completed full public housing portfolio conversions with those that were not planning more RAD work. It also looked at changes in operating costs, changes in administrative costs for PBV conversions, and the financial stability of converted properties. Financial stability will be addressed in more detail in a quantitative component of the RAD evaluation about the impact of RAD on long-term preservation and financial viability.

1.5. Organization of Report

This document is organized into the following sections:

[3] This report focused on Component 1 of RAD, which covers Public Housing. Component 2 allows Rent Supplement (Rent Supp), Rental Assistance Payment (RAP), and Mod Rehab properties to convert tenant-based vouchers (TBVs) issued upon contract expiration or termination to PBVs or PBRA. These subsidies enable properties to refinance to address needed repairs.

- **Research Design:** An overview of the qualitative research approach, including details on the processes and methods for PHA selection, interviewing, data collection, and data analysis.
- **Classifying Organizational Change and Hypotheses:** A discussion of how a definition of "organizational change" was developed and the hypotheses that guided the analysis.
- **Findings:** The results of the qualitative analysis, which show the types and magnitude of organizational changes related to RAD and the key issues from the research questions, including reasons for conversions, ownership structures, skills changes, remaining public housing portfolio, costs, and financial stability.
- **Conclusion:** An overall summary of the report.

2. Research Design

2.1. Research Approach

The organizational change study is primarily based on the opinions, experiences, and descriptions provided by PHA staff. The evaluation team conducted a series of remote and in-person site visits at PHAs across the country and learned about their organization, processes, and changes related to RAD. The team describes the process it followed to prepare for and conduct the site visits, the analysis plan, and development of the final report. Although it selected 25 PHAs for inclusion in the study, it was first directed by one PHA to interview an entity that owned and managed a former HOPE VI development and later interviewed staff at the PHA. Because the team had two full interviews and the two components had only minimal contact, it separated this PHA into two observations for most of the analysis.

The evaluation team's interviews with PHA staff focused on questions about organizational changes related to or resulting from RAD conversions. Participation in RAD may require PHAs to reconsider their organizational structure and make staffing and administrative changes to accommodate new funding streams and regulatory requirements. The team used the following key research questions to develop the interview questions and guide the analysis:

1. What are the types of ownership structures used in RAD conversions, and what are PHAs' roles?
    - When a separate owner entity was created to own and operate RAD properties, how did the PHA's organization and role in the operation of the project change?
    - How do differences in a PHA's ownership interest in RAD properties affect the PHA organizational structure and role?
2. What were the major PHA organizational changes that happened during RAD conversions?
    - Did the PHA change the way it conducted major functions related to the administration of affordable housing (e.g., property management, accounting, compliance)?
3. What new skills, capabilities, or responsibilities did the PHA take on as a result of conversion?
    - What skills, capabilities, or responsibilities were no longer necessary?
    - How did PHAs address these changes in skills, capabilities, or responsibilities, and how did it affect their organization and staffing?
4. Did the PHA convert (or otherwise reposition) all of its public housing units, or does it have plans to do so?
    - Do PHAs think that the RAD conversion impacted their ability to administer remaining public housing units?

  - o Do PHAs that converted some of their public housing properties in the RAD program believe that they have now more limited operational and capital funds for public housing properties that did not convert?

5. Were PHAs already employing an asset-based cost allocation model prior to RAD participation?
   - o How were expenses affected as part of the conversion?
   - o How did the distribution of costs change between project-specific and corporate support?
   - o Did operating costs change? If so, which costs changed (e.g., administrative, tenant services, utility expenses, maintenance, protective services, real estate taxes, property insurance, liability insurance)?
6. For properties that converted to PBV, are increased costs of contract administration covered by administrative fees the PHAs earn?
7. How were revenues and financial stability impacted by the RAD conversions?

2.2. PHA Selection

The evaluation team's first step in the data collection process was to decide selection criteria for the PHAs. Its goal was a sample that was reasonably representative of PHAs with closed RAD transactions. The team used the data in exhibit 1 to develop the sample; it includes information on transactions by PHA size, region, subsidy type, conversion type, and a closing date as of October 16, 2020.

Exhibit 1. Closed RAD Transactions

PHA Criteria	Number of PHAs with Closed Commitments to Enter into a Housing Assistance Payment (CHAP)*	Number of Projects with Closed CHAPs*	Number of Converted Units‡
All RAD Projects	395	1,293	139,744
PHA Size[1]			
Small PHAs (0–249)	162	200	17,632
Medium PHAs (250–1,249)	168	467	48,236
Large PHAs (1,250+)	65	626	73,876
PHA Region			
Northeast	82	195	24,200
Midwest	68	199	24,790
South[2]	193	698	76,528
West	52	201	14,226
Subsidy Type[3]			
PBRA	166	484	59,563
PBV	229	809	80,181
Conversion Type[3]			
New Construction	92	202	12,001
Rehabilitation	311	767	104,254

PHA Criteria	Number of PHAs with Closed Commitments to Enter into a Housing Assistance Payment (CHAP)*	Number of Projects with Closed CHAPs*	Number of Converted Units‡
Paper[4]	119	324	23,489
Closing Date			
12/2/2019–10/16/20	89	146	12,499
10/2/2018–12/1/2019	113	210	26,056
10/2/2017–10/1/2018	107	253	26,977
Before 10/1/2017	254	684	74,212

CHAP = Commitment to enter into a Housing Assistance Payment contract. PBRA = project-based rental assistance. PBV = project-based voucher. PHA = public housing agency. RAD = Rental Assistance Demonstration.
[1] Number of public housing units before CHAP.
[2] The South region includes the U.S. Virgin Islands and Puerto Rico.
[3] PHAs can have multiple conversion and subsidy types and will sum to more than 395 in those rows.
[4] RAD conversions with $0 construction costs and no new construction are defined as nonfinancial “paper” conversions.
Source: HUD-provided data on RAD projects with closed CHAPs through October 16, 2020

The team based the sample selection on PHA size, region, and subsidy type. It limited the pool to PHAs that had transaction information and had closed transactions before December 2019 to increase the likelihood that staff could speak about their experiences with RAD and whether the conversions resulted in organizational changes. In addition, the team retained only PHAs in the 48 contiguous states so that travel costs would be reasonable. It also excluded PHAs that had already received a (virtual) site visit as part of the larger RAD Evaluation.

Once the evaluation team decided on the selection criteria, it used data from the RAD Resource Desk to create a matrix with the counts for each sampling stratum, using proportions from the matrix to determine the sampling goal for each cell. It randomized the PHAs in each cell and selected the PHAs. The final sample had 75 PHAs, including 2 alternative PHAs for each of the 25 primary sites. Exhibit 2 describes the process the team followed for PHA selection.

Exhibit 2. PHA Selection Process

Step 1
- Use data from the RAD Resource Desk and the Picture of Subsidized Housing to develop a PHA-level dataset.

Step 2
- Create variables for PHA size, census region, and subsidy type (PBV, PBRA, or both) at the PHA level.
- Code additional variables for future use (type of conversion, number of units pre- and post-conversion).

Step 3
- Exclude PHAs not in the 48 contiguous states with no closing date; with a closing date after October 31, 2019; or that had been previously interviewed as part of the RAD Choice Mobility study.

Step 4
- Create a matrix with the counts for each sampling stratum.

Step 5
- Use proportions from the matrix to determine the sampling goal for each cell.

Step 6
- Randomize the PHAs in each cell in the matrix. Select the primary sites and two alternates.

2.3. Data Collection

The evaluation team collected data primarily via site visits (virtual and in person), which resulted in notes, recordings, and summary reports for each site. Where appropriate, it supplemented the interview data with other information, such as the PHA's written policies, organizational charts, and administrative data. The team also drew on the RAD Resource Desk for information about conversions, including the number of converted projects, units, type of conversion, and closing dates. It took detailed notes and recorded each site visit; the recordings were primarily used to fill in gaps in the notes. It also produced a summary report for each PHA using the notes and recordings. The notes and summary reports are the primary data source for the analysis. The site visits were designed to be in-depth, qualitative, and open-ended. The site visit interview guide covered the following subjects:

- Types of ownership structure.
- Major organizational changes.
- New skills or capabilities needed due to the RAD conversions.
- Results of full public housing portfolio conversions.
- Changes in operational costs and revenue.
- Revenue and sustainability.

The evaluation team conducted the study during the COVID-19 pandemic and ultimately held 20 virtual and 6 in-person site visits. Each site visit gathered information about each RAD-converted property at the PHA. The team used Zoom video conferencing for the virtual interviews. Interviews took place over the course of 6 months, from October 2021 through March 2022. In general, the virtual interviews lasted 60 to 90 minutes; the in-person site visits were usually more than 3 hours. Each interview was conducted by a lead interviewer and at least one additional team member. All virtual interviews were recorded on video, and in-person site visits had audio or video recording.

The research team developed an interview guide based on the research questions in section 2.1 (see appendix A for the interview guide). The team pretested the guide internally and reassessed it after the first few site visits, making updates to correct confusing phrasing or, in one instance, add a missing subject. The research team then used the interview guide for all remaining site visits, changing the question order as necessary to elicit appropriate and complete responses. It varied the interview approach to accommodate PHA size and structure and the number of respondents. The team scheduled interviews with the staff the PHA recommended, which sometimes meant the executive director alone. For interviews with larger PHAs, five or more staff often participated. In a few instances, it conducted follow-up interviews or sent follow-up emails to collect additional or clarifying information.

The team tailored the interview guides for each PHA before the site visit and confirmed key details as part of the interview. It also requested that PHAs share organizational charts and other documentation they thought would be helpful. After completing each site visit, the research team prepared a site summary report, the format of which evolved during the project based on insights from the data collection process. A copy of the report template is included in appendix B. All summary reports were delivered to HUD.

Exhibit 3. Closed RAD Transactions for the 25 PHAs in the Study

PHA Criteria	Number of PHAs with Closed CHAPs‡	Number of Projects with Closed CHAPs	Number of Converted Units
All Organizational Change Study PHAs	25	100	8,784
PHA Size[1]			
Small PHAs (0–249)	7	8	513
Medium PHAs (250–1,249)	11	29	2,796
Large PHAs (1,250+)	7	63	5,475
PHA Region			
Northeast	6	39	3,128
Midwest	6	27	2,311
South[2]	8	20	2,580
West	5	14	765
Subsidy Type[3]			
PBRA	10	32	3,204
PBV	17	68	5,580
Conversion Type[3]			
New Construction	9	29	1,468
Rehabilitation	18	53	6,240
Paper[4]	10	18	1,076
Closing Date			
12/2/2019–10/16/20	6	11	1,009
10/2/2018–12/1/2019	8	16	1,012

PHA Criteria	Number of PHAs with Closed CHAPs‡	Number of Projects with Closed CHAPs	Number of Converted Units
10/2/2017–10/1/2018	11	25	2,162
Before 10/1/2017	21	48	4,601

CHAP = Commitment to enter into a Housing Assistance Payment. PBRA = project-based rental assistance. PBV = project-based voucher. PHA = public housing agency. RAD = Rental Assistance Demonstration.
[1] Number of public housing units before CHAP.
[2] The South region includes the U.S. Virgin Islands and Puerto Rico.
[3] PHAs can have multiple conversion and subsidy types and will sum to more than 395 in those rows.
[4] RAD conversions with $0 construction costs and no new construction are defined as nonfinancial "paper" conversions.
Source: HUD-provided data on RAD projects with closed CHAPs through October 16, 2020

2.4. Data Analysis

The research team used the notes and summary reports as the basis for the qualitative analysis. Notes and reports were sometimes supplemented by the organizational charts and other materials provided by the PHAs, as well as information from the RAD Resource Desk about region and PHA size.

Data analysis, along with initial codebook development, began while the team was still in the field. The team held regular debriefings to review the information gathered and determine whether there were any emerging categories or themes that did not align with the schema in the codebook. The team noted the frequency with which each of these categories and themes surfaced both within and across PHAs. As new categories and themes emerged, the team updated and refined the codebook. Refinements made to the codebook informed future data collection, including any remaining interviews and the final analysis of the interview data. Formal data analysis began when site visits were completed. The team developed a process to efficiently upload the data into NVivo. The team refined and added to the initial codebook, which identified the themes and categories that it analyzed. It provides a copy of the final codebook in appendix C.

The team used NVivo qualitative data analysis software to manage and categorize the large amount of information collected from the site visits. The software enabled the team to organize, store, and classify the data using management, query, and visualization tools to identify themes. The team organized the information into "nodes" and "classifications." The coding process entailed reading and analyzing the notes and summary reports for each of the 26 PHAs to identify passages in the text that related to the nodes included in the codebook. The evaluation team then highlighted the information to be placed in a specific, related node (or nodes). To further organize data for the analysis, it created nodes in NVivo for the key questions asked in the interviews and autocoded the information into separate nodes. To ensure that the coding was accurate, the team tested inter-coder reliability by having two team members code a selection of interview transcripts from each PHA. This process provided confidence that the data were coded in a consistent manner and that the codebook was interpreted accurately. The inter-coder reliability was sufficiently high for the team to code different sections independently. When coding was complete, the team began the data analysis. Using NVivo's queries and visualizations, the team sorted, manipulated, and consolidated the data to identify trends and connections between the data and make comparisons between the PHAs.

The team also used Microsoft Excel to produce tables and charts to help further understand and visualize the data. The development of the hypotheses and the classifications of levels of change are presented in the next section of the report.

2.5. Adequacy of Sample Size

This study is a qualitative analysis, and its goal was to gather enough information to fully understand the ways that PHAs approached RAD at the organization level. The evaluation team informally used grounded theory saturation in developing the sample and sampling approach. Following this approach—for which data analysis and theory development occur after data have been collected—the team relied on the process of code saturation, which explains that the number of interviews (or sample size) is met and research may stop when data collection efforts result in responses representing all relevant concepts or ideas (Vasileiou et al., 2018). Based on this concept, the team prepared a basic list of relevant concepts including organization change and other topics referred to in the list of hypotheses and other evaluation objectives. Using this list, the team monitored the responses it received from the original set of 25 PHAs. It found that all topics were mentioned, and in most cases, topics were repeatedly mentioned. With that observation, according to grounded theory, the team considered 25 PHAs an acceptable sample size. In addition, some research suggests that approximately 9 to 15 interviews are needed to reach code saturation. The sample size, which far exceeds that number, was further justified under grounded theory.

A related concept is meaning saturation, which is the point where enough information is generated so that all concepts, or insights, are fully understood and that any codes generated by those concepts are shared by all respondents. In this case, the limit is posited to be around 25 interviews (Hennink, Kaiser, and Marconi, 2017). It was a little more difficult to determine that the project did, in fact, achieve meaning saturation because the team was exploring multiple concepts and often interviewed more than one person at each PHA, rather than having a more focused discussion with one respondent at a time. However, it did find coalescence around the meaning of certain concepts throughout the site visits and virtual interviews and, again, later in the analysis process. What is critical to understand is that the evaluation team is not trying to state what is representative for all PHAs that have participated in RAD but rather to elucidate the main issues around the core concept of organizational change that RAD PHAs are likely to experience. In that, it was successful.

3. Classifying Organizational Change and Hypotheses

3.1. Classification of Organizational Change

The evaluation team developed several hypotheses to guide the analysis and identified topics to describe using the data gathered via site visits. The research questions are designed to identify factors associated with organizational change. Although the team asked PHAs directly about organizational change, it also used its own judgment to assess what constituted change. For analysis purposes, the team divided the PHAs into three levels of organizational change: major, minor, and none. Exhibit 4 shows how it used the information collected from the site visits to build the categories of organizational change.

Exhibit 4. Typology of Organizational Changes Related to RAD

Type of Change	Major	Minor	None
Outsourced Management (Related to RAD)*	X		
Major Staff Reductions	X		
Converted All Public Housing Stock to RAD (or Planned To)	X		
New Construction/Rehabilitation	X		
Multiple (Minor) Changes	X		
Revised Program Rules		X	
Reassigned Staff		X	
Repositioning That Involved RAD but Was Not Due to RAD		X	
Paper Conversions Only		X	
Minor Staff or Rule Changes			X

PHA = public housing agency. RAD = Rental Assistance Demonstration.

* Some PHAs outsourced management and/or ownership long before RAD, and some of these properties underwent a RAD conversion, but it did not involve any organizational or management changes at the PHA.

The team classified PHAs as having organizational changes based on either the size or the scope of their reaction to participating in RAD. Based on these classifications, 6 PHAs had major changes, 15 had minor changes, and 5 had no changes.

The six PHAs with **major organizational changes** either planned to or had already converted all of their public housing units using RAD, often using LIHTC partnerships. These PHAs did some or all the following: undertook new construction, undertook substantial rehabilitation, retrained most or all of the staff, or otherwise reorganized the entire PHA. These PHAs either completely overhauled the way they did business, converted all their public housing stock, invested in development using RAD as the main vehicle, or pursued similar activities.

The 15 PHAs classified as having **minor organizational changes** usually already had an active voucher program and only needed to provide training to staff on RAD requirements. They also made changes to ensure compliance with RAD requirements. Some PHAs were undertaking portfolio repositioning independent of RAD and considered RAD a tool but were clear that it was not the focus of their work. At least two large and one medium-sized PHAs were transforming their organizations, but either RAD conversions were a relatively small number of the properties involved or the changes and development were underway long before RAD was available; the team determined that both would have minimal impact on organizational change. For this reason, it classified the organizational change due to RAD as "minor," although the activity itself was large. Some PHAs only considered "paper" conversions to be "RAD."[4] This interpretation of the program was interesting because it would classify conversions that involved rehabilitation or new construction under RAD as "RAD" even when other tools (such as LIHTC or state housing finance programs) were used. The team classified these PHAs as having minor changes, even if they would consider themselves in the "no changes" group.

The five PHAs classified as having **no organizational change** included those where day-to-day operations were unchanged, compliance changes were minimal, or a decision was made to stop using RAD after the completed conversion. Sometimes ownership and management were transferred to an outside entity, leaving the PHA's operations essentially unchanged.

3.2. Hypotheses

Based on the research questions, the evaluation team developed several hypotheses to guide the analysis. It also identified topics that the team wanted to describe using the data on RAD conversions at each PHA that it gathered via the site visits.

The team reviewed the research questions and formulated a series of hypotheses.

1. What are the reasons that PHAs provide for participating in RAD and converting properties?
2. What are the types and magnitudes of changes discussed by PHAs?
3. Does the type of ownership structure make a difference in terms of organizational changes?
    - When a separate owner entity was created to own and operate RAD properties, how did the PHA's organization and role in the operation of the project change?
    - How do differences in a PHA's ownership interest in RAD properties affect the PHA organizational structure and role?
4. New skills, changes to staffing, and training.
    - What type of new skills did PHAs develop? Do new skills correlate with different types of ownership structures?
    - What skills were no longer necessary after the RAD conversions?
5. PHAs with full portfolio conversions and PHAs that still have public housing.
    - Did conversion divert resources away from struggling public housing properties? If a PHA only converts some of its public housing, that leaves them with a smaller total pool of funds for future needs. This situation could affect the remaining public housing in their portfolio.

[4] Although not a focus of this report, RAD conversions are generally classified as either "paper," "rehabilitation," or "new construction." A paper conversion is a conversion wherein no physical changes are made to the properties and only the subsidy mechanism is changed from Section 9 (public housing) to Section 8 (PBV or PBRA).

- Alternatively, did conversions attract more resources to the PHA overall and have no effect on the remaining public housing portfolio?

6. PHA administrative and operating costs.
    - Do conversion and reorganization allow PHAs to reduce costs and operate more efficiently/effectively? Alternatively, do costs increase? Are efficiencies of scale lost?

7. Increased contract administration costs (PBV conversions).
    - Do conversions increase contract administration costs without enough fees to cover administrative expenses? Alternatively, are administrative fees sufficient to cover expenses and/or revenue makes up the difference?

8. Revenue and financial stability.
    - Do conversions generally result in financially stable developments? Are most conversions financially viable? What are the reasons why or why not?

The next section presents the qualitative analysis and findings for each of the questions listed above.

4. Qualitative Data Analysis and Findings

4.1. Reasons for Conversions

The reasons for conversions had a few main themes, including the following:

- Stable funding (reported by more than half of the PHAs) and flexibility that allows for housing development using tax credits or other equity sources (20 PHAs).
- Preservation and revitalizing the current housing stock through an infusion of capital funding (11 PHAs).
- Development of new housing due to ability to leverage debt and accrue savings (11 PHAs).
- Demolish or dispose of older properties (four PHAs). This group included PHAs that had previously used Section 18 (unrelated to RAD) to demolish or dispose of units but either found or hoped that RAD would be an easier approach.

PHAs that had major organizational changes mentioned all of the reasons for conversions equally, with the exception of demolition/disposition. PHAs that had minor organizational change were more associated with stable funding, but they frequently mentioned rehabilitation and development. PHAs with no organizational change mentioned all the reasons for conversions, with stable funding being the most frequent. Exhibit 5 shows the frequency each of the main reasons for conversions was mentioned.

Exhibit 5. Level of Organizational Change by Main Reasons for Conversion

Organizational Changes	Stable Funding	Rehabilitation/ Revitalization	Development	Demolition/ Disposition	Total Mentions
Major	3	3	3	1	**10**
Minor	14	6	7	2	**29**
None	3	2	1	1	**7**
Mentions	20	11	11	4	**46**

4.2. Types and Magnitude of Changes

The sample included 7 large, 11 medium, and 7 small PHAs. Of the six PHAs that had major changes, two were large PHAs, three were medium, and one PHA was small. Proportionately more medium-sized PHAs had major changes, but the evaluation team does not observe a strong association with size and organizational change overall.

Exhibit 6. Organizational Changes by Size of PHA

Organizational Changes	PHA Size Large	PHA Size Medium	PHA Size Small	Total
Major	2	3	1	**6**
Minor	3	8	4	**15**
None	2	1	2	**5**
Total	**7**	**12**	**7**	**26**

PHA = public housing agency.

The team also looked at the regional distribution of PHAs. It observed that all of the midwestern PHAs had major or minor organizational changes. In both the Northeast and the South, it saw PHAs distributed across all categories of change, whereas the West only had PHAs with minor changes.

Exhibit 7. Organizational Changes by Region

Organizational Changes	Midwest	Northeast	South	West	Total
Major	3	1	2	0	**6**
Minor	3	4	3	5	**15**
None	0	2	3	0	**5**
Total	**6**	**7**	**8**	**5**	**26**

The majority of PHAs converted with PBV (15 PHAs). Seven PHAs used PBRA only, and three PHAs used a combination of PBV and PBRA. The PHAs that the team classified as having major organizational change were split between subsidy types, but the majority of PHAs with minor changes used PBV.

Exhibit 8. Organizational Changes and Subsidy Type

Organizational Changes	Both	PBRA	PBV	Total
Major	1	3	2	**6**
Minor	1	3	11	**15**
None	0	2	3	**5**
Total	**2**	**8**	**16**	**26**

PBRA = project-based rental assistance. PBV = project-based voucher.

The following sections provide an in-depth analysis of the remaining research questions.

4.3. Ownership Structures and Organizational Change

- *How do differences in a PHA's ownership interest in RAD converted properties affect the PHA organizational structure?*
- *How are ownership structures related to changes in administrative functions for affordable housing (property management, accounting, compliance)?*

This section will compare different ownership structures used in RAD-converted properties and explore how they are related to organizational change. The main categories of ownership types the evaluation team examines are as follows:

- The PHA owns the project (PHA) (four PHAs).
- The PHA is the sole owner/member in an affiliate entity (PHA-affiliate) (11 PHAs).
- A public or nonprofit entity unaffiliated with the PHA owns the project (unaffiliated) (three PHAs).
- LIHTC partnership (LIHTC) (five PHAs).
- Combinations:
    - LIHTC and PHA-affiliate (two PHAs).

- Unaffiliated and PHA-affiliate (one PHA).

The team reviewed the data and sorted PHAs by their majority ownership type. Most PHAs fit in one of the first four categories listed above because the majority of their conversions were either entirely or mostly in one category. Five PHAs overall were in the LIHTC partnership group, 4 were in the PHA owner group, and 11 were in the PHA-affiliate owner group. Three were in the unaffiliated group, whereas three PHAs were in the combination group, having two different ownership types. These PHAs had almost equal numbers of conversions in two types of ownership structures: two had LIHTC partnerships and formed separate PHA-affiliates as well, and one had converted some properties using a PHA-affiliate and converted others with a separate ownership entity. The third had no responsibility for the converted property because it was under separate management and ownership (except for a ground lease).

Exhibit 9. PHA Ownership Type by Levels of Organizational Change

Organizational Changes	PHA-Affiliate	LIHTC	PHA	Unaffiliated	Combinations	Total
Major	2	**2**	0	0	2	**6**
Minor	7	**3**	3	1	1	**15**
None	2		1	2	0	**5**
Total	**11**	**5**	**4**	**3**	**3**	**26**

LIHTC = Low-Income Housing Tax Credit. PHA = public housing agency.

All PHAs that had multiple ownership types for their RAD conversions had either major or minor organizational change. The PHAs that retained ownership had minor or no organizational change. The other ownership structures ran the gamut of changes, discussed in more detail below. The majority of PHAs (18) retained an ownership stake in the converted properties. Almost all PHAs mentioned retaining the ground lease, even when they no longer owned the building or managed the property. LIHTC partnerships were more likely to use PBVs, as were most (but not all) of the PHA-affiliate entities due to the requirements of the different subsidy types. It was common for PHAs to form instrumentalities (often limited liability companies [LLCs]) in which they were the sole member and continued ownership of the project (14 PHAs). Four PHAs had outside entities that had ownership and management responsibilities for the property. Two PHAs in the LIHTC/PHA-affiliate group had an equal mix of LIHTC deals and non-LIHTC deals.

The PHA that the team broke into two organizations had the PHA in the PHA-affiliate group and the management company owner in the unaffiliated group. The unaffiliated ownership entity managed a former HOPE VI development with three properties that had operated completely separately from the PHA for more than 20 years. After conversion of the HOPE VI properties, they continued operating with the same management company and had limited contact with the PHA. This PHA had plans to convert all of their remaining public housing stock using an affiliated entity, although they faced a number of delays and had not completed the conversions at the time of the site visit.

PHAs reported differing reasons for conversions and ownership structures. The reason mentioned most often (20 times) was “stable funding,” which also included financial issues and flexibility in spending funds. Stable funding was mentioned by all PHAs except those that had an unaffiliated owner. PHA-affiliate owners mentioned stable funding most frequently, 11 times. Ten PHAs mentioned rehabilitating or revitalizing their properties as a reason for conversion; of those, two were LIHTC partnerships, four were PHA-owned, and three were PHA-affiliate owned. Eleven PHAs mentioned development (that is, new construction) as a reason for conversion, although it was often for the future and not part of the current RAD conversion. Three PHAs with LIHTC partnerships mentioned development, as did four PHA-owned and six PHA-affiliate owners.

Exhibit 10. Ownership Types and Main Reasons for Conversions

PHA Ownership Type	Stable Funding	Rehabilitation/ Revitalization	Development	Demolition/ Disposition	Total Mentions
PHA-Affiliate	11	5	4	0	**20**
LIHTC	2	3	2	2	**9**
PHA	4	1	2	0	**7**
Unaffiliated	1	2	1	1	**5**
LIHTC, PHA-Affiliate	2	0	2	0	**4**
PHA-Affiliate, Unaffiliated	0	0	0	1	**1**
Total Mentions	**20**	**11**	**11**	**4**	**46**

LIHTC = Low-Income Housing Tax Credit. PHA = public housing agency.

The following sections discuss the reasons for conversions grouped by the type of ownership structure. They include a discussion of changes in administrative functions, such as property management, accounting, and compliance.

4.3.1. LIHTC Partnerships

PHAs that used LIHTC partnerships had varied reasons for conversion, including the following:

- A PHA needed to remedy their past "troubled" status and had resolved most issues, but their housing stock was in poor condition. They wanted to dispose of all their public housing units (50 units) to get them out of physically troubled status. Of these, 24 units were disposed though a sale before RAD; the remaining units were transferred to a LIHTC partnership through a transfer of assistance. The PHA reported that they had to "change the way their staff worked" to take on tax credit responsibilities.
- Another PHA had a development wing with the goal to address deferred maintenance and improve marketability of units. They reported that they did not change their "business model" due to RAD because they were already engaged in LIHTC and other development before RAD.
- One PHA wanted to rehabilitate units, improve energy sustainability, and add density. They reported major organizational changes due to new financial reporting requirements, transitioning to voucher administration, and using a property management company post-conversion, for which they hired a consultant to help.
- A PHA did a RAD conversion as a "test run" before tackling a larger high-rise building. Because of the burdensome process during the test run, they decided not to use RAD for the high-rise.

- A medium-sized PHA organized its RAD properties in single-entity nonprofits in which the investor is the limited partner and the PHA is the general partner and retains a small ownership stake. The PHA plans to approach its future RAD conversions in the same manner. Their reasons for this approach to RAD conversions include creating resources to invest in the properties and to ensure long-term viability. Taking care of their still-viable public housing properties was a goal as well.
- A PHA-affiliate and the two PHAs that had LIHTC partnerships talked about using tax credits and HOME to renovate converted properties, stable and predictable funding related to vouchers, long-term preservation, and unrestricted cashflow that is compatible with tax credits. One PHA stated that they have shifted from centralized property management to a property-based approach. The second PHA in this group formed an LLC as a general partner and is the nonprofit managing member of the LIHTC conversion. This PHA holds the ground lease and has onsite property management. They did not consider their organization to have made any changes but mentioned an increase in reporting and compliance activities.

4.3.2. Unaffiliated Owners

The unaffiliated owner entity that converted former HOPE VI properties mentioned unpredictable payments from HUD before the conversion and said that RAD could help with budgeting because the amount would be more predictable. They were also concerned with the possibility of public housing "going away." This entity stated that they were not sure that the new PBRA income stream would be sufficient to address future capital needs. They mentioned some slight changes in staff responsibilities related to the change to PBVs.

Another PHA in this group had one RAD conversion that resulted in the property operating under completely separate management and ownership; their reasons for the conversion were to address the capital needs of an older public housing development. LIHTC was used for the conversion. They do not plan additional conversions, however, because their remaining public housing portfolio is not a good fit for RAD.

A third PHA had a property that was a transfer of assistance and predated the tenure of the current staff, so they had only minimal details about the property, but it was owned and managed by a private company. The transfer of assistance was used because the original property was in bad condition and slated for demolition/disposition. The PHA could not say if any management or organizational changes were made at the time of transaction because none of the current staff worked at the PHA at the time.

Finally, the last PHA in this category said that after conversion, everything was contracted out, and they reduced their staff from 10 to 7 full-time employees. Their converted property was originally owned by a PHA-affiliate that is now an independent, unaffiliated entity. The PHA owns the remaining units, but the management is contracted out for these as well.

4.3.3. PHA-Owners

Conversions in which the PHA remained the owner tended to have fewer organizational changes than PHAs that used other ownership structures. One small PHA said that the only changes at their organization were related to RAD program requirements; they had a "straightforward" full portfolio RAD conversion of their public housing stock. They were all paper conversions without additional work or financing. Another small PHA had a similar experience, in which the conversion involved no financing, no instrumentality, and no organizational changes. A third small PHA shared the same story of no organizational changes and paper conversions.

A large PHA had a more complicated story, however; although its initial RAD conversions were paper transactions and remained under the PHA's ownership, a second series of conversions were owned by an LLC that the PHA formed to manage RAD and similar deals, which could include LIHTC transactions. They stated that they had no organizational changes because their development LLC was not created specifically for RAD, but they were contemplating making changes related to their newer LIHTC skillset.

4.3.4. PHA-Affiliates

A PHA-affiliated ownership structure was the most common, with 14 PHAs using this approach. This section will focus on the 11 PHAs that were not included in the combination categories. What follows is a summary of the experiences of each of the 11 PHAs:

- One large PHA saw RAD as a way to raise private capital and reposition older public housing stock. This PHA had only used RAD to convert a small proportion of its properties to date and used its existing management arm and existing development corporation to handle the conversions.
- Another large PHA had used PBRA for all conversions to date and saw a large staff reduction. They use a contracted property management company and outsourced maintenance and cleaning. In the long term, they will continue to reduce PHA staff and transition to third-party maintenance, but they are keeping their compliance activities in-house and adding staff as needed. They plan to explore partnership with a developer for the PHA's remaining properties.
- Another large PHA converted some units using PBV, with vouchers managed by a nonprofit affiliate. They had a small number of RAD conversions with LIHTC partners. They hoped that RAD would result in less HUD "red tape" and more property management control for the PHA, but they found RAD to have different versions of regulations and oversight rather than less of either.
- A large PHA reported having two nonprofits and was partnering with several outside organizations. So far, they have done a mix of paper conversions and more complicated LIHTC deals, so it was somewhat difficult to categorize them, especially because they have used RAD sparingly. They retained ownership of all their land and hold a ground lease on all properties. The property management for the LIHTC units is outsourced, but they are considering bringing it in-house. This PHA primarily sees RAD as a tool to access other funding. They have updated their policies and procedures to comply with RAD rules.
- A medium-sized PHA converted properties via a single-member LLC and added one new staff member to their Section 8 office. They thought they were going to get more in HAP funds than they did and experienced some issues with compliance and financial issues. Ultimately, the PHA ended up with less revenue than expected.
- A small PHA plans to convert all their public housing stock but has experienced several delays. They will use an existing LLC for the PBV conversions, which is currently the

development arm of the PHA. They anticipate some minor changes in staff responsibilities but will continue to perform their management and operational role.

- Another medium-sized PHA has a sole-member LLC for its PBRA-converted properties. They had to work on compliance and standardization and obtain Certified Occupancy Specialist training, along with developing skills to manage projects separately. They chose PBRA because they liked the multifamily model based on experience with a property they refinanced with LIHTCs some years ago (before RAD). They still have a number of scattered site units that they do not plan to convert with RAD.
- A medium-sized PHA set up multiple sole-member development nonprofits for all of its PBRA RAD conversions. They did all the construction and rehabilitation in-house and increased their total staff; they also added trade skills and kept property management in-house. They found a financial advantage in RAD.
- Another medium-sized PHA had only minor changes and set up a sole-member LLC. The PHA is the managing agent and retained all management, maintenance, and administrative duties. They trained staff in compliance with rules related to RAD and updated their policies and procedures, which they mention as their only changes.
- A small regional PHA is the sole member of an LLC that owns two RAD-converted properties. They said that the PBV conversions fit with their existing Housing Choice Voucher (HCV) program, and they had no organizational changes.

4.3.5. Summary

The evaluation team did not observe a clear relationship between the ownership structures of RAD-converted properties and the extent of organizational change at the PHA. PHA-affiliated ownership, which included 11 PHAs, was the most common structure. Conversions where the PHA remained the owner were observed in four PHAs, and they usually had fewer organizational changes than PHAs with other RAD ownership structures. PHAs that used LIHTC as part of their RAD conversion generally had more changes than other types of structures, because those types of structures tend to be more complicated than the other options.

4.4. New Skills and Training

- *What type of new skills did PHAs develop?*
- *Were any particular skills no longer needed due to the RAD conversion(s)?*

PHAs mentioned many types of skills related to the RAD conversions that they added. They discussed compliance issues in general and those related to LIHTC partnerships, training on tax credits, and calculating rents. Three PHAs specifically stated that they needed to learn more about the Tenant Rental Assistance Certification System (TRACS). Eighteen PHAs described skills they added, and seven PHAs said they added no new skills. Seven PHAs specifically mentioned needing to learn the RAD rules as a new skill, but it was usually in combination with other skills. Similarly, seven PHAs mentioned new skills related to “tax credits.” Several items related to LIHTC deals were part of PHAs’ new skills, such as mortgage rules, compliance, legal issues, and accounting. Exhibit 11 includes a list of the most frequently mentioned new skills needed or added by PHAs. Most of the skills needed related to RAD rules, LIHTC or other tax credit programs, PBVs, or multifamily housing, which makes sense because the RAD rules are new for PHAs; even those that operate large voucher programs or even PBV programs will still need to familiarize their staff with RAD-specific rules. There were seven PHAs that said they did not need any new skills.

Exhibit 11. Types of Skills Added or Needed by PHAs

Type of Skill	Counts/Mentions
LIHTC/Tax Credit Training, Compliance, Finance	9
RAD Rules/Training/Compliance/Calculating Rents	8
PBV Training, Administration, Utilities	6
TRACS Training, Compliance, Multifamily Housing Issues	3
Mortgage/Legal/Finance Issues	3
None	7
Total Mentions	**36**

LIHTC = Low-Income Housing Tax Credit. PHA = public housing agency. PBV = project-based voucher. RAD = Rental Assistance Demonstration. TRACS = Tenant Rental Assistance Certification System.

The evaluation team also asked PHAs if there were skills or responsibilities no longer needed after the RAD conversions. A total of 14 PHAs said there were no unneeded skills post-conversion (or they did not know, in one case). For 11 PHAs that reduced skills, they were mostly related to public housing management. The PHAs specifically mentioned the areas of compliance, admissions reporting, inspection, and property maintenance as no longer being necessary. For example, one PHA was able to greatly reduce the number of maintenance staff. Another PHA no longer needed their capital fund and moderate rehabilitation staff, and when the people in those roles retired, they did not hire replacements. There were one or two cases where the PHA stated that they would have reduced staff but could not due to union labor agreements.

Exhibit 12. Skills No Longer Needed

Types of Skills No Longer Needed	Count
Functions Reduced (e.g., Capital Fund Staff, Mod Rehab Coordinators, Property Inspector)	5
Public Housing Admissions, Compliance, Reporting	4
Property Management and Maintenance	1
None/Don’t Know (1)	16
Total	**26**

Three PHAs that the team categorized as having no organizational change reported that they added skills. One PHA made minor changes to reporting and compliance and no longer had to fill out some HUD forms. In another case, the PHA trained its staff to use TRACS but made no other software investments; it also provided training for one staff person who was responsible for recertifications and who now works in the Section 8 division rather than public housing. These were both small PHAs, and the overall operations and organization remained the same. The third PHA in this group was a large PHA; they had to create a new Section 8 file temporarily, but after the conversion, the property was removed from their management portfolio, and no further changes were made.

The extent of skills added was quite varied for the PHAs with minor organizational changes. PHAs discussed new compliance and standardization practices, often due to a stricter asset management process, which was true even for PHAs that previously had asset management in place but that subdivided Asset Management Projects (AMPs) differently after RAD.[5] Additional training was often needed in Section 8 administration related to PBVs. A great deal of training was necessary when tax credit conversions were undertaken; sometimes additional staff were also needed. One PHA said that their training around LIHTCs was ongoing. In cases such as this, tax credit projects were often not the result of RAD but rather a previous undertaking that had been folded into the RAD process—alternatively, these projects had been contemplated before RAD but only now had the flexibility to begin.

Many PHAs mentioned training around the regulatory requirements related to RAD. A small PHA with minor changes mentioned the need for additional multifamily management skills, including using TRACS. They also had to learn how to work with the Multifamily office at HUD, which was a new experience. Several PHAs were retraining public housing staff on PBV requirements as part of moving more staff to the HCV/PBV office as public housing staffing needs diminished. Property management staff were also sometimes moved onsite when there was an LIHTC conversion, requiring training. PHAs stated that management at the property location was a requirement of LIHTC deals. In other cases, with PBV conversions, property management staff were moved offsite to the PHA's main office.[6] One large PHA created a development wing before RAD, but that entity was heavily involved in RAD conversions. Staff were fully trained in the RAD program, specifically with regard to PBV administration and management, and RAD rules. They brought property management in-house using their development entity.

Of the six PHAs that had major organizational changes, all added new staff skills and provided training. Property management changed at one PHA from all public housing to PBV/PBRA, which involved different requirements. At the same PHA, compliance and financing required new reporting processes, and staff had to update their skills. A smaller PHA only had to learn how to use TRACS because they already had LIHTC experience. A medium-sized PHA worked on understanding how RAD PBVs operate. Some PHAs had to learn how to deal with the extra complications of working with many separate entities, such as limited partnerships (LPs) and LLCs created by the PHAs or investors and bankers involved with tax credit deals. For a few PHAs, calculating rents and applying the Operating Cost Adjustment Factors (OCAFs) were new skills they had to develop. One large PHA created a new compliance department to deal with multiple new entities (LLCs) and developed financial skills to meet the new reporting requirements. One medium-sized PHA was unique in that it added staff, bringing 100 percent of their construction contracting in-house, hiring more than a dozen new employees, and acting as a developer and general contractor. PHA staff received training in new software systems, admissions and occupancy, compliance, and tax credits.

One small PHA with major changes decided that it was too complicated to conduct another conversion. This PHA had to use three layers of subsidy, a deferred developer fee, and loans from the PHA's capital funds to make the conversion financially viable. These challenges led to

[5] Smaller PHAs often had several projects grouped together as one AMP but had to make changes after converting to RAD.
[6] This move would be possible in the case of PHA-owned properties because property management is the responsibility of the property owner.

the creation of a new staff position (a Finance Director for their affordable housing)—along with the Finance Director for public housing—directly attributable to the RAD experience. This was more expensive in terms of salary and benefits, but the agency did see fewer accounting and compliance errors, suggesting a net benefit. In the end, it is an example of a smart tradeoff, but getting there was quite difficult for the PHA, which plans to reposition its remaining public housing stock without using RAD.

Overall, the need for new skills seems tied to whether the subsidy or program used for the RAD conversion was new to the PHA. For PHAs that were new to tax credit deals, for example, a great amount of training was needed. For PHAs that were already familiar with PBRA, PBV, or LIHTC, new skills were related to the RAD program rules and staying in compliance with RAD requirements. The evaluation team did not consider this type of upskilling an organizational change because the PHA structure often remained the same as before RAD.

4.5. Remaining Public Housing Portfolio

For PHAs that still have public housing in their portfolio:

- *Did conversion divert resources away from struggling public housing properties?*
- *If a PHA only converts some of its public housing, then that leaves them with a smaller total pool of funds for future needs. This could affect the remaining public housing in their portfolio.*
- *Alternatively, did conversion(s) attract more resources to the PHA overall and have no effect on the remaining public housing portfolio?*

4.5.1. Comparison of Full Versus Partial Portfolio Conversions

The PHAs in this study either converted all of their public housing stock, had definite plans to convert all their stock, or converted a limited number of properties and had no plans for additional conversions. In total, 19 PHAs had converted or planned to convert all of their units.[7] Seven PHAs had done a number of conversions but had no plans to do more. In three cases, the PHAs had a negative experience with RAD that underlay the decision to stop conversions. In other cases, the PHA had plans to convert properties with other tools (such as Section 18), or it was a large PHA that only planned to convert a small portion of their properties with RAD.

Thirteen PHAs with minor or no changes had converted or planned to convert all public housing units with RAD. All the PHAs with major organizational changes had converted or planned to convert all public housing units. Completely converting all stock was something the research team considered an indicator of major organizational change; in itself, it may not represent a major change, however, because some PHAs did not have much public housing stock originally. One regional PHA did not manage any public housing, but when smaller agencies in its area disbanded, it would temporarily hold the public housing project before the RAD conversion or, in some cases, a Section 18 disposition or demolition.

[7] One of these PHAs planned to convert all of its units but had not completed any conversions at the time of the site visit due to issues with the Deeds of Trust (or lack thereof) for the properties. The evaluation team included this PHA in the analysis, but it is excluded from the discussion in Section 3.2.6.

Exhibit 13. Planned or Completed Portfolio Conversions

Classification	Planning To Convert/ Converted All Stock	No Additional Conversions	Total
Region			
South	7	1	**8**
West	4	1	**5**
Northeast	5	2	**7**
Midwest	3	3	**6**
PHA Size			
Large	4	3	**7**
Medium	9	3	**12**
Small	6	1	**7**
Subsidy Type			
Both	2	0	**2**
PBRA	6	2	**8**
PBV	11	5	**16**
Organizational Change			
Major	6	0	**6**
Minor	9	6	**15**
None	4	1	**5**
Total PHAs	**19**	**7**	**26**

PHA = public housing agency. PBRA = project-based rental assistance. PBV = project-based voucher.

Nine PHAs indicated that their entire public housing portfolio had been converted to RAD. Ten PHAs were still managing public housing units but had plans to convert all units. PHAs in the South (seven PHAs) and small PHAs (six PHAs) were most likely to be planning to convert or to have already converted their entire public housing portfolio. Six of these small PHAs (67 percent) had only one or two properties in their portfolios, so converting their entire stock under one Commitment to enter into a Housing Assistance Payment was simpler than in larger PHAs with multiple Asset Management Projects and financing deals.

Of the seven PHAs not planning on converting all of their stock, three are large, urban PHAs. These PHAs are using RAD as one element of their development plan and will keep some public housing in their portfolio. In two cases, the RAD conversions represent a small proportion of the PHAs' overall public housing stock. Another large PHA originally planned to do a full portfolio conversion but later amended its plans due to complications with some of the remaining properties. Although the PHA will consider a full conversion eventually, its staff must work out the financing and regulatory side before it can continue. Often, these PHAs regarded RAD as one "tool in the toolbox," which also has other tools to accomplish similar goals. All of the PHAs without plans to convert the remaining stock were classified as having either minor or no organizational change due to RAD.

4.5.2. Relationship of Financing/Type of Conversion and Organizational Change

Sixteen PHAs still administer public housing units; of these, eight indicated that RAD had no impact on their ability to administer the remaining public housing units, four indicated that RAD affected the financial status of the remaining public housing, and four indicated that RAD affected only the administration of the remaining units.

Exhibit 14. PHAs with a Remaining Public Housing Portfolio

RAD Impact on Administration of Remaining Public Housing	Number of PHAs with Remaining Public Housing Units
No Impact on Administration, but Impact on Finances	4
Impact on Administration and Finances	4
No Impact	9
Total	**17**

PHA = public housing agency. RAD = Rental Assistance Demonstration.

No Effect on Administration, but Finances Were Affected

Two PHAs stated that funding was more limited and less flexible for the remaining public housing units after RAD. One PHA stated that its capital funding increased after RAD, and another stated that operational and capital funding is available for public housing but that its RAD-converted properties are more limited in funding.

RAD Affected the Administration and Finances of Public Housing

One PHA stated that RAD caused capital funding to decrease, maintenance to be deferred, and costs to increase in the remaining public housing portfolio. Another PHA had challenges with tracking the Public Housing Assessment System, reporting, and transitioning staff into new roles. A third PHA stated that because it does not manage RAD properties but could not reduce staff after conversion, maintenance and administrative staff from converted properties are now used to support the remaining public housing. The loss of public housing capital funds and operating funds resulted in a net loss of support funds. The PHA saw a slight reduction in operating and maintenance costs, but staffing costs remained high. Finally, one PHA said that RAD has made it easier to administer its remaining public housing stock; it had increased revenue for its converted RAD units, which helps pay for the administration of its remaining public housing.

4.6. Administrative and Operating Costs

- *Were PHAs already using an asset-based cost allocation model before RAD participation?*
- *Do conversion and reorganization allow PHAs to reduce costs and operate more efficiently/effectively? Mechanisms: ability to reduce staff and subcontract for services.*
- *Alternatively, do operating costs increase? Are efficiencies of scale lost?*
- *If costs changed, which ones?*

Nineteen PHAs stated they were using an "asset-based cost allocation" model before their RAD property conversions. Five PHAs said they were not using asset management before RAD; three of these mentioned the small PHA exemption. One PHA did not know the answer because no current staff were at the PHA before the RAD conversion. Most staff did not elaborate on the impact of the change to using asset-based cost allocations, but one stated that it was a challenging aspect of using RAD. Another mentioned that they did not have cost allocation "because everything was a direct charge." They also mentioned that their Central Office Cost Center earned income as a direct result of implementing asset-based management. At least two PHAs said they were doing asset-based management but reported activities that indicated they had several properties grouped into relatively few AMPs; their expenses were decentralized as a result of the RAD conversion.

In the short term, many PHAs had (or expected) lower maintenance expenses when they rehabilitated old units or undertook new construction as part of a RAD conversion. Utilities were often lower after conversion. Approximately 32 percent of PHAs saw a decrease in operating costs, whereas 20 percent saw an increase, and 48 percent said that costs were about the same. PHAs categorized as having major changes were spread across all three cost categories. PHAs with minor changes were most likely to have the same operational costs as before the conversion. One PHA that had no operational changes mentioned an increase in costs, two saw a decrease, and two had the same costs as before RAD.

Twenty-one PHAs provided more specific details about which of their operational costs changed. The costs mentioned were maintenance (eight), utilities (six), insurance (six), staff (five), administrative (two), software (two), resident services (one), and inspections (one). Seven PHAs mentioned that maintenance costs had decreased, but one said that maintenance had increased. In general, utility costs decreased (at five PHAs), but they increased at one PHA. Two PHAs said their insurance costs increased, and two said that insurance decreased. Three mentioned needing new software as a cost. In two cases, staffing costs increased; in one of those PHAs, it was because they could not reduce staff. At another PHA, a large reduction in staff reduced costs. Only one PHA mentioned resident services in the context of cost; this PHA saw their cost reduced due to outsourcing. Another PHA mentioned resident services in a different context because funding was specifically for public housing and could no longer be used for residents receiving the new subsidy type. Three PHAs mentioned areas where costs both increased and decreased.

The evaluation team looked at whether different ownership types were associated with changes in costs. One might expect that LIHTC partnerships would decrease operating costs, but this was not consistently the case. Part of the complexity is that most PHAs had multiple ownership types post-RAD. However, even for PHAs that only did RAD conversions with LIHTC, two reported increased costs after conversion, whereas one had the same costs, and two had lower costs. In one case, the increased costs were due to not being able to reduce staff because of labor agreements. The other PHA that only used LIHTC and reported increased costs attributed the increase to greater staff requirements, paying auditors, partnership and financing fees, and the need to put all properties on separate insurance policies.

Exhibit 15. Changes in Costs by Ownership Type

Ownership Type	Cost Decreased	Cost Increased	Cost Remained the Same	Total
LIHTC	2	2	1	5
LIHTC, PHA-Affiliate	1	0	1	2
PHA	0	0	4	4
PHA-Affiliate	4	3	4	11
Unaffiliated	1	0	2	3
PHA-Affiliate, Unaffiliated	0	0	1	1
Total	**8**	**5**	**13**	**26**

PHA = public housing agency. LIHTC = Low-Income Housing Tax Credit.

The team learned that it was common for some costs to increase and others to decrease. Several PHAs mentioned inflation, but that is a universal issue unrelated to RAD. Due to management changes related to conversion, some PHAs saw increased costs, especially when they had to create multiple entities (LPs, LLCs) to manage conversions. When PHAs created multiple new entities, they lost economies of scale, and operating costs increased due to the need for more administrative and accounting work, even if entities were unstaffed. Higher administrative costs were often offset by lower maintenance costs (that is, lower building operating costs) because the units required fewer repairs and less maintenance, and sometimes higher administrative costs were offset by increased revenues.

In some cases, taxes stayed the same, and payment in lieu of taxes (PILOT) was extended to the new units,[8] but in other cases, property taxes that had either been negotiated or waived came due. Insurance costs usually remained the same, but with tax credit developments, PHAs sometimes needed additional insurance policies for each development due to different financial rules, and costs therefore increased. The exact nature of each deal determines whether operating costs increase or if revenues are sufficient to meet the costs. The majority of PHAs had the same operating costs as before the RAD conversion, but in some cases, the PHA was not certain whether costs were going to increase or decrease in the future.

Exhibit 16. Changes in Operational Costs and Organizational Change

Operational Costs/Expenses	Major Change	Minor Change	No Change	Total
Decrease	2	4	2	8
Increase	1	3	1	5
Same	3	8	2	13
Total	**6**	**15**	**5**	**26**

4.7. Changes in Administrative Costs for PBV Conversions

- *Do conversions increase administrative costs and is the administrative fee sufficient to cover those costs?*

[8] PILOT is an agreement that many PHAs have with the local municipality that allows them to negotiate a payment in lieu of real property taxes.

For the PHAs that converted with PBVs, the evaluation team followed up with a question about whether their administrative fees were sufficient to cover the costs of the additional vouchers. Although all PHAs receive additional fees for their RAD PBVs, the fees were calculated somewhat differently than for other vouchers, and thus there is a concern that the total fees might be insufficient.

Eighteen PHAs had HCVs or PBVs before RAD. Of those, 14 used PBV as one of their methods of RAD conversion. Of these 14 PHAs, only 10 provided a clear answer to the question about their administrative fees covering administrative costs after the RAD conversion. For the most part, the administrative fees were sufficient and not related to the level of organizational change.

Exhibit 17. Organizational Change and Administrative Cost Coverage

Organizational Change	Costs Not Covered	Costs Covered	Total
Major	1	2	**3**
Minor	1	5	**6**
None	0	1	**1**
Total	**2**	**8**	**10**

One of the PHAs that had major changes and said the administrative fee was sufficient had put together a more complicated deal that included major rehabilitation, Federal Housing Administration (FHA) mortgage, and LIHTC, along with additional loans. This PHA had a challenging experience with RAD and decided not to pursue additional RAD conversions. The other PHA with major changes that had its costs covered had a mix of approaches, including LIHTC, but planned to continue to manage all converted properties and said the fee was sufficient. The third PHA with major changes did not provide many details about why the fee was insufficient but expressed a desire to see the fees increased. The one site with minor changes that said the fee was insufficient explained, "[The PHA] covers the admin fees through the 34 non-RAD units at [the development] picking up the expenses. The fees received through the voucher program do not replace the administration portion of funding received through the public housing program—it comes out to approximately half of the fees."

Overall, the administrative fees after conversion were sufficient for most PHAs that provided an answer to the question.

4.8. Revenue and Financial Stability

- *Do conversions generally result in financial stability, and was it a reason for conversions?*

The main RAD Evaluation includes a rigorous quantitative analysis of the long-term financial viability of RAD conversions. In this study, the evaluation team focused on PHA staff perceptions of financial stability. It used answers to a question about positive cashflow to determine the perception of financial stability PHA staff expressed about the conversions. Usually, responses indicated whether the cashflow exceeded expenses, from which stability could be inferred. Twenty-one PHAs indicated that their conversions resulted in developments they considered financially stable or that they anticipated would be stable in the future. Five

PHAs said that their conversions did not result in developments with stable funding without a future event to recapitalize the property.

Exhibit 18. PHA Size and Reported Financial Stability of RAD Conversions, Based on Cashflow

Organizational Changes	Financially Stable RAD Conversions (Number of PHAs)	Financially Unstable RAD Conversions (Number of PHAs)	Total
Major	6	0	**6**
Minor	11	4	**15**
None	4	1	**5**
Total	**21**	**5**	**26**

PHA = public housing agency. RAD = Rental Assistance Demonstration.

Most PHAs reported that their developments were financially stable, including all of the PHAs with major organizational changes. Of the 21 PHAs that said their conversions were sustainable, some of the outcomes were still uncertain. One large PHA was fairly confident that the conversion was sustainable, but it had little oversight of the project—the only connections being the developer fee and administration of the PBVs. Another PHA said that if the anticipated rent increases were implemented, then things would be sustainable (this PHA is the same one where the RAD units have negative cashflow, but the deal was structured so that they would be supported by the other units). At another PHA with major changes, the projections for the 15-year LIHTC period were tight, but the agency expected to fully fund its reserves and have positive cashflow. One PHA mentioned that it has no debt, has been able to accrue substantial savings, and could fully fund their reserves for replacements. Another large PHA's projected sustainability was based on savings from a major reduction in staff. Finally, there was one PHA with some non-RAD issues, such as a need for major repairs that could affect sustainability; the PHA plans to find local grants and loans to cover those costs.

The five PHAs that had unsustainable developments had a variety of issues. One large PHA did some early paper conversions but will have to draw from the initial reserves for replacements due to the low RAD rents; the agency's other properties that included tax credit units were more sustainable. Another PHA found that the costs of operations are increasing, and "with a stagnant formula and low inflation factor," they will have problems "down the road" with deteriorating properties. Another PHA said it would need to refinance to deal with negative cashflow. A large PHA without organizational changes had a lower baseline for setting RAD contract rents and was capped at that level, and it will take a long time for the OCAF adjustment to provide sufficient revenue to fund the reserves. Another PHA found that revenues were not covering expenses, but it is planning LIHTC investments in the future; the PHA indicated that the agency expects to make the property more sustainable.

One theme that the team observed is that many PHAs stated that the reliability of funding would facilitate budgeting. For example, 14 PHAs said they thought a RAD conversion would allow them to more easily budget, predict revenue, and manage budget projections. The staff at one small PHA that had minor organizational change shared their frustration with not being able to prepare a budget at the outset of a fiscal year because they sometimes would have no idea what their funding would be under conventional public housing until well into the fiscal year. Several PHAs reported that the increased ability to prepare budgets upfront would result in better management and oversight for the developments. Two PHAs specifically indicated that stable funding, coupled with tighter budgeting and management, would enable the properties to independently cover current expenses and might even result in the ability to set aside future reserves for capital improvements in the outyears. Another PHA shared its view that due to how the Capital Fund functions, it was never provided sufficient funding to complete substantial work; staff members hoped that perhaps their conversion to RAD would result in a funding source that would enable more substantial capital improvements.

4.9. Additional Findings

Several PHAs were confused about changes in regulations after converting with RAD. One PHA was worried that it was not following the regulations; for example, the PHA continues to implement Section 3, but staff did not know whether that was required. Another PHA that had low rents after conversion was frustrated that the RAD rents were so much lower than fair market rents at another property in its portfolio. This PHA had to reduce staff due to the loss in revenue and found the process painful. Another PHA that was fully committed to RAD conversions nevertheless stated that the RAD rents were unsustainable, and its staff thought HUD was underfunding their portfolio. This PHA also said it was a mistake to use PBRA due to the additional administrative burden. Another PHA mentioned a lack of guidance and communication from HUD’s Office of Recapitalization, which was compounded by the fact that no other nearby PHAs were pursuing RAD. Finally, one PHA saw a delay of more than a full year because of the requirement to remove the Declaration of Trust before the conversion; the properties had no Declarations of Trust, and the PHA had to create them so they could be removed.

One PHA discussed the challenges of conducting a tax credit deal for scattered PHAs. Needs assessments were required, which meant that multiple assessments were required for many small properties, increasing the cost of the deal. Reconciling state and HUD requirements was a particular challenge, and many reviews had to be done twice. In the end, this PHA did not convert all of the intended properties, due in part to a requirement for a historic preservation review that the agency decided would be too costly and time consuming. They and other small PHAs also mentioned the heavy paperwork burden for small PHAs. Another PHA had a negative experience with RAD and decided that it was too complicated to conduct another conversion.

Many PHAs stated that updated training resources would be useful. Facilitating a way for successful agencies to work with PHAs that have not yet started the RAD process or that are having problems would also be helpful. One PHA suggested providing multifamily training before closing a PBRA conversion to help staff get familiar with multifamily systems, reporting, and compliance requirements, which is especially relevant for PHAs that have not previously administered multifamily programs. Another PHA suggested aligning fees, stating that they are losing the public housing fees but not making up the difference on the Section 8 (PBV) side. Similarly, one PHA observed that adjusting the OCAF annually would help account for large market shifts, such as those experienced during the pandemic years. One or two PHAs mentioned that they would like to continue to participate in programs like Resident Opportunities and Self-Sufficiency, which are only available via grants to public housing. Extending those types of programs to PBV or PBRA units could be beneficial to residents.

4.10. Summary of Findings

The evaluation team examined the reasons for conversions and observed a few major themes. Some PHAs were hoping for a financial benefit, either in the form of attracting more capital to the organization or having to deal with less paperwork. Many PHAs mentioned the lack of capital funding and that, due to proration, the funding was unstable. Some PHAs wanted to revitalize—or rehabilitate—their properties, whereas some wanted to demolish or dispose of the properties and used a transfer of assistance to accomplish this goal. Other PHAs wanted to develop new properties.

The majority of PHAs (17) still directly owned (or owned via a sole-member LLC) the property or properties they converted with RAD. Two of these PHAs had an equal number of LIHTC partnership properties, and four PHAs solely used LIHTC for their RAD conversions. Four PHAs had transferred ownership of the converted properties to an unaffiliated owner entity; in at least one case, this transfer predated the RAD program. All of the PHAs that retained direct ownership of their properties had minor or no organizational change; these cases were often simple paper conversions that required minimal or no staff training or other changes.

The team observed that the need for new skills was tied to whether the subsidy or program used for the RAD conversion was new to the PHA. A great deal of training was needed for PHAs that were new to tax credit deals. For PHAs that were already familiar with PBRA, PBV, or LIHTC, new skills were related to the RAD program rules and staying in compliance with RAD requirements. The team did not consider this type of upskilling an organizational change because the PHA structure often remained the same as before RAD.

The majority of PHAs (19) were planning to or had already completed full portfolio conversions. Of the 16 PHAs that still have public housing in their stock, 8 said that the conversion had no impact on their ability to manage the portfolio. In other cases, the decrease in capital funds made it harder to maintain the public housing units. Sometimes the RAD conversion reduced the PHA's public housing portfolio, but the staff levels remained the same, requiring reductions in non-union staff (e.g., executive level). In contrast, one PHA was using the higher voucher subsidies from the RAD conversions to support the agency's overall budget and found overall administration easier.

In terms of operating costs, many PHAs had (or expected) lower maintenance expenses at converted projects in the short term when they rehabilitated old units or undertook new construction as part of the RAD conversion. Utility costs were often lower after conversion. Approximately half of PHAs said that their costs were about the same after conversion; however, the evaluation team observed that the exact nature of the conversion activities determined whether costs increased and whether revenues were sufficient to offset them. The majority of PHAs had the same operating costs as before the RAD conversion, but in a few of these cases, the PHA was not certain whether costs were going to increase or decrease in the future.

Overall, most RAD conversions were judged by PHAs to be financially stable (that is, cashflow-positive). In a few instances, the RAD project was too new to judge long-term stability. In larger PHAs where RAD conversions were a minority of units, the PHAs had other resources that could be used to support the projects, but they planned to put aside enough reserve funds to pay for maintenance and capital needs. At least one PHA converted the RAD units as part of a larger deal in which the units would be sustainable via higher rents at the non-RAD properties.

5. Conclusion

This report is a component of the larger RAD Evaluation. For this study, the evaluation team focused on organizational and operational changes at PHAs that were a result of participation in RAD. The team selected the PHAs to be reasonably representative of PHAs that had a closed Commitment to enter into a Housing Assistance Payments contract CHAP by October 2020. When a PHA had not yet converted units, the team excluded them from the sample. It drew a sample of PHAs based on a representative mix of region, size, and subsidy type, with two backups for each PHA, for a total of 75 PHAs. The team accomplished its goal of 25 total site visits, mostly conducted virtually, with 6 taking place in person. It used a qualitative analytical approach, supplemented by data from the RAD Resource Desk and additional materials provided by the PHAs. Although the team had 25 PHAs in the final sample, 1 was split into 2 observations for analytical purposes.

The study was guided by a series of seven research questions, with one added during the interview process based on what the team was learning. The questions covered the following subjects:

1. Self-reported organizational changes during the RAD conversion.
2. Ownership type.
3. Skills, capabilities, or responsibilities taken on as a result of the conversion.
4. Whether the PHA planned to reposition its entire public housing portfolio using RAD.
5. Expenses and costs for PHAs after the RAD conversion and whether they were using asset-based cost allocation before RAD.
6. For PBV properties, if there were increased costs of administration, were they covered by the administrative fee?
7. Were the RAD conversions financially stable?

The analysis section of the report explored the data for each of the questions, providing tabulations and an in-depth discussion. Initially, evaluation team classified PHAs as having major, minor, or no organizational change based on their direct reporting and the team's observations. All PHAs, including those classified as having no changes, had to make some adjustments related to RAD. All PHAs had to spend time familiarizing themselves with RAD's process and regulatory requirements. Several agencies only had minimal changes related to RAD, some of which were temporary.

The team examined the different ownership types and broke them into four main categories: PHA owner, PHA sole owner-member in an affiliate entity, owner unaffiliated with PHA, and LIHTC partnership, with a fifth category representing some combination of the four. It found that most PHAs formed affiliate entities (15) or had LIHTC partnerships (6), with only 4 retaining direct ownership and another 4 with unaffiliated ownership. PHAs had many reasons for choosing these approaches. Some had development plans that worked best using LIHTC, whereas others pursued simpler transactions with only paper conversions or minimal rehabilitation.

Almost all PHAs (21) had some skill changes, but they were not always related to RAD. All of the PHAs categorized as having major organizational changes added new skills, whereas 3 of the 5 PHAs with no changes also added skills, and 13 of the 14 PHAs with minor changes added some new skills. Overall, the need for new skills is related to the change to a new organizational structure or subsidy type. For PHAs that were new to tax credit deals, for example, a great deal of training was needed. For PHAs that already had experience administrating PBV or PBRA, new skills were related to the RAD program rules and staying in compliance.

PHAs that were in the midst of full portfolio conversions generally saw the most changes to their organizations. Some PHAs had a great deal of development experience and had moved into tax credit work before RAD existed. For these PHAs, RAD did not require organizational changes but was simply added as another development tool. Some smaller PHAs had an easier time because they had fewer properties to convert and the process was simpler, although this was not always the case.

Many PHAs had (or expected to have) lower maintenance expenses at converted projects when they rehabilitated old units or undertook new construction as part of a RAD conversion. Utility costs were often lower after conversion. Approximately a third of PHAs saw a decrease in costs, although some saw an increase, and almost half said they were about the same. PHAs that were categorized as having major changes were spread across all three cost categories. PHAs with minor changes were most likely to have the same operational costs as before the conversion. One PHA that had no operational changes mentioned an increase in costs, two saw a decrease, and two had the same costs as before RAD.

The evaluation team used answers to a question about positive cashflow to determine the financial stability of the converted projects. Usually, responses indicated whether the cashflow exceeded expenses, from which stability could be determined. Twenty-one PHAs indicated that their conversions resulted in financially stable developments or that they anticipated that they would be stable in the future, and five said the conversions did not result in financially stable developments. None of the small PHAs reported financially unstable developments.

The team learned a great deal about PHAs' experiences and attitudes about RAD in this project. Most PHAs had positive experiences with their conversions, with a few exceptions. Most PHAs found aspects of the conversion challenging, and most had some organizational changes, major or minor, related to RAD. The team also heard from the PHAs about their issues with RAD, with one of their top suggestions being to provide more guidance and training about the conversion process.

Appendix A: Site Visit Interview Guide

Interview Guides for RAD PHA Organizational Change Study

1. Identifying Information

Fill out this section out before the interview. The interview will confirm them with the PHA staff member.

PHA Name and Code:

POC Name and Title:

Project Name and Code:

Interview Date and Time:

POC Contact Information:

Lead Interviewer:

Interview Lead (Urban or Econometrica): My name is *[name],* and this is/these are my colleague(s), *[name(s)]*. We work for *[Econometrica/Urban Institute],* a research organization in Washington, D.C. Thank you for talking to us today. We are here to talk to you about your experience with the Rental Assistance Demonstration (RAD) program. This interview will focus on *[PHA name]'s* changes in organization and property administration associated with the implementation of RAD. Findings from this research will be used to develop policy recommendations to HUD and inform future research efforts. This study is funded by the U.S. Department of Housing and Urban Development.

We know that you are busy, and we will be as focused as possible. We have many questions and are going to talk to many different people, so please do not feel as though we expect you to be able to answer every question. Your participation in this discussion is voluntary. That means you may choose to skip any questions you wish, refuse to participate, or stop the interview at any time.

Everyone who works on this study has signed a confidentiality pledge that they will not tell anyone outside the research staff anything you tell us during an interview. The researchers on this study will keep all of the information completely confidential. Only the people doing the research will see any information that identifies you personally. Themes across all of the conversations we're having will be published in a report submitted to HUD. When we write our reports and discuss our findings, the answers you provide during the interview will be combined with answers from many individuals. We never share any information that identifies you or any other respondents by name outside of our evaluation team. However, if you are in a position that makes it so that you are the *only person* who could know a certain piece of information, it is possible someone reading a report might infer the source of the information. We make every effort to avoid this, but you should be aware of the possibility.

The interview will last up to **90 minutes.** My colleague, *[name],* will be taking notes today to make sure we capture everything you say accurately. We'd also like to record the session today to back up the notes. If you don't object, we'll go ahead and record; but if you have concerns, we can proceed without the recording.

HUD representative (if present): My name is *[name],* and I am with the Office of Policy Development and Research at HUD, the agency working with *[PHA name]* on the implementation of the RAD program. If you agree, I would like your permission to observe how *[Econometrica or Urban]* conducts this interview. I would like you to know that I am only here to monitor the research, and I will not use any of your personal information or discuss any of the experiences you describe during this interview for any other purpose. Your responses will remain confidential.

If you have any questions, you can contact:

- Dennis Stout, the Project Manager from Econometrica, (240) 204-5155.
- Teresa Souza, the Government Technical Representative for this study from U.S. Department of Housing and Urban Development (202) 402-5540.

NOTE: We will have advance notice if a HUD representative plans to participate in a site visit. HUD staff will not usually be present.

Interview Lead (Urban or Econometrica):

Do you agree to participate?

[Pause for response]

Are you comfortable with this interview being recorded?

[Pause for response]

Do you have any questions before we begin?

[Pause for questions]

Okay, we are going to turn on the audio recorder now.

A.1. Executive Director

8. Can you provide a general overview of your RAD conversions and anything we should know about your PHA? [*Prompt for a description of the housing stock at PHA, RAD experiences, and general organizational structure*.]
9. Describe *[PHA name]*'s staffing overall.
    a. *[If the organizational chart was provided in advance:]* Do you have an org chart from prior to the RAD conversion that we can compare to what you shared? What kind of changes were made to the organization after the RAD conversion?
    b. *[If the org chart was not provided:]* Can you provide a copy of your organizational chart? Do you have access to any organizational charts from prior to the RAD conversion(s)? How do they compare?
    - [If no org charts are available, ask:] About how many people are part of [PHA's name] staff? [Probe for more information on specific staff roles: property management, voucher program management, asset management roles.]
10. *[Add information from RAD Resource Desk about the type of conversion(s): rehabilitation, new construction, or financial; project-based voucher (PBV) or project-based rental assistance (PBRA). Add information about Federal Housing Administration (FHA) or Low-Income Housing Tax Credit (LIHTC) financing.]* My understanding is that you did [X] conversions of [X] type, for a total number of [X] units. Can you confirm that is correct? Am I missing anything?
    - *[If information is not available from the RAD Resource Desk, ask:]* Have you used the RAD program for rehabilitation or new construction of any of your projects? *[Pause for answer.]* Are any of your conversions "paper" (financial) only—that is, with no or only minor construction? Did you use Low-Income Tax Credits (LIHTC) for any of the conversions? Did you take out a mortgage? With or without FHA insurance?
11. *[Add dates, if available.]* Are there any conversions in progress? Approximately what date were the conversion(s) completed? Are they ready for occupancy?
12. *[Add info from RAD Resource Desk about number of conversions at PHA.]* My information shows that most/all of your conversions are completed. Is that correct?
    - *[If not all developments have converted, ask:]* Approximately what percentage of your tenants are served under RAD projects?
    - Do you have plans to use the RAD program to convert some or all of your remaining developments?
    - What kind of impact has the RAD conversion had on the day-to-day management of your non-RAD public housing portfolio? *[Examples: improved staff capacity, reduced costs, increased efficiency, made more work for staff.]*

13. What were the most important reasons for seeking a RAD conversion? *[Prompts: financial benefits, organizational benefits, reduction of staff, to address capital needs, increased management flexibility.]*
14. If you undertook RAD for financial reasons, did you anticipate that your PHA might have to undertake organizational changes?
    - Did you make any preparations or adjustments?
    - Did you provide a training or briefing to your staff? Please describe.
15. Have there been any changes in *[PHA name]'s* Board leadership or any structural or organizational changes in the Board that you can attribute to the RAD conversion(s)? Do any of the Board members also sit on the nonprofit board?
16. For each of the developments that are part of the *[PHA name]* RAD program:
    - What type of ownership structure was set up for the development? [Probe for PHA's role, multiple owners, use of affiliates or subsidiaries, PBV or PBRA.]
17. Does *[PHA name]* manage the property, or is it managed by a different organization?
    [If managed by the PHA:]
    - Do you use PHA staff or staff solely dedicated to the RAD property?
    - Are those staff considered PHA employees or employees of a separate entity?
    - If they are employed by a separate entity, is that entity independent of the PHA, partially owned, or wholly owned by the PHA?
18. *[If managed by a private company:]* Which company? How and why did you select that company?
    - Did your Limited Partnership or LIHTC Investor require you to use a third-party manager?
    - Did they require or recommend that you use the third-party manager you use, or did you select the manager on your own?
    - Have you managed any LIHTC properties prior to RAD? If so, how many?
    - What can you tell me about the company's experiences in managing subsidized/ affordable properties?
    - Overall, are you satisfied or dissatisfied with the entity's management of the projects?
    - If you are dissatisfied with the current management, what are some of your main concerns about the way in which the entity is managing the projects?
19. Has the change in ownership structure impacted *[PHA name]'s* administration, oversight, or day-to-day management of your RAD projects?
    - If yes, what are some of these impacts?
    - In your view, are these impacts beneficial, burdensome, or neutral?

20. Overall, how has adoption of RAD affected the PHA staff's morale?
21. That's it for our questions today. Is there anything else you think we missed that you would like to share?

[Thank them for their time and prepare to move to the next interview.]

A.2. Questions for Finance Manager/Director

22. Was your organization already employing an asset-based cost allocation method prior to RAD conversion (i.e., project-based budgeting, the use of multiple Asset Management Projects and a Central Office Cost Center)?
23. What type of financing/funding sources were used in the conversion(s)?
    - Was mortgage debt used to finance the conversion(s)?
    - Was LIHTC used as one of the financing tools?
24. Is your property currently earning more, as much, or less revenue (such as Housing Assistance Payments contract payment, tenant payment, and other revenues) than it received before conversion?
    - Do you attribute these changes in revenue directly to organizational changes as a result of RAD?
25. How did operating costs change? *[We are looking for the general proportion of change—percentages are fine, actual dollar amounts aren't important.]*
    - Is your property currently incurring greater, the same, or lower operating expenses than it was paying before conversion? Have there been any changes in expenditures for administrative, tenant services, utility expenses, maintenance, protective services, real estate taxes, property insurance, or liability insurance?
    - [If they answered "I don't know":] What would help you to answer? (For example, lack of data or staffing?)
26. Since the RAD conversion, how much, if any, distribution of costs changed from project-based to PHA support?
    - Have you experienced any conflicts or concerns in obtaining PHA support to cover the distribution of costs?
27. Are there any projects in your public housing portfolio that have <u>not</u> been converted under RAD? How many properties and how many units total?
    - *[If yes:]* Do you feel that your non-RAD projects are more limited in operational or capital funding? Less limited?
        i. In what ways are your [un]converted projects more limited in obtaining or administering operational funding?
        ii. In what ways are your [un]converted projects more limited in obtaining or administering capital funding?

28. Did your PHA administer any PBV units prior to the RAD conversion? How did your Housing Choice Voucher (HCV) and PBV program change after the RAD conversion? *[NOTE: This won't be relevant if the PHA has only PBRA conversions.]*
    - Since the conversion, have you experienced an increase in administrative costs in managing or administering the HCV or PBV units?
        i. *[If yes:]* How are you able to offset these increased costs?
    - Has the PHA incorporated or levied additional administrative fees or increased existing administrative fees to cover these increased HCV or PBV costs?
29. Has *[PHA name]* incorporated any new or expanded financial reporting requirements? Please explain. (Examples include additional audits and new reporting requirements for LIHTC properties.)
30. In the next 5 to 10 years, how do you expect this project to perform financially?
    [NOTE: Only read the list below if the response does not cover the options.]
    - Generate positive cashflow (in other words, revenues exceed expenses).
    - Just break even.
    - Generate negative cashflow (in other words, revenues insufficient to cover operating expenses, debt service, and reserves).
    - Unsure or do not know.
31. If your project generates positive cashflow over the next 5 to 10 years, how do you think you would use that cashflow?
    [NOTE: Only read the list below if the response does not cover the options.]
    - Invest in the project. How?
    - Invest in other projects. How?
    - Spend on other affordable housing activities. Which ones?
    - Not sure.
32. Has your converted project(s) faced any of the following financial challenges?
    - Late payments on debt.
    - Insufficient cashflow to fully fund reserves for replacement.
    - Unexpected expenditures.
    - Unexpected declines in revenue.
    - Other challenges (please describe).
      [If the respondent answered yes to any of the above examples, including other, please ask the following question: How did you manage these challenges, and what steps did you take to resolve the situation? *Ask them to provide examples.]*

33. Have there been many households where rent increased after RAD conversion? Are the rent increases being phased in over some time period?
34. Why do you think rents did or did not change? *[Prompts: Was it due to an increase in unit size? Differences in income eligibility requirements? Some other factors?]*
35. Who is responsible for budget management decisions? Was there a major change as a result of the conversion in how operating budget decisions are made?
36. Were any new data systems implemented as a result of the conversion?
37. That's it for our questions today. Is there anything else you think we missed that you would like to share?

[Thank them for their time and prepare to move to the next interview.]

A.3. Program Manager/Public Housing Director

38. Are there any skills or roles that were previously needed in the organization that are no longer necessary? Please describe them.
39. What new skills have PHA staff had to develop in order to administer the RAD development(s)? *[NOTE: Tailor questions to address the types of conversions at the PHA.]*
40. Have you retrained or reassigned any staff members to new responsibilities? What new skills have PHA staff been trained for to address changes in PHA as result of the RAD conversion?
41. Has *[PHA name]* had to hire additional staff/increase the number of full-time employees to fill new responsibilities required by the RAD conversion or ownership change?
    - How many staff have been brought in?
    - What positions and responsibilities were or are being filled by new PHA employees?
42. Have any staff been let go as a direct result of the conversion?
43. Did you invest or are you currently investing in new software systems as a result of the RAD conversion that will help PHA staff better administer the project? (For example, accounting, administrative, communication, or other data systems.)
    - If so, what new systems have you incorporated, and have they positively or negatively impacted your staff's productivity? *[Prompt: Mention TRACS (Tenant Rental Assistance Certification System) or iREMS (Integrated Real Estate Management System) as systems that other PHAs incorporated.]*
44. How much of administration and management responsibilities, if any, have been outsourced to an outside entity?
45. What staff position is responsible for making decisions about acquisitions, demolitions, and dispositions? Have these responsibilities changed since the RAD conversion? *[Prompt: Is this a new position or the same as before the RAD conversion?]*
46. What staff position in *[PHA name]* is responsible for making capital investment decisions?

47. Have the processes for funding, analysis, and overseeing investment decisions changed significantly as a result of the conversion?
48. Are the staff responsible for administering the RAD developments overseen directly by *[PHA name]*? Or an outside entity?
49. Have property management policies and procedures changed since converting your property through RAD? Please explain how they have changed, why they have not changed, or if you are uncertain about any changes.
50. Has the PHA's role and/or level of effort in managing and administering developments decreased, increased, or stayed the same as a result of the RAD conversion or ownership change?
51. Have long-term strategic goals or incentives changed since the conversion(s)? Who was responsible for these decisions prior to the conversion(s)? Who is currently responsible?
52. That's it for our questions today. Is there anything else you think we missed that you would like to share?

[Thank them for their time.]

Appendix B: Summary Report Template

MEMORANDUM

Date:

To: Teresa Souza, Government Technical Representative

From:

Subject: [**PHA name**] Summary Report, produced under Contract No. GS-00F-101-CA; Order No. 86614819F00518; "Organizational Change of Public Housing Agencies (PHAs)" (Project No. 1918-000).

1. PHA Information

- **PHA Code:**
- **Site Type:**
- **Visit Date:**
- **Visit Type (virtual or in-person):**

Attendees

Organization	Attendees
Econometrica, Inc.	

All names of staff and the public housing agency (PHA) will be redacted in the final report.

2. General Overview

[Add overview.]

Reasons for Converting

3. Changes to Ownership Structures

1. **What are the types of ownership structures used in RAD conversions, and what are PHAs' roles?**
2. **When a separate owner entity was created to own and operate RAD properties, how did the PHA's organization and role in the operation of the project change?**
3. **How do differences in a PHA's ownership interest in RAD properties affect the PHA organizational structure and role?**

4. Organizational Changes Due to RAD

1. **What were major PHA organizational changes that happened during RAD conversions?**

Minor Organizational Changes (if none, delete):

2. **Did the PHA change the way it conducted major functions related to the administration of affordable housing (property management, accounting, compliance, etc.)?**

Anticipated Organizational Changes:

5. Changes to Skills, Capabilities, and Responsibilities Due to RAD

1. **What new skills, capabilities, or responsibilities did the PHA take on as a result of conversion?**
2. **What skills, capabilities, or responsibilities were no longer necessary?**
3. **How did PHAs address these changes in skills, capabilities, or responsibilities, and how did it affect their organization and staffing?**

6. Proportion of Public Housing Units Converted to RAD

1. **Did the PHA convert (or otherwise reposition) all of its public housing units, or does it have plans to do so?**
2. **Do PHAs think the RAD conversion affected their ability to administer the remaining public housing units?**
3. **Do PHAs that converted some of their public housing properties in the RAD program think that they now have more limited operational and capital funds for public housing properties that did not convert?**

7. Cost Allocation, Expenses, Administrative Costs/Fees, and Future Performance

1. **Were PHAs already employing an asset-based cost allocation before RAD participation?**
2. **How did the distribution of costs change between project-specific and corporate support?**
3. **How did revenue change after conversion? Are these changes related to organizational changes as a result of RAD?**

4. **Did operating costs change? If so, which costs changed? (e.g., administrative, tenant services, utility expenses, maintenance, protective services, real estate taxes, property insurance, liability insurance, other?)**
   - Revenue changes:
   - Changes to operating costs:
   - Rent increases:
5. **For properties that converted to PBV, are increased costs of contract administration covered by administrative fees the PHAs earn?**
6. **Expected financial performance for the converted properties in the next 5 to 10 years:**
   - Generate positive cashflow (in other words, revenues exceed expenses).
   - Just break even.
   - Generate negative cashflow (in other words, revenues insufficient to cover operating expenses, debt service, and reserves).
   - Unsure or do not know.
7. **If the project(s) generates positive cashflow over the next 5 to 10 years, how do you think you would use that cashflow?**
   - Invest in the project. How?
   - Invest in other projects. How?
   - Spend on other affordable housing activities. Which ones?
   - Not sure.
8. **Has your converted project(s) faced any of the following financial challenges? (Add details if they said yes to any of the options below.)**
   - Late payments on debt.
   - Insufficient cashflow to fully fund reserves for replacement.
   - Unexpected expenditures.
   - Unexpected declines in revenue.
   - Other challenges (please describe).

8. Summary

[Add summary.]

Appendix C: NVivo Codebook

Code	Parent Node	Sub-Node	Description	Notes
CON	_Conversion-reasons			Q06. We will add sub-nodes as themes emerge.
		_Flexibility	RAD conversion allows for more flexibility than PH program	
		_Stable Funding	Funding more stable due to conversion	
		_Compliance	Sought conversion to ease compliance and reporting burdens	
		_Property Condition	Sought conversion to improve physical condition/maintenance	
		_Convert away from PH	Converted to eliminate PH	
DEC	_Decision-making		Parent node for changes to decision-making process or who makes decisions	Q28, 38, 39, 40, 44
		_Change in Decision-making	Changes in decisionmaking process	Recode the answers that indicate a change due to RAD.
FI	_Financial changes		Parent node for financial changes	
		_Asset-based	Discussion of whether PHA was already doing asset-based management	Q15
		_Challenges	Specific financial challenges encountered	Q25
		_Distribution of costs	Changes in distribution of costs between project-specific and corporate support	Q19, 20, R6
		_Expenses & costs	Increase or decrease in expenses or costs	Q18
		_Funding sources	Funding sources used in conversion	Q16
		_Rent	Changes in rent and approaches to handling rent	Q26, 27
		_Revenue	Changes in revenue	Q17, 21, 23, 24
		_Sustainability	Discussions about the sustainability of the RAD conversions over time	Could be mentioned in any of the other financial questions.
		_Audit Reports	Increase, decrease, or change in auditing and reporting requirements	Recode from the other financial questions—if this was a change due to RAD.

Code	Parent Node	Sub-Node	Description	Notes
FP	_Future Plans		Anything related to plans for future RAD or other conversions	Code into this node as you read through other questions.
MGT	_Management		Parent node for management	Q10, 11, 21, 22, 42, 43
SYS	_New Systems		Parent node for new systems added due to/since RAD conversion	Q29, 36
OC	_Organizational Change		Parent node for all types of organizational change	Q02, 08, R4
		_OrgChallenge	Organizational challenges due to RAD (other than financial challenges)	Read through autocoded questions to code to this node.
		_Development	Changes to PHA's real estate development organization or capabilities	Read through autocoded questions to code to this node.
		_OrgChgManual	Organizational change occurred—any type	Org change of any type from all questions
		_no-change	No organizational change	
		_minor	Minor organizational change, including reporting, compliance, shifting staff	
		_major	Major organizational change	
OS	_Ownership Structure		Parent node for changes to ownership structure (single nonprofit, LLC, partnership, etc.)	Q09, 12, 37, 41, R3
		_In-house	PHA directly owns/manages the RAD property or has an LLC that is solely owned by the PHA	Q09—read to code to this node.
		_Outsourced	Ownership/management outsourced to non-PHA affiliated company	Q09, Q37—read to code to this node.
SKST	_Skills & Staffing		Parent node for skills added/deprecated, training, turnover, and other staffing changes	
		_Skills added	New skills needed at PHA	Q32
		_No skills added	Did not add or require new skills	If the answer is a clear "no" in new skills needed, code to this node.
		_Skills deprecated	Skills not needed at PHA anymore	Q31
		_No skills deprecated	No pre-RAD skills were lost or inessential	If the answer is a clear "no" in skills deprecated, code to this node.
		_Staffing	Morale, training, turnover, and other staffing comments not strictly about skills added or skills deprecated	Q13, 33, 34, 35
SUG	_Suggestions_ Complaints		Concerns, complaints, problems with RAD. Suggestions for HUD.	Code into this node as you read through other questions.

Code	Parent Node	Sub-Node	Description	Notes
ACQ	Autocoded Questions		Parent node for questions autocoded from notes and reports: Q01-45 (all in notes, some also in reports), QN1-2 (only in notes), and QR1-7 (only in reports)	Most Qs changed/shortened from wording in Interview Guide/Report to facilitate autocoding; similar Qs in both Notes & Report were rephrased so that answers would be autocoded together in NVivo, and numbering follows sequencing in Notes.
PHA	Organization		Node for coding documents to PHA Name (and associating them with all the attributes in the Node Classifications)	
		[attributes listed as “Node Classifications” under “PHA Name”—**see detail under “classification sheet in NVivo” tab**]	PHA Code (two-letter abbreviation for state followed by three numerals); City; State; Site Type; Region; Size; Subsidy Type; Visit Type; Main Lead; Second Lead; Paper Conversion; Rehab; New Construction; LIHTC	
		Attribute: Converting all PH units	Manually created on 4/20/2022 under “PHA Name” node classification: classification attribute for whether there are or will be remaining PH units or not (A = All PH units converted; P = Planning to convert all PH units; N = Not planning to convert all PH units; O = other)	
		Classification attribute: Level of organizational change? (Major/Minor/None)	CREATED under “PHA Name” node classification: classification attribute to quantify *in addition* to OC node (created in the process of data analysis)	

Appendix D: References

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U.S. Department of Housing and Urban Development
Office of Policy Development and Research
Washington, DC 20410-6000

October 2024