

Local Response to Federal Changes in the Housing Voucher Program: A Case Study of Intraregional Cooperation

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Abstract

The desire to increase residential choice for Section 8 voucher clients resulted in the adoption of portability by the U.S. Department of Housing and Urban Development. Portability allows voucher holders to move between the jurisdictions of local housing authorities (HAs). InterHA cooperation could ease the administrative and financial burdens imposed by portability and improve service to voucher recipients. However, voluntary regional cooperation is rare.

This article presents a case study of a successful, voluntary, intraregional cooperative agreement among HAs. Theoretical and empirical analyses suggest that a cooperative agreement is more likely to develop voluntarily if two conditions are present: rational self-interest and shared norms and trust among the managers. Agreements can ease the burdens associated with portability, but it is important for the parties to regularly assess implementation issues to ensure the agreement's continuing effectiveness. The article concludes with policy implications based on the findings from this research.

Keywords: Housing assistance programs; Section 8 housing programs; Mobility

Introduction

Section 8 tenant-based housing policy has changed dramatically over the past two decades. Obstacles to residential choice and persistent concentration of the poor led to a series of program adjustments, including the addition of portability of the Section 8 benefit between jurisdictions. Initially, recipients were limited to housing in the jurisdiction issuing the Section 8 assistance. In other words, a recipient who moved from the issuing housing authority (HA) jurisdiction would lose the housing benefit.¹ Housing analysts criticized this penalty for a move, arguing that it placed substantial limitations on Section 8 recipients in

¹ Mobility of the housing benefit was a feature of the Experimental Housing Allowance Program adopted in 1973; however, this program disappeared in 1979–80 (Frieden 1985). Portability of Section 8 vouchers emerged during the 1980s, but continued to be debated during congressional hearings in the 1990s (National Housing Law Project 1999). Public Law 105–276 resulted in a merger of the certificate and voucher programs, followed by administrative rules passed in 1999 to clarify programmatic features of the merged program. Portability, a permanent feature of the merged program, is found in §982.353 of the final rule, effective November 22, 1999 (Smelkinson 1999).

terms of job prospects, support from family and social networks, and housing opportunities.

The rationale for portability was sound and consistent with policy trends encouraging low-income program beneficiaries to seize opportunities and achieve self-sufficiency. As a result, federal policy makers embraced portability and made it a permanent feature of the Section 8 program. However, the consequences of portability on the operations of local HAs, the agencies implementing the Section 8 program, were overlooked in the policy development process. Although portability raised many administrative questions, as well as costs associated with additional bookkeeping (Feins et al. 1996), the federal mandate for the policy was not accompanied by additional funds to support effective implementation.

Many HAs across the country struggled to manage the new Section 8 program. The effect of the program on local administration varied among HAs (Finkel et al. 1996). The number of recipients moving, the HA's size, the responsiveness of HAs to each other, and disparities in fair market rents (FMRs) among jurisdictions account for much of the variation. The U.S. Department of Housing and Urban Development (HUD), the federal agency overseeing the Section 8 program, attempted to address some of the local administrative problems, but its efforts were not entirely successful (Finkel et al. 1996).

Although portability allows people to move anywhere in the country as long as the area has an administering HA, Section 8 recipients exercising portability tend to move between HAs within the same region. In these cases, a cooperative, coordinated effort among the HAs could have a beneficial effect on program administration and, ultimately, on service to clients. However, despite the potential positive benefits to the program and administering agencies, cooperation appears to be rare (Feins et al. 1996).

The fragmented nature of intraregional voucher administration has prompted some policy scholars and analysts to assess existing regional strategies and recommend significant changes to the system of administration. An example of the former includes a study conducted by Abt Associates, Inc., in 1996. The authors present an excellent descriptive overview of a variety of state and regional programs that include full or partial regional approaches to voucher administration (Feins et al. 1996). The authors, however, do not explore any one case in depth, so it is difficult to assess the obstacles or widespread applicability of a particular approach. An example of more dramatic change is the discussion of voucher reform by Katz and Turner (2001), who recommend a regional approach, but emphasize one that would involve a competitive process.

The administrator could be a private firm or a nonprofit organization under contract to HUD or an existing public agency. Theoretically, this approach could also improve service to clients and increase the program's efficiency. However, while Katz and Turner (2001) offer several examples of regional approaches, they seem to favor relying on the private sector for many services. For example, they state,

HUD should use the allocation of any new vouchers to encourage moves toward metropolitan governance and collaboration....[P]reference should be given to applicants that involve private institutions in delivering services. (Katz and Turner 2001, 256)

In addition, they comment,

HUD should pursue the contracting-out option with greater vigor when local PHAs are found to be poor performers, testing the competitive process described earlier. (Katz and Turner 2001, 257)

These authors offer several sound and provocative recommendations for reforming voucher administration. However, housing researchers and practitioners commenting on this reform proposal took issue with many of Katz and Turner's (2001) assertions and recommendations.² One pair of commentators, Jennings and Quercia (2001), suggests that existing innovations in voucher administration need to be better understood:

Katz and Turner present a number of very creative and innovative models that are already in use for the administration of tenant-based Section 8 programs. As the authors themselves note, virtually nothing is known about the effectiveness of the various administrative structures. (297)

The scarcity of in-depth knowledge about extant local HA administrative responses to changes in the Section 8 program suggests that significant changes to the process may be putting the cart before the horse. In other words, policy makers need to more fully understand the potential for increased efficiency in voucher administration through approaches such as voluntary regional cooperation among HAs. At the same time, as noted previously, voluntary, formal cooperative agreements among HAs are rare. Therefore, it is equally important to understand the conditions associated with instances of cooperation, as well as the possible obstacles to such arrangements.

The potential for cooperation to benefit HA voucher administration and clients makes research on these types of agreements of significant

² The comments follow the article in *Housing Policy Debate*, volume 12, issue 2.

policy importance. This article contributes to the policy literature by offering an in-depth examination of an inter-HA cooperative agreement in Orange County, CA. The research addresses the following four questions:

1. What was the process leading to the development of a cooperative agreement?
2. What are the key elements of the agreement?
3. How effective is the agreement?
4. What explains the adoption of a cooperative agreement in Orange County?

To answer these questions, I use multiple sources of data, including interviews with the staffs of the four HAs operating in Orange County, analysis of the legal document they signed, examination of program documents they created, existing reports on HA regional approaches, and relevant published materials distributed by HUD.

The remainder of the article is organized into five sections. First, I discuss the evolution of thought on racial segregation and concentration of poverty, and its relationship to changes in the housing voucher program, particularly mobility and portability. The second section presents the framework for the case study, including a brief review of the literature on institutions and cooperation. The third section discusses the study design, methodology, and data. In the fourth section, I present the case study of an intraregional cooperative agreement among four HAs. This section includes background on the local context, identification of the impact of portability on HAs, the formulation and implementation processes of the cooperative agreement, and an analysis of the case from an institutional perspective. Finally, I discuss the policy implications of this research for HAs and the future of cooperative regional voucher administration.

Mobility, portability, and deconcentration

Mobility and portability are distinct processes that are inextricably linked in the Section 8 voucher program. Feins et al. (1996) define mobility as a move by a voucher recipient from a higher- to a lower-poverty area, while portability is defined as the use of a voucher issued by one HA in another's jurisdiction. Thus, portability offers voucher recipients the potential for greater mobility.

An interest in mobility appeared in 1970 as part of the design of the Experimental Housing Allowance Program (EHAP). The Section 8 existing housing program and EHAP operated separately throughout much of the 1970s. Section 8 remained in operation, but the EHAP disappeared around 1980, although it certainly influenced the future of the Section 8 program.³ Mobility, for example, reemerged in a Section 8 voucher demonstration program in the early 1980s. A continued interest in mobility contributed to the adoption of portability as a permanent feature of the Section 8 voucher program in 1987.⁴

The genesis of the concern for mobility and, ultimately, portability, is disputable. A long and complex history of political and scholarly debate about race, segregation, poverty, and public policies surely contributed to the emergence of portability.⁵ Furthermore, actions taken by recipients of housing benefits most likely had a substantial impact on policy. Perspectives on poverty and their concomitant solutions have existed for many decades, but public discussion of poverty issues escalated during the 1960s as a result of the War on Poverty. The “culture of poverty” hypothesis emerged during this period and suggested that the poor live in a subculture with values that lead to failure and intergenerational perpetuation of antisocial behaviors (see, for example, Glazer and Moynihan 1963 and Lewis 1966). While this thesis appeared in the academic literature, from a policy point of view, it is most associated with a report titled *The Negro Family: The Case for National Action* (1965), by Daniel Patrick Moynihan. By the 1970s, a backlash of criticism against the culture of poverty argument emerged and effectively removed the discussion from policy circles (Leacock 1971).

A major event that helped spark the change in housing policy was a class action lawsuit filed in 1966 against the Chicago Public Housing Authority and HUD. Dorothy Gautreaux, a public housing resident in Chicago, and others sued on the grounds that the racial segregation in that city’s public housing violated fair housing laws. The court ruled in favor of Gautreaux, but the ruling was challenged and the case eventually landed in the U.S. Supreme Court. In 1976, the Supreme Court acknowledged the segregation in Chicago’s public housing and ordered a remediation plan to address the problem (Rosenbaum 1995; Varady and Walker 2000).

³ See Frieden (1985) and Hartman (1985) for contrasting views of the EHAP.

⁴ The Housing and Community Development Act of 1987 established permanent portability for vouchers; thereafter, portability was added as a feature of certificates as well (HUD 2000).

⁵ A comprehensive analysis of these interactions is beyond the scope of this article. This section provides an overview and is provided as background for the study.

The remediation plan presented the opportunity for thousands of poor black public housing residents to move from the inner city to the more affluent, predominantly white suburbs of Chicago. New opportunities in the suburbs were expected to provide a range of benefits and improve outcomes for the families that moved from the inner city. Research on the Gautreaux movers offered promising results. It indicated higher levels of employment for households moving to the suburbs compared with households staying in the inner city, as well as increased high school graduation rates for children of suburban versus inner-city households (Rosenbaum 1995; Rubinowitz and Rosenbaum 2000).

Social scientists revisited the culture of poverty argument in the 1980s (see, for example, Murray 1984). The work of William Julius Wilson (1987) on urban poverty proved to be one of the most influential contributions. Although his work has been compared with that of earlier scholars writing about the underclass and the culture of poverty, his argument is distinct from these conservative interpretations of the cause of persistent poverty. Wilson eschews the culture of poverty thesis and the ideologically laden term of underclass and offers a decidedly structural argument (Jennings 1994). He identifies concentration of poverty and the concomitant social isolation of the poor as the pertinent issue. He writes:

[S]ocial isolation does not mean that cultural traits are irrelevant in understanding behavior in highly concentrated poverty areas; rather, it highlights the fact that culture is a response to social structural constraints and opportunities. From a public-policy perspective, this would mean shifting the focus from changing sub-cultural traits (as suggested by the “culture of poverty” thesis) to changing the structure of constraints and opportunities. (Wilson 1987, 61)

Public policy had already begun to shift, and in the 1990s, the federal government initiated the Moving to Opportunity (MTO) program, as well as other types of deconcentration, scattered-site, and mixed-income policies. The MTO program was initiated in five cities and focused on income integration, as opposed to racial desegregation as in the Gautreaux case. MTO involves a 10-year experiment using treatment and control groups to determine the impact on low-income households of using housing voucher assistance to move from high-poverty to low-poverty neighborhoods. Available results indicate that movers to low-poverty areas experience better neighborhood conditions and improved mental health than the control group (Goering et al. 1999; Rosenbaum and Harris 2001). However, improvements have not been found across all indicators, and it is too early to determine long-term effects (see Goering, Feins, and Richardson 2002 for a summary of findings to date).

Additional research on mobility and voucher programs offers mixed results for poverty deconcentration strategies and related outcomes. Research based on a national dataset indicates that the voucher program has contributed to deconcentration (HUD 2000). The findings from a study of vouchers in 27 large primary and metropolitan statistical areas, however, indicate that success varies by region and that blacks continue to be concentrated in distressed neighborhoods (Pendall 2000). Other research suggests that vouchering out results in only short-distance moves and little improvement in housing conditions (Goering, Stebbins, and Siewart 1995). At the same time, still other studies indicate improved conditions and higher levels of satisfaction among movers (Varady and Walker 2000).

Mobility as a means to opportunity and portability as a means to enhance mobility have been features of the Section 8 voucher and certificate programs for a number of years. However, the two programs were not officially merged until the passage of the Quality Housing and Work Responsibility Act of 1998 (Public Law 105–276).⁶ The result, the Housing Choice Voucher Program, reflects federal objectives to simplify programs, while at the same time offering participants greater choice.

Federal housing voucher policy, especially portability, demands more from local HA administration. As voucher holders move, usually within the same region, local HAs process additional paperwork and often experience interjurisdictional conflict over cross-billing issues. A cooperative agreement among HAs within a region is one possible response to ameliorating the additional administrative burden associated with portability policy. However, this type of approach is uncommon among HAs, and in regions where cooperation does exist, very little is known about the factors associated with such a strategy.

The next section briefly reviews key concepts from the literature on institutions. This literature provides a framework for understanding the development of the cooperative approach adopted by the HAs in the case study presented later in this article.

Interorganizational cooperation and institutions

Several explanations for the development of cooperative relationships between organizations exist in the scholarly literature. Transaction cost theorists assert that organizations act in their own self-interest

⁶ The certificate program was initiated in 1974, and the voucher program was adopted as a full-fledged program in 1987. The former included a rent ceiling based on the FMR determined by HUD, while the latter had no such ceiling; the calculation of the tenant proportion of rent also varied by program.

and form alliances to reduce uncertainty, share risk, and gain access to new markets, as well as for other reasons that benefit group members (Osborn and Hagedoorn 1997; Ring and Van de Ven 1994; Williamson 1985).

Other scholars argue that the influence of social structures, particularly institutions, shape intra- and interorganizational relations (Perrow 1986; Powell and DiMaggio 1991). There are, however, several variations of the institutional perspective, as well as multiple definitions of institutions (Greenwood and Hinings 1996; Scott 2001). Some scholars blend the rational and institutional perspectives. These rational institutionalists define an institution as a social structure with rules, routines, and procedures and argue that institutions are created purposely to produce specific outcomes. The rational institutionalist approach has been used to explain the development of economic and political institutions, as well as the effects of institutions on organizational outcomes or decisions (Powell and DiMaggio 1991). For example, researchers argue that institutions are constructed to reduce transaction costs in exchanges, deter free riding,⁷ and increase cooperation for the benefit of participants or the collective (Buckley and Casson 1988; North 1990; Shepsle and Bonchek 1997).

Another institutional approach eschews the rational choice explanation of social behavior and its definition of institutions. Instead, this approach defines institutions as informal standards of obligation and norms that take on a rule-like status (Powell and DiMaggio 1991). Also, scholars using this perspective identify the possibility of a shared thought structure within a population of organizations (Warren, Rose, and Bergunder 1974). Rules and procedures arise from a normative basis as opposed to the desire for material gains posited by rational institutionalists. Institutions, therefore, are not necessarily the product of self-interested, rational motives but, instead, may develop in a slower, more subtle fashion as a result of normative standards.

Institutions can influence the development of interorganizational cooperation. Etzioni (1988) identifies underlying values such as the desire to contribute to the group and its objectives as important to cooperative or collective decision making. In other words, institutions are normative, culturally embedded variables that explain social outcomes. In fact, empirical studies indicate that values and norms such as altruism, justice, and trust motivate organizations (and individuals) to work together in collective decision making and can affect interorganizational performance (Alter and Hage 1993; Knoke et al. 1996; Zaheer, McEvily, and Perrone 1998).

⁷ To free ride means to contribute little or nothing to the group objective, while enjoying the benefits obtained by the group's effort (Olson 1971).

The rational and normative perspectives result in distinct explanations for interorganizational cooperation. A theoretical synthesis of the two perspectives may provide a more complete explanation for cooperative behavior among groups, including organizations. In their work on collaboration among organizations,⁸ Alter and Hage (1993) suggest a more synthetic approach and assert:

There are both self-interest and moral commitments involved in rational choices of private and public organizations, desires to gain more resources and to accomplish exemplary goals. (33)

In the next section, I discuss research methods, specifically the study design, methodology, and data used in the case study of a voluntary cooperative agreement among HAs.

Study design, methodology, and data

A cooperative agreement among four local HAs in Orange County, CA, is the focus of this research. A single, embedded case study approach was selected as the research design (Yin 1994).⁹ The study required data collection and analysis of multiple units of analysis. The primary unit is the cooperative agreement, while the four HAs and their staffs are the embedded units.¹⁰ The research design serves two objectives. First, it seeks to link work on interorganizational cooperation and institutions to the data from the case: That is, the goal is to explain empirical results on the basis of an institutional analysis. Second, the study provides an opportunity to reveal unresolved issues related to the administration of the housing voucher program; therefore, it has an exploratory dimension.

⁸ March and Olsen (1989) also present a more synthetic view of (political) institutions and define institutions as “collections of interrelated rules and routines that define appropriate actions in terms of relations between roles and situations” (160). Furthermore, they argue that individual behavior within an institution is governed by rules, which are defined as “the routines, procedures, conventions, roles, strategies, organizational forms, and technologies around which political activity is formed...also the beliefs, paradigms, codes, cultures, and knowledge that surround, support, elaborate, and contradict those roles, and routines” (March and Olsen 1989, 22).

⁹ This approach recognizes the adoption of a cooperative agreement among HAs in a region as a rare phenomenon.

¹⁰ According to Zaheer, McEvily, and Perrone (1998), in some forms of interorganizational research, cross-unit analysis (i.e., micro and macro levels) is linked and should be acknowledged. In this study, the focus is on the interaction among key individuals within the HAs in order to analyze the development of the formal agreement among these organizations.

Data were collected from a variety of sources. First, I conducted personal interviews with the management and line staffs at the four HAs.¹¹ The interviews used a semistructured format and included two types of questions: (1) factual questions about the housing voucher program and the formulation and implementation of the cooperative agreement and (2) subjective inquiries concerning perceptions on the part of the various staffs about their organization's mission, administrative challenges, intraorganization staff communication, relations among the four HAs, and shortcomings with the current agreement, as well as the transferability of their cooperative approach to other regions. Second, I reviewed and analyzed the written cooperative agreement signed by the four HAs. Third, I examined the program (implementation) documents created by the HAs as a result of this agreement. Fourth, I reviewed the published materials HUD distributed on the voucher program and interauthority cooperation. Finally, I used secondary data from the U.S. Bureau of the Census and other publicly available sources to provide background information on the four jurisdictions.

The analysis of these data involved several stages. First, the data were divided into background and analytical files (Lofland and Lofland 1984). Background data were separated into general data about the region (county area), the voucher program, and the individual HAs. Initially, the interview notes were placed in the analytical file. Second, the analytical material was examined and organized along categories and themes (Marshall and Rossman 1995). For example, the legal agreement was reviewed in detail to identify the types or categories of issues requiring cooperative decisions. The interview notes were read repeatedly to code and separate responses by background information, the process toward cooperative behavior, and practical observations based on experience with the agreement. The analytical interview material was examined for theoretical concepts such as motives for cooperation and analyzed for patterns among responses. Finally, the responses were separated by personnel level (i.e., management and line staff).

The next section presents data and analyses from the case study. This section includes an overview of the regional setting, an inventory of the major administrative problems associated with portability policy, and a description of the formulation, implementation, and effectiveness of the cooperative agreement. I conclude with a discussion of the case based on an institutional perspective.

¹¹ A total of 10 staff members were interviewed in February and March 2002. To preserve confidentiality, none of the staff are identified by name.

A case study of interorganizational cooperation

Background of the study area

Orange County is located in Southern California and is bordered by the Pacific Ocean to the west, Los Angeles County to the north, Riverside and San Bernardino Counties to the east, and San Diego County to the south. The county is considered affluent, suburban, and relatively homogeneous in terms of sociodemographics. It is also known for its high housing costs and was ranked 172nd out of 191 metropolitan areas on the Housing Opportunity Index¹² for the first quarter of 2002 (National Association of Home Builders 2002). It is therefore one of the least affordable areas in the nation for homeownership. High rental costs are reflected in HUD's decision to set FMR for the county at the 50th percentile, making it one of only 39 areas in the country with a FMR above the 40th percentile (HUD 2002a).

The traditional image of the county masks the diversity within and among its jurisdictions. Lower-income households tend to be concentrated in the northern part of the county. Of the four HAs operating in the county, three are located in this northern section in the cities of Anaheim, Garden Grove, and Santa Ana. The fourth HA covers the entire county except for those areas in the jurisdictions of these three HAs. As shown in table 1, the cities with HAs have lower median incomes, lower median gross rents, and higher poverty rates than the county as a whole.

The rental voucher program operated by these HAs is the largest housing assistance program available to lower-income households in Orange County.¹³ At the time of the interviews in early 2002, the total number of vouchers held by the four HAs exceeded 18,500. Orange County controlled approximately 8,000 vouchers, followed by Anaheim with about 5,700,¹⁴ Santa Ana with 2,558, and Garden Grove with 2,300.

¹² The National Association of Home Builders computes the Housing Opportunity Index quarterly. It represents the percentage of houses in an area affordable to households earning the area median income.

¹³ There are no public housing units in the county, and much of the lower-income housing is produced on a project basis by developers, mostly nonprofit organizations, using low-income housing tax credits, bond financing, grants and loans from local governments and foundations, or some combination of these approaches.

¹⁴ Seven hundred of these vouchers were awarded to the Anaheim Housing Authority to implement a welfare-to-work program in collaboration with the Orange County Social Service Agency.

Table 1. Demographics for HA Jurisdictions in Orange County, CA

	Anaheim	Garden Grove	Santa Ana	Orange County ^a
Population, 2000 ^b	328,014	165,196	337,977	2,846,289
Population growth rate, 1990–2000 ^b	23.1%	15.5%	15.1%	18.1%
Rental vacancy rate, 2000 ^b	3.2%	2.0%	1.9%	3.0%
Median household income, 1999 ^c	\$47,122	\$47,754	\$43,412	\$58,820
Percentage of persons below the poverty line, 1999 ^c	14.1%	13.9%	19.8%	10.3%
Median gross rent, 2000 ^c	\$818	\$827	\$815	\$923

^a County figures include the cities of Anaheim, Garden Grove, and Santa Ana.

^b U.S. Bureau of the Census 2000, Summary File 1.

^c U.S. Bureau of the Census 2000, Summary File 3.

Impacts of portability on HA administration

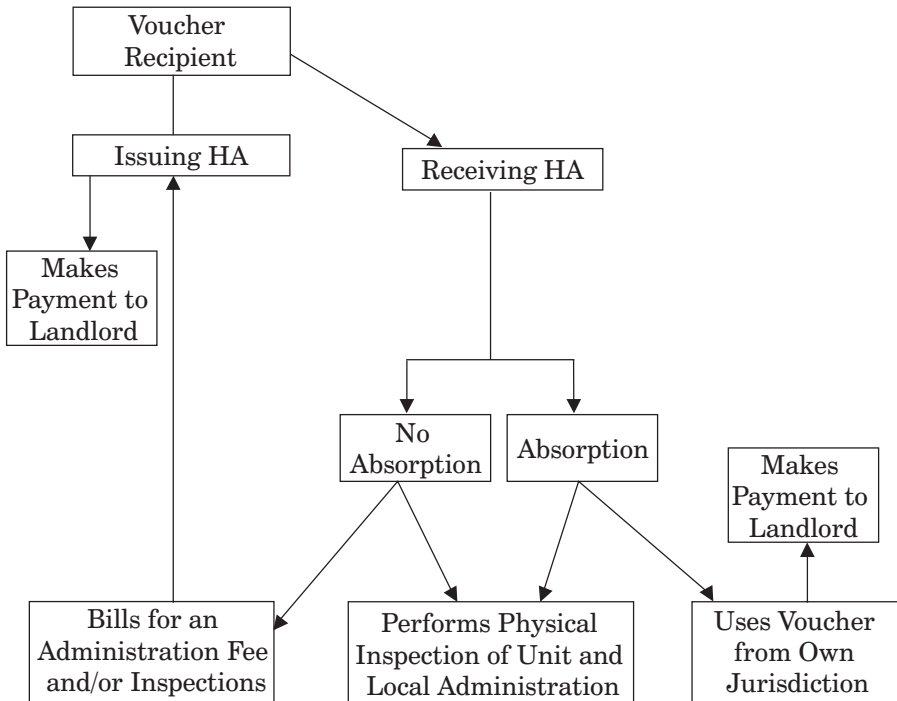
The rationale for portability of the housing benefit reflected policy trends encouraging low-income program beneficiaries to seize opportunities and achieve self-sufficiency. However, the consequences of the policy change on the operations of local HAs, the agencies implementing the Section 8 program, seemed to be overlooked in the policy development process. Although portability required administrative changes and often imposed additional costs on many HAs (Feins et al. 1996), the new policy was not accompanied by additional funds from HUD to support effective local implementation.

Before the changes in the voucher program, the typical local HA across the country identified an eligible applicant from its waiting list, ensured the adequacy of the dwelling unit found by the applicant (adequacy included location within the HA's boundaries, suitable rent level,¹⁵ and acceptable physical conditions established by an on-site inspection of the unit), made appropriate payments to the landlord for the HA's portion of the rent, and performed follow-up administration on rental arrangements. However, with the introduction of portability, the voucher and its local administration were often separated—each under the control of a different HA. Generally, a local HA with a client moving to a location

¹⁵ HUD sets the FMR based on an area's housing market. For an approved housing unit, the HA pays the difference between 30 percent of the recipient's income and the FMR for its area. The voucher recipient chooses a unit, often at a higher rent than the FMR, and pays the difference between the HA's contribution and the market rent, but usually no more than 40 percent of adjusted household income.

outside its jurisdiction would pay an administrative fee¹⁶ to the HA overseeing the client's new location, but would usually retain responsibility for paying the HA's portion of the rent. The receiving HA can either (1) absorb the client and issue a voucher from its own allotment or (2) accept the fee from the sending HA and administer the voucher, including performing the physical inspection of the unit as well as processing and following up on the rental arrangement (see figure 1 for a diagram of the typical portability administration process). Typically, a receiving HA did not want to absorb the mover because doing so would require using a voucher for a household outside its jurisdiction instead of serving its own population. As a result, the receiving HA's applicants would be on the waiting list for a longer time.

Figure 1. Portability Process



¹⁶ The receiving HA would bill the issuing HA for 80 percent of the voucher administration fee set and paid by HUD to the issuing HA. Fees vary by area and depend on the number of units leased and whether the unit is owned by the Federal Housing Administration (HUD 2002b). At the time of the interviews, HA staff reported that the administration fee in Orange County was approximately \$62 per voucher per month.

Portability disrupted normal operating procedures at HAs across the country and created several new problems. Three major problems were identified and described by staff members of the four HAs in Orange County¹⁷ during interviews¹⁸:

1. An accounting nightmare was created. Billing between HAs became burdensome in many cases. For example, one jurisdiction in Orange County was exchanging monthly bills with 60 other HAs, and each month new HAs would enter the mix and others would exit. Even more maddening for the HAs were their accounts receivable—they billed but were not getting timely payments. One of the HAs reported that its accounts receivable mushroomed from \$500,000 to \$2 million over two years and that some bills were outstanding for a year. This HA's commission began pressing management to collect any debt outstanding for 60 days or more, so staff became bill collectors.
2. Smaller HAs became disadvantaged. Some smaller HAs were sending voucher recipients to areas with higher housing costs and, therefore, higher FMRs. The cost differential between the old and new housing markets caused budgetary problems for these HAs. For example, a small issuing authority in a relatively low-cost area might be paying \$200 a month toward a voucher recipient's rent within its own jurisdiction. When that recipient moved to a more expensive area, the issuing authority had to increase its payment toward the rent, often hundreds of dollars more per mover per month. This circumstance limited assistance to potential recipients in the issuing jurisdiction. In other words, the HA might now have sufficient resources to assist only one recipient in its own jurisdiction instead of two or three. In addition, since these smaller HAs had relatively small budgets, the loss of administration fees from the reduced level of voucher use caused fiscal shortfalls.
3. HAs across the country were not reading the HUD regulations the same way. For example, it was not clear what HUD meant by "promptly reimburse." HUD also failed to provide standardized paperwork. As a result, HAs used their own versions, thereby resulting in confusion and delayed payments.

¹⁷ Maney and Crowley (2002) discuss a range of factors involving clients, HAs, and context (e.g., social, economic, and political conditions within communities) affecting client mobility under the voucher program. They identify "[a]dministrative issues around portability" (Maney and Crowley 2002, 5) as one of the problematic issues, although they do not discuss these issues in detail.

¹⁸ Similar issues are reported in the study by Feins et al. (1996).

These problems provoked HA administrators to call for an end to portability. Instead of doing away with it, HUD tried to make some adjustments to improve the situation, that is, standardizing billing procedures—a move that helped the process of cross-HA payments but did not eliminate bill collection issues entirely. In addition, HUD adopted a budget-based review system, which motivated HAs to spend their budgets to avoid any decrease the following year. This change encouraged maximum lease-up and, therefore, absorption to some extent. While it seemed likely that HUD would make further adjustments to ease the process for local administrators, some HAs desired more timely action and decided to pursue alternative strategies at the local level. These HAs noted the relatively high volume of voucher mobility to and from neighboring jurisdictions and contemplated the possibility of working with nearby HAs to ameliorate some of the problems created by portability. Under these circumstances, HA management saw interorganizational cooperation as an increasingly viable option.

Evolution and analysis of a cooperative agreement

The HAs in Orange County approached portability with trepidation. One HA manager complained about the difficulties of “unfunded mandates from HUD” and cited the adoption of portability as an example. The HA managers all identified the “accounting nightmare” as the primary burden in the implementation process. Billing between HAs involved “tons of paperwork,” and many payments were in the wrong amounts and required follow-up by the receiving jurisdiction. In other cases, a sending HA simply failed to make payments to the receiving HA, resulting in many payments in arrears. The “bill collector” problem, as one manager noted, was tremendous and cumbersome. In fact, interviewees considered this burden a threat to the service of voucher clients and the fiscal health of HAs.

The managers of the HAs met quarterly to discuss business in general and exchange ideas. In addition, some managers had known each other for many years and met occasionally on a semisocial basis. They respected each other as colleagues and overall had good relations.

In 1991, the HA managers focused on the administrative problems arising from portability. One manager recalls these discussions:

We agreed that this wasn't going well. We needed to come up with better methods, be innovative. Traditional portability was not working in Orange County. We needed to ensure we all get paid.

The managers sought to develop a strategy to address the portability problem. Since a significant portion of client mobility took place between HA jurisdictions in the county,¹⁹ the managers recognized the potential for some form of interauthority cooperation. At the same time, they were concerned by a lack of information on this type of approach. One manager reported that two HAs in eastern Los Angeles County were cooperating on portability. These HAs noted that many of their voucher clients tended to move between the two jurisdictions and within a relatively short distance of their border. They essentially created an invisible border for about a two-mile section, allowing the HAs to service their own voucher holders within this zone. This approach, however, was unsuitable in Orange County for two reasons. First, a well-defined, compact, interjurisdictional zone of voucher mobility did not exist. Second, HA managers sought a regional strategy that included all the HAs in the county.

Managers next considered a regional collaboration among the three HAs in Clark County, NV, which had entered into a cooperative agreement to facilitate the portability aspect of the voucher program. Clark County HAs agreed to retain their own voucher clients regardless of moves among their jurisdictions (Feins et al. 1996; Finkel et al. 1996). Similar rent and inspection policies among these HAs allowed this type of approach. Again, the HA managers in Orange County determined that the specifics of the Clark County agreement would not work for them. However, the example of successful collaboration among HAs within one region provided encouragement for a cooperative strategy in Orange County.

The HA managers began thinking seriously about creating a cooperative agreement tailored to their specific needs. Their discussions progressed somewhat slowly, but in 1993, after nearly two years of consideration and negotiation, they had identified and resolved many of the major issues. The specifics of daily administration, however, were left to staff. As one HA staff member commented:

Line staff got together and said how are we going to do this?...Management hashed out the big issues and passed it on to line staff to work out the details of day-to-day administration.

Staff worked on the details for three months and produced uniform paperwork for all the HAs to use. For example, they created a "Mobility and Invoice Form," which tracks voucher holders moving between jurisdictions, as well as the processing of administrative fees.

¹⁹ Although the number of movers varies each year, interviewees estimated that approximately 50 percent of all interjurisdictional moves were within the region.

The formal agreement or memorandum of understanding (MOU) was executed on January 3, 1994. The major provisions of the agreement included the following:

1. No administration fees are transferred.
2. The receiving or host jurisdiction's policy pertaining to payment standards,²⁰ utility allowances,²¹ rent reasonableness standards,²² and housing quality standards applies to mobility clients and their units.
3. Housing inspections or housing quality standards are handled by the receiving jurisdiction at a set cost to the issuing jurisdiction (\$100 for the initial inspection of the unit and less for subsequent inspections).
4. Formalized cooperation is set forth: "It is...agreed that the Housing Authorities will cooperate with one another."

The first provision eliminated cross-HA billing for a percentage of the administrative fee. At the same time, the third provision required billing between HAs. This provision, however, was critical to the agreement, since minimum housing quality standards varied across jurisdictions. In particular, the Garden Grove HA used stricter inspection criteria than the other HAs. For this reason, the Garden Grove HA wanted its own inspectors on the job. All the HA managers agreed to this provision after negotiating an acceptable flat fee for an inspection. Therefore, while the inspection provision required billing, the negotiated flat fee guaranteed that no HA would miscalculate the payments.

The HAs adopted several innovative policies beyond those formerly specified in the MOU. For example, they agreed to set up regular

²⁰ Payment standards are determined by local HAs within HUD constraints. The HA may elect to calculate its contribution to the rent (the housing assistance payment) at 90 percent to 110 percent of the FMR set by HUD. This gives the HA some budgeting flexibility, supports deconcentration of poverty objectives, and facilitates housing choice by clients. For example, the Orange County Housing Authority has a payment standard of 110 percent for certain cities within its jurisdiction (e.g., beach communities) with very high housing costs. Thus, clients choosing to live in these more affluent areas receive slightly higher subsidies than voucher recipients in relatively lower-cost areas.

²¹ The client pays the utilities for the rental unit, but the amount should coincide with the utility schedule set by the HA.

²² Rent reasonableness involves the HA's certifying that the rent for a housing unit selected by the voucher client is comparable to a similar, but unassisted, unit within the local housing market.

courier service to exchange documents and decided to rotate the cost of the courier to a different HA each year. Also, the HAs agreed to swap vouchers. Instead of absorption, any two HAs wait until both house a number of voucher holders, perhaps 25 to 50, from each other's jurisdiction. Then, vouchers are swapped on a 1-to-1 basis by transferring the client's files and the full administrative responsibilities for these files to the appropriate jurisdiction.²³ By swapping in this manner, no HA ever loses a voucher. These informal policies reflect willingness on the part of the HAs to cooperate and share costs as well as experiment with new methods such as swapping.

Effectiveness of the cooperative agreement

Formal cooperation under the MOU has been in place for eight years. Without exception, the interviewees declare the agreement to be a success. Staff have fewer administrative burdens and less confusion as a result of the uniform paperwork created by line staff and the elimination of cross-authority billing for administrative fees. This decrease in administrative time results in more responsive service to voucher holders. As one manager commented:

The MOU helps maintain [the authority's] client base...[and] helps reduce paperwork for porting. It helps us deliver services better and quicker.

The swapping of vouchers also eases administrative burdens and improves service to clients and landlords. An interviewee characterized the process as "more organized" and said, "Swapping minimizes paperwork with no break in payment to the landlord." In addition, swapping improves service to the client and is implemented only if the client agrees to the swap. As one manager exclaimed, the cooperation agreement is a "win authority, win client" arrangement.

HA managers reported that HUD views the cooperative agreement positively.²⁴ One manager commented, "HUD looks for collaborative effort instead of everyone out there doing their own thing." Another manager noted that the agreement, by increasing the efficiency of voucher administration, assists the HA on many of the indicators of the Section 8 Management Assessment Program (SEMAP), HUD's evaluation process for local HAs.

²³ This process includes proper notification of tenants and landlords. To date, swapping has worked well for all parties.

²⁴ The agreement was lauded and briefly described in a national report distributed by HUD (Finkel et al. 1996).

The cooperative agreement, while deemed effective by the HAs, is being reconsidered to address shortcomings in the original MOU. Three areas of concern emerged in the interviews: First, the \$100 inspection fee has been criticized by two of the HAs as underestimating the cost of inspections. In particular, it is difficult for smaller housing authorities to assess the need for hiring additional inspectors. In any given year, the number of clients moving to any particular jurisdiction is unknown, so the demand for inspections is variable and difficult to estimate. Smaller authorities have less room in their budgets to carry an extra inspector without a certain threshold of demand. Second, late payments for inspections still occur occasionally, and some HA managers recommend that the revised MOU contain a penalty provision. Third, swapping needs to be in the modified agreement and include some framework setting the proper timeline for swapping. At the same time, the swapping process should involve some flexibility to take into account variation in conditions among the HAs. Overall, the interviewees recognized the need for clarifying and simplifying the wording of the agreement.

The HAs are in the process of revising the MOU and recognize that additional negotiation will be necessary. However, all the interviewees lauded the cooperative agreement as an improvement over the previous administration of portability policy. All managers were confident that agreement on a revised MOU would be reached. In fact, they stated that the major elements of the cooperative strategy had become institutionalized and that HA staffs are committed to the approach.

An institutional explanation for cooperation

The case study presented in this article reflects the evolution of cooperation among four HAs in a region. Interorganizational cooperation is often recommended by scholars and policy makers as an effective way to achieve goals. However, the literature indicates that regional cooperation among geopolitical jurisdictions is not easily accomplished (Basolo 2003). In the Orange County case, however, the HAs identified with and responsible for distinct geopolitical areas successfully cooperated to improve the administration of the federal mandate for portability within the Housing Choice Voucher Program.

The Orange County case provides an opportunity to understand cooperation from an institutional perspective. Rational institutionalists argue that social structures or institutions are created to achieve instrumental ends. Rules and procedures, therefore, are constructed to improve material conditions. The desire to reduce the transaction costs associated with portability was clearly evident in the Orange County case. When asked the motivation for cooperation, one manager blurted out

“Money!” In elaborating this statement, the manager cited the increased administrative costs with cross-authority billing and the subsequent accounts receivable problem with incorrect and overdue payments. All of the HA managers identified these transaction costs as a motivation for cooperation.

The cooperative structure formed by the HAs resulted in the development of a formal agreement and supporting documents specifying the rules and procedures designed to accomplish an instrumental goal. The economic self-interest of the organizations also emerged in discussions of revisions to the agreement. For example, the issue of increased inspection fees reflects the material concerns of at least two of the HAs. Therefore, these findings are clearly consistent with the rational institutionalist line of thinking.

Institutions are also characterized as having a shared thought structure with normative standards acting as rules. The data from the case study of HAs in Orange County support this perspective. The managers share professional norms and experiences stemming from their goal to deliver low-income housing assistance. Managers acknowledge that working in Orange County presented similar challenges to their agencies. As one manager commented,

We all understand the difficulties of living in Orange County—high incomes, on average, but huge gaps between high and low and high housing costs.²⁵

Concerns about the quality of service to clients under portability also emerged in the interviews. According to one manager, the cooperative agreement allows HAs “to serve their clients better.” Moreover, long-term relationships and frequent communication among HA members contributed to the trust that is the foundation for the formal MOU and informal, yet related, policies. Cooperation also strengthens relationships and can result in more inter-HA activities.²⁶

The case study supports both the rational and normative views of institutions. However, analysis reveals that instrumental motives for cooperation dominated the responses of the interviewees. At the same time, the interviews suggest that cooperation, even for material reasons, will not occur without a normative foundation. Two of the managers

²⁵ One problem, for example, is housing supply. Research shows that HA areas with tight housing markets, such as Orange County, have lower lease-up success rates than areas with loose markets (Finkel and Buron 2001).

²⁶ For example, the HAs in Orange County are considering the creation of a regional waiting list for their voucher programs.

commented that the Orange County approach was unlikely to transfer to regions with a large number of HAs. In these areas, lack of communication and familiarity among HA staffs and isolationist attitudes preclude cooperation. Moreover, these conditions breed a lack of trust and resentment among HAs. Both managers cited another region in California as an example of these types of problematic relations among HAs.

In sum, the case study indicates that a synthesis of institutional perspectives provides the best explanation for cooperation among the HAs. The next section discusses the policy implications based on the case study and analysis.

Conclusions and policy implications

The case study provides valuable insights to scholars and policy makers concerned with regional cooperation among HAs. These insights are both theoretically and empirically informed. An analysis based on an institutional framework reveals that

1. HAs will tend toward solutions that reduce transaction costs or more generally work toward achieving instrumental ends.
2. Cooperation such as a formal agreement can be a successful solution in certain contexts.
3. Within a region, HA managers with shared norms, enhanced through long-term relationships and good communication, are more likely to trust each other.
4. Regions with fewer HAs may have higher levels of communication and trust and may therefore be more likely to form a cooperative agreement to achieve instrumental ends.

These conclusions suggest that cooperation under the proper conditions can improve the implementation of portability policy, thereby reducing administrative costs and providing voucher holders with better service. Volunteer cooperation, however, may not occur spontaneously, especially in regions where there are many HAs or where strong, enduring relationships among staffs are nonexistent. Some form of encouragement, perhaps in the form of material incentives, such as additional vouchers or a monetary payment based on the size of the voucher programs in the locales, may be necessary to initiate cooperative strategies. These incentives could be offered in a cafeteria approach that

allows local HAs to use one or several of the benefits depending on the conditions in their region. For example, with more money, the Orange County HA might increase payment standards in additional areas to further efforts to deconcentrate poverty. Other HAs in less costly housing markets might prefer to increase the number of vouchers, while still others might combine the benefits for maximum effectiveness in their communities. Clearly, this approach requires additional funding for the Housing Choice Voucher Program and would entail changes to the federal budget. In the absence of additional funding, HUD could create a new indicator in the SEMAP to assess regional cooperation.

The case study offered other revelations concerning the development of a cooperative agreement. When formulating this type of agreement, HAs should consider the following practical issues:

1. Variation among local HA policies such as inspection standards may arise and require participating parties to compromise.
2. The agreement must contain specific language to maintain benefits, but be flexible enough to adapt to changes in conditions for one or all of the HAs.
3. The agreement should be reviewed annually to identify any weaknesses in implementation, and adjustments should be made accordingly.

These issues suggest that the development of a cooperative regional agreement can be a complex process requiring guidance, flexibility, and regular evaluation. For this reason, HUD should offer technical assistance to HAs entering into such an agreement. Specifically, HUD should employ a few contract and negotiation specialists and make them available to HAs for this purpose. This approach would facilitate the transmission of knowledge among regions, reduce the uncertainty associated with these agreements, and encourage HAs to develop regional solutions to problems associated with voucher administration.

The recommendations in this article support regional approaches as discussed by Katz and Turner (2001). However, this article emphasizes cooperative regional strategies among local HAs rather than competitive, private contractual arrangements, which downplay the potential strengths of existing HAs (personnel with long-term experience in housing assistance programs and normative standards among these professionals). Given local conditions, different regional strategies, as discussed by Katz and Turner (2001), may be more effective. However, as a first step toward increasing the efficiency of voucher administration and client service, HUD should support interauthority cooperative

strategies that allow flexibility for local conditions and avoid more dramatic shifts in policy that are unproven and have the potential to significantly affect the operations of HAs and their service to clients.

As a final note, in its 2004 budget request, the Bush administration has proposed a major change to the voucher program. The administration seeks to block grant voucher funds to the states beginning in 2005. Housing advocates are already raising a number of important concerns about this proposal (Fischer 2003). However, if it succeeds, states will need to address appropriate approaches to voucher administration within their jurisdictions. The lessons learned from existing regional strategies, such as the Orange County case, would be useful to state policy makers assuming responsibility for the voucher program.

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