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False Start – Fresh Promise

*Homeless service providers advocate reform of New York City's
Housing Stability Plus program*

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Executive Summary

In November 2004, over 9,000 homeless families and 8,600 homeless single adults slept each night in New York City's sprawling shelter system. Across the city, rents were out of reach for low-income households and tens of thousands of New Yorkers turned to emergency shelters. Due to cuts at the federal level, the city could no longer rely on the Section 8 program as the principal source of rental assistance for families exiting shelter. At this time, Mayor Michael Bloomberg announced a major change in housing policy and worked with the state to create a new, time-limited subsidy program to help homeless households leave shelter and return to the community. That program, Housing Stability Plus (HSP), uses a combination of city, state, and federal funds to help people to afford rent. The HSP program varies in several significant and controversial ways from the federal Section 8 program, which was previously the primary affordable housing resource available to New York City's homeless families.

As the HSP program neared its first full year of operation, Homeless Services United (formerly the Council on Homeless Policies and Services), a coalition of sixty nonprofit homeless service providers, undertook a survey of our members to assess the strengths and limitations of the city's new rent supplement program. Our study found that though HSP offers homeless families on public assistance relatively rapid access to housing assistance, significant reforms to the program are necessary in order to ensure that the promise of housing stability for thousands of New York City's homeless children and adults does not go unfulfilled.

Key findings from our survey include:

The certification process for HSP is usually faster than that of other housing supports available in the past. Though, faster certification for HSP does not necessarily result in faster placement. Nearly two-thirds of respondent shelters reported that they have placed fewer families in permanent housing since the onset of HSP.

Shelters reported frequently being unable to locate HSP apartments of adequate size at authorized maximum rent levels and being unable to find landlords willing to participate in the program. The majority of programs reported that HSP apartments are usually in worse condition than those available through other subsidies. The majority of programs also reported that clients usually move into HSP apartments with three or more people to a bedroom.

Homeless families are often ineligible for HSP because a family member is working and earning too much income to receive public assistance and consequently HSP or because a family member has been sanctioned by public assistance or has had their case closed. A significant number of HSP households receive a reduced rent benefit because at least one family member is ineligible for public assistance.

Landlord requests for illegal side payments in excess of the maximum authorized HSP rent are common.

Clients placed in HSP apartments face significant barriers to employment.

The vast majority of single adult shelter residents residing at respondent programs were ineligible for HSP. The most commonly reported reasons why single adults are ineligible for HSP are because they have not resided in shelters long enough or they are receiving social security benefits.

The city's approach to HSP placements is different for homeless single adults and homeless families. While all eligible families are required to leave shelter using the program unless they have other resources to help them leave, the city approves applications only for single adults who seem likely to succeed given the program design. Over one-third of respondents reported that DHS had rejected applications they submitted for eligible single adult residents. More than three-fourths reported that they did not submit applications for eligible single adult residents that they believed would be rejected. The most common reasons why agencies did not submit HSP applications for single adults were because clients were seriously and persistently mentally ill, clients were using substances, or clients had poor employment prospects.

Reforming the HSP program

The challenges of helping poor households to compete in New York City's difficult housing market are extraordinary and based upon the findings of our study and a review of previous research and administrative data, we recommend reforms to the HSP program including:

Increasing HSP rents and strengthening quality assurance procedures

Rents for the HSP program are significantly below the Fair Market Rent (FMR) established by the federal Department of Housing and Urban Development. The maximum monthly HSP rent for a family of two is 23 percent or \$249 lower than the 2007 proposed Fair Market Rent for a one bedroom apartment. HSP rents have not been adjusted since the program was initiated. During this time, FMR increased by as much as 16 percent. This leads to difficulties finding landlords willing to rent apartments through the HSP program, HSP apartments that present serious health and safety risks, and overcrowding. To increase the stock of safe apartments available for rent through the program, rents should be increased, quality assurance standards for apartments should be strengthened, and occupancy standards should be established.

Encouraging recipients of housing assistance to work

HSP does not encourage self-sufficiency. Though the rent supplement decreases by 20 percent each year and is eliminated after five years, recipients must maintain an active public assistance (PA) case to keep receiving rental assistance. This creates a serious disincentive to obtain well paid employment. Those who are working while in shelter are often not eligible for HSP and face a choice between keeping their job and finding a permanent home. To encourage maximum self-sufficiency the HSP rent supplement should continue for those who leave PA for work and affordable housing options should be available to those who are already working when they leave shelter.

Providing support to those who are unable to work

A large portion of households currently receiving public assistance are unable to work because the recipients are children, are elderly, or are disabled. Despite city data that shows that about 40 percent of public assistance recipients are unable to work, all HSP

households must earn income to offset the annual rent benefit reduction regardless of whether the only adult is disabled or elderly. For some HSP households, the only potential wage earner has been determined by the federal government to be disabled and unable to work. To minimize the number of households who will be unable to maintain their HSP apartments and the number who will be forced to return to shelters, the annual step-down and time limit should be eliminated for children, the elderly, and the disabled.

Expanding affordable housing options for families ineligible for HSP

Leading studies in the field have demonstrated that housing subsidies are the most effective tool for preventing a return to homelessness for families exiting shelters. Yet, subsidized housing is a scarce commodity in New York City and shelters currently have limited tools to reconnect families ineligible for HSP to affordable permanent housing. To avoid long shelter stays, placements in unstable, unsubsidized housing, and/or the placement of families that do not have potential wage earners in HSP apartments, we urge the city and state to develop additional affordable options for families who are ineligible for HSP, but have inadequate income to afford housing on the private market.

For a complete list of recommendations see page 18.

Project Goals and Methodology

Amidst staunch criticism of the Housing Stability Plus (HSP) program by homeless people, advocates, landlords, and service providers, Homeless Services United (HSU) sought to better understand how the new program was impacting efforts by nonprofit service providers to rapidly reconnect homeless families and single adults to permanent, affordable housing.¹

Our study sought to answer the following key questions:

- How has HSP affected shelter and drop-in center providers' efforts to move homeless families and single adults into permanent, affordable housing?
- Based on the experiences of nonprofit shelter and drop-in providers, what barriers do clients face in attaining and retaining HSP apartments?

Data used in our report was drawn from responses to a survey distributed to all shelter and drop-in center program directors in Homeless Services United's membership between September and December 2005. HSU's membership represents about 80 percent of the nonprofit shelters serving homeless adults and families under contract with the New York City Department of Homeless Services (DHS). We distributed a total of 94 surveys designed to assess service providers' reaction to and use of the HSP program. Members returned 62 surveys - a total response rate of 66 percent.² One survey containing incomplete data was discarded. Our study analyzed 40 surveys from family shelter providers, 15 from single adult shelter providers, and six from drop-in centers.

¹ HSP vouchers are also available to homeless people living in domestic violence shelters, shelters operated by the New York City Department of Housing Preservation and Development, and to families reuniting with children in foster care. Our study seeks only to evaluate the experience of shelter and drop-in providers operating under the auspices of the New York City Department of Homeless Services.

² A 66 percent response rate is high for this type of survey, though we are unable to determine whether among the 34 percent of programs that did not return surveys responses would have been significantly different.

We acknowledge that the sample used to conduct our study was not random and that findings cannot be assumed to be generalizable to the experiences of all New York City shelter and drop-in programs. As such, we recommend that additional research is conducted to confirm and expand upon the findings presented in this paper.

We also analyzed publicly available city administrative data. The city periodically updates data available on their website and makes changes to programmatic policy. Except as otherwise noted, the administrative data and policies cited in this report were current as of August 2006.

The Housing Stability Plus Program - Rationale and Critiques

Prior to the initiation of HSP, federal housing assistance was key to New York City's efforts to move homeless families out of shelter and into permanent homes. In fact, in fiscal year 2004 city shelters achieved record permanent housing placements, with placements to Section 8³ apartments and New York City Housing Authority (NYCHA) public housing accounting for 81 percent of total placements;⁴ Section 8 placements alone accounted for 55 percent of total placements.⁵

Prior to 2004, the United States Congress renewed all authorized Section 8 vouchers based on the actual current cost of providing the rental subsidy. In 2004, Congress transformed the program so that housing authorities would receive funding based on the number of vouchers in use and average costs as of a fixed date. This resulted in a significant funding cut for many local housing authorities. The resulting shortfall led the New York City Housing Authority to withhold available Section 8 vouchers in 2004.

Left with the local Section 8 program at full utilization, additional cutbacks already proposed and dim prospects for new funding on the horizon at the federal level, the city was under pressure to find new strategies to help homeless families to afford permanent housing. Even the harshest critics of HSP acknowledge that the program represents an important investment of city, state, and federal dollars toward creating a local rental assistance program for homeless people and that, given the scarcity of Section 8 vouchers, the city needed to find a way to continue moving homeless families out of shelter or risk a costly explosion in the shelter census.

When the HSP program was announced, city officials cited a commonly held belief that providing homeless families with priority access to federal housing assistance creates an incentive to enter the shelter system. De-linking priority for Section 8 and public housing from shelter entry became a signature policy of the mayor's five-year plan to end chronic homelessness. Policy-makers also reasoned that under the former policy there was little opportunity for other poor, non-homeless households to obtain needed federal housing assistance and that by creating HSP the city would be able to assist a wider range of families and reduce future rates of homelessness. Furthermore, city

³ Under Section 8 the New York City Housing Authority pays a subsidy to the participating landlord that is the difference between 30 percent of a household's income and the contract rent. (Rents must be comparable to market rate housing in the neighborhood.) Further information on New York City's Section 8 program can be found at http://home2.nyc.gov/html/nycha/html/section8/gen_info.shtml.

⁴ NYC Department of Homeless Services. "Critical Activities Report – Family Services – Fiscal Year 2004." The current report is available at <http://www.nyc.gov/html/dhs/downloads/pdf/familyfy04.pdf>. DHS periodically updates data posted on their website. City administrative data used in this report reflects information available as of August 2006.

⁵ Ibid

officials cited the gradual phase-out of the HSP rent benefit as a means to encourage self-sufficiency among the formerly homeless population.⁶

Since the inception of the program, approximately 7,000 families with children⁷ and 400 single adults have obtained HSP leases.⁸ Advocates, service providers, HSP-recipient households, and city officials continue to debate the long-term viability of the HSP program. While the city has touted the program as a success,⁹ advocates have predicted that many of the people placed during the program's initial year will be unable to maintain long-term housing stability and will eventually return to the shelter system.¹⁰ In addition, in recent months fewer homeless families have been able to locate housing using HSP, and the family shelter census has increased.¹¹

Program Eligibility

The Housing Stability Plus (HSP) program differs in several significant and controversial ways from New York City's past strategies to reconnect homeless households to permanent, affordable housing.

To be eligible for HSP, a family or single adult residing in shelter must meet the following criteria:¹²

- at least one member of the family must have an active public assistance (i.e. welfare) case and no member of the household may be sanctioned by public assistance;
- households must meet program length of stay criteria; families of fewer than six individuals must reside in shelter for a minimum of 90 consecutive days;¹³ single adults must have resided at a shelter or drop-in center for nine out of the past 12 months.

Unlike Section 8 eligibility criteria, to receive the HSP benefit a household must maintain an active public assistance case. Any disruption to a household's public assistance case will result in suspension or termination of the HSP rent benefit. For example, the city will temporarily suspend payment of the HSP rent benefit and a portion of the public assistance shelter allowance if any household member is sanctioned. Sanctioning occurs when a recipient does not comply with public assistance rules and requirements. For example, failure to attend required appointments or to comply with workfare requirements can result in sanction. Administrative errors can also result in erroneous sanctions. During a sanction period, HSP-participant

⁶ Department of Homeless Services. <<http://www.nyc.gov/html/dhs/html/press/pr101904.shtml>>.

⁷ Department of Homeless Services. "Critical Activities Report – Family Services – Fiscal Year 2006." "Critical Activities Report – Family Services – Fiscal Year 2007." Current report available at <<http://www.nyc.gov/html/dhs/downloads/pdf/familyfy06.pdf>>.

⁸ Department of Homeless Services. "Testimony by DHS Commissioner Robert Hess at City Council Hearing on FY07 Executive Budget," May 31, 2006. Available at <http://www.nyc.gov/html/dhs/downloads/pdf/executive_hearing.pdf>.

⁹ A New York Newsday article quoted Mayor Bloomberg saying "...while the vouchers have only been in existence for a year, I think it's fair to say they have been very successful so far." (Lefkowitz, Melanie. "Calls to fix homeless problem," January 25, 2006, pg. A16.)

¹⁰ Coalition for the Homeless. "2006 State of the Homeless Report." <http://www.coalitionforthehomeless.org/advocacy/State_of_the_Homeless.html>.

¹¹ Department of Homeless Services. "Critical Activities Report – Family Services – Fiscal Year 2006." "Critical Activities Report – Family Services – Fiscal Year 2007." Current report available at <<http://www.nyc.gov/html/dhs/downloads/pdf/familyfy06.pdf>>.

¹² These criteria apply only to families with minor children and single adults residing at a New York City Department of Homeless Services (DHS) shelter. Complete program criteria are available at <http://www.nyc.gov/html/dhs/html/rent/hsp_page1.shtml>.

¹³ There is no length of stay criterion for families with six or more members residing at a DHS shelter.

households immediately become responsible for paying the affected portion of their monthly rent directly to their landlord. The household is not eligible to receive public assistance to pay arrears accumulated during a sanction.¹⁴

To be eligible for an HSP rent supplement a family must reside in shelter for at least 90 days.¹⁵ A family with an active public assistance case is automatically certified for the HSP program upon reaching its ninetieth day in shelter. Prior to the initiation of HSP, homeless families had to wait until they had nearly reached the same 90 day length of stay criterion before applying for Section 8. The Section 8 certification process typically resulted in an additional delay of two to three months and sometimes as many as six months before families were able to access a housing subsidy. In addition, some families were excluded from the Section 8 program and New York City public housing because of the criminal background of one or more family members. By contrast, the HSP certification process is faster and does not exclude families based on past convictions.¹⁶

The October 2004 elimination of priority access for federal housing assistance for homeless families held no consequences for homeless single adults. Rather than replacing priority access to Section 8 and public housing, the initiation of HSP provided an entirely new affordable housing resource for homeless single adults. The findings of our survey, however, indicate that the HSP program is often unsuitable for and has not been widely used by this population.¹⁷

For homeless families with minor children, there is no cap on the number of HSP subsidies available and every family who meets program eligibility criteria receives a subsidy. For homeless single adults and families without minor children, the program is a demonstration project. During the first year, the total allocation of subsidies for the demonstration project was capped at 1,000. Eligible applicants are turned away if the New York City Department of Homeless Services determines that individuals will be unlikely to succeed in the program.

Maximum Rents

The maximum allowable rent under the HSP program is comprised of several elements:¹⁸

- HSP rent supplement;
- an individual or family's public assistance shelter allowance;¹⁹
- tenant's share of income, if applicable.

Unlike Section 8 rents, HSP rents are not calculated based on apartment size but rather based on the number of household members with an active public assistance case. For HSP recipients, New York City's welfare program pays both the shelter allowance and

¹⁴ If a sanction is reversed through an administrative or fair hearing process, the household is entitled to receive all monies, including the HSP rent supplement, previously withheld due to the erroneous sanction.

¹⁵ Applies only to families of less than six members with minor children residing at a New York City Department of Homeless Services shelter

¹⁶ See <http://www.nyc.gov/html/dhs/html/rent/hsp_page1.shtml> for program eligibility criteria and page 8 of this report for a discussion of findings related to comparative speed of HSP certification.

¹⁷ See page 14 for a discussion of key findings relating to homeless single adults.

¹⁸ Department of Homeless Services. <http://www.nyc.gov/html/dhs/html/rent/hsp_page2.shtml>.

¹⁹ The shelter allowance is the amount of the public assistance grant allocated towards rent. Shelter allowance grants are the same for HSP recipients as for other public assistance recipients.

rent supplement directly to the landlord. Each household member who is not receiving public assistance and has income, for example from social security, must pay 30 percent of his/her income directly to the landlord.²⁰ Figure 1 illustrates the current maximum assistance HSP-participant households can receive and the current maximum monthly rents that landlords can collect through the HSP program for households with one to six members receiving public assistance.²¹

Figure 1. HSP Maximum Rents			
PA Case Size	Shelter Allowance	Rent Supplement	Maximum Rent Amount
1	\$277	\$488	\$765
2	\$283	\$537	\$820
3	\$400	\$525	\$925
4	\$450	\$475	\$925
5	\$501	\$675	\$1,176
6	\$524	\$652	\$1,176

Annual Step-Down and Five-Year Time Limit

Under the Section 8 program, a household can continue to receive assistance as long as their income falls below federally established income limits. For example, a family of three applying for Section 8 can earn up to \$28,249 annually and still qualify for the program.²² Working Section 8 recipients pay 30 percent of their income directly to their landlord. In effect, Section 8 assistance declines as a household's income increases and allows them to afford a greater rent burden.

By contrast, the HSP rent supplement decreases by one-fifth each year for five years regardless of household income. Earned income results in a reduction in the shelter allowance for all public assistance recipients. HSP participants whose shelter allowance is reduced as a result of earned income must offset that reduction through direct payment to the landlord. In addition, after the first year HSP tenants must offset the 20 percent decline in the rent supplement. After five years, the household is no longer eligible for an HSP rent supplement.²³ While the HSP rent supplement phases out by 20 percent each year, the shelter allowance remains constant assuming the family has no income. For example, in year two a three-person household without earned income would continue to receive a \$400 per month shelter allowance while their HSP supplement was reduced by 20 percent of \$525, or \$105 per month.

²⁰If 30 percent of a household member's monthly income is more than that person's prorated share of the total monthly rent, then he/she must pay the lower of the two amounts.

²¹ The complete maximum HSP rent schedule is available at <http://www.nyc.gov/html/dhs/html/rent/hsp_page2.shtml>.

²² New York City Housing Authority. "Guide to Section 8 Housing Assistance Program." <<http://www.nyc.gov/html/nycha/downloads/pdf/070213.pdf>>.

²³ Sanction periods during which a household is not receiving the HSP benefit do not count toward the five-year time limit.

Homeless Families: A Discussion of Key Findings

All respondent shelters placed families into permanent housing using the Housing Stability Plus (HSP) program. The total number of family placements reported by respondents was 1,278. We conservatively estimate that the placements reported in our survey represent at least 30 percent of the total HSP placements achieved system-wide at the time the survey was conducted.²⁴

Establishing Eligibility for HSP

Due to program eligibility criteria, some families residing in emergency shelter are not eligible to receive HSP rent subsidies. Findings from our study indicate that families are most often ineligible because a family member is working and earning too much income to receive public assistance and consequently HSP. Eighty percent of respondents reported earned income as a frequent reason for HSP ineligibility. Our survey also found that families are often ineligible because a family member has been sanctioned by public assistance or has had their case closed.²⁵ Seventy-three percent of respondents reported difficulties with public assistance as a frequent reason for HSP ineligibility.

Other common reasons for families to be ineligible for the HSP rent subsidy are that they do not have legal residency status in the United States and are therefore ineligible for public assistance or because the family has federal social security benefit income and is therefore ineligible for public assistance. Forty-eight percent of shelter providers reported undocumented immigration status as a frequent reason for HSP ineligibility. Forty percent reported social security income as a frequent reason for HSP ineligibility.

As previously discussed, at the time the HSP program was created New York City also eliminated priority access to Section 8 vouchers and public housing for homeless families. Consequently, HSP has become the primary affordable housing resource available to homeless families. New York City Department of Homeless Services (DHS) data indicate that during fiscal year 2006, seventy-two percent of families placed in permanent housing were placed using HSP vouchers.²⁶ Shelter providers report that families who are not eligible for HSP face enormous difficulty securing affordable, permanent housing and are more likely to remain in shelter for extended periods or to exit shelter for tenuous and overcrowded “doubled-up” situations (i.e. temporary living arrangements with family or friends).

These reports are of concern, given that a 1998 study by Shinn et al demonstrated that receipt of a housing subsidy was one of the only determining factors for family housing stability after shelter exit.²⁷ Additionally, both that Shinn study and a 2001 study by the Institute on Children and Poverty showed that prior to entering shelter more than half of homeless families in New York City lived in crowded conditions with friends or

²⁴ As of mid-October 2005, approximately 4,200 families had been placed in HSP apartments.

²⁵ As of January 15, 2006, 25 percent of all public assistance recipients were either currently sanctioned or in the sanction process (Human Resources Administration. “HRA Public Assistance Weekly Caseload Engagement Status Report, January 15, 2006.”) The current HRA Weekly Caseload Engagement Status Report is available at <<http://www.nyc.gov/html/hra/downloads/pdf/citywide.pdf>>.

²⁶ Department of Homeless Services. “Critical Activities Report – Family Services – Fiscal Year 2006.” Current report available at <<http://www.nyc.gov/html/dhs/downloads/pdf/familyfy06.pdf>>.

²⁷ Shinn M., Weitzman B., Stojanovic D., Knickman J., Jimenez L., Duchon L., James S., & Krantz D. “Predictors of homelessness among families in New York City.” *American Journal of Public Health* 88(1998): 1651-1657.

relatives. The Institute on Children and Poverty study also showed that more than half of these families reported leaving their last residence as a direct result of overcrowding or disagreements.²⁸

Within some families, both individuals eligible for HSP rent supplements and individuals who are not eligible can be found. Our survey found that 7 percent of households receive a reduced rent benefit because at least one family member is ineligible for public assistance. For example, a mother who is disabled and receives federal social security income may have two children who are eligible for public assistance and HSP. In year one, this family would receive \$188 less in rental support per month than a family of three who are all receiving public assistance. The family would be expected to make up the difference through direct payment to the landlord. Shelter and aftercare providers have raised concerns about the ability of a family with a disabled head of household to offset the annual reduction in the rent benefit and maintain their HSP apartment.

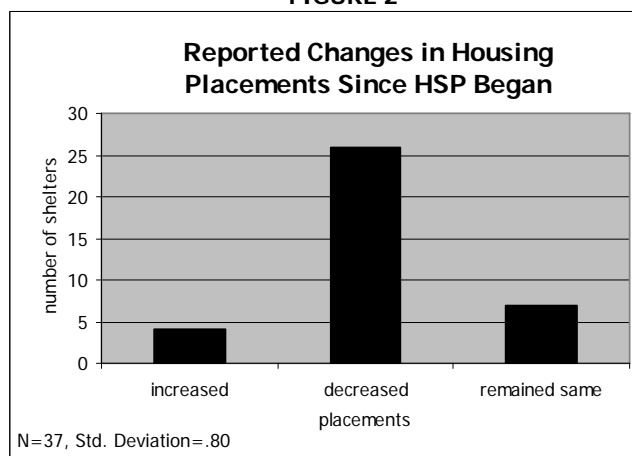
Moving Out of Shelter Using HSP

Figure 2 depicts changes in the number of families placed in permanent housing since the onset of the Housing Stability Plus (HSP) program, as reported by family shelters. Seventy percent of respondents reported that they have placed fewer families in permanent housing since the onset of the HSP program. Nineteen percent reported that their

permanent housing placements have remained relatively stable, and 11 percent reported that their permanent housing placements have increased. Our survey was conducted at a time when HSP placement levels were high compared to current placement levels.²⁹ New York City Department of Homeless Services (DHS) data indicate that during fiscal year 2006 the number of families placed in housing declined five percent from the previous fiscal year; in June 2006 nearly 50 percent fewer families were placed than in June 2005.³⁰

Our survey also found that the certification process for HSP rental assistance is faster than for other types of housing supports. Eighty-seven percent of shelters reported that the certification process for HSP is usually or always faster than that of previously available housing supports. HSP's more streamlined application and certification

FIGURE 2



²⁸ Institute for Children and Poverty. "Déjà vu: Family Homelessness in New York City." Institute for Children and Poverty April 2001: 3.

²⁹ In the fall of 2005, on average, 390 families were placed each month using HSP; in June 2006 just 311 families were placed. (Department of Homeless Services. "Critical Activities Report – Family Services – Fiscal Year 2006." Current report available at <<http://www.nyc.gov/html/dhs/downloads/pdf/familyfy06.pdf>>.)

³⁰ Ibid

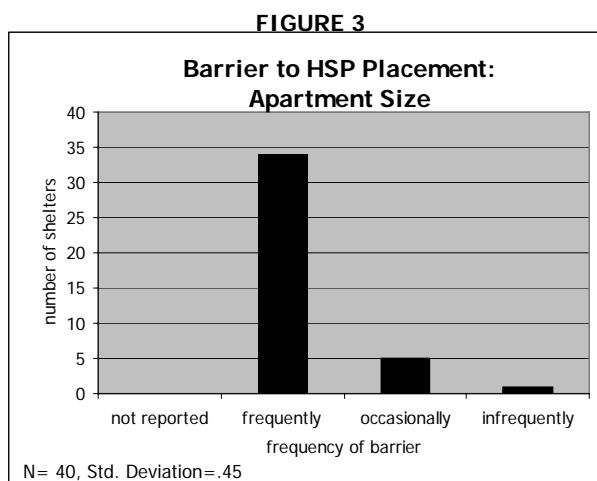
process allows some families to move out of shelter and into permanent homes rapidly, as demonstrated by the following vignettes:

Ms. R is a young single mother who was admitted to a Tier II shelter in September 2004. Three months later, she was eligible for the new HSP program. Ms. R quickly found an apartment, and her family moved out of shelter in January 2005.

Another young, single mother, Ms. M, entered a family shelter in October 2005. Upon reaching her ninetieth day in shelter, the Department of Homeless Services automatically certified her for an HSP rent voucher. A little more than three weeks later, Ms. M located an HSP apartment. She moved her family out of shelter in February 2006.

Ms. R, Ms. M, and their children spent less than four months in shelter.

Our survey of shelter providers also found that faster certification for housing assistance does not necessarily result in faster placement. In fact, though 87 percent of shelters reported that HSP certification is usually to always faster, just 35 percent of shelters reported that certified clients usually to always move out faster with HSP than with other types of housing supports.



Our findings indicate that a frequently encountered barrier to securing a permanent housing placement through the HSP program is the inability to locate an apartment of adequate size at the available maximum rent (Figure 3). Eighty-five percent of shelters reported frequently encountering this problem.

Seventy-five percent of respondent shelters reported frequently being unable to find landlords willing to participate in the HSP program (Figure 4).

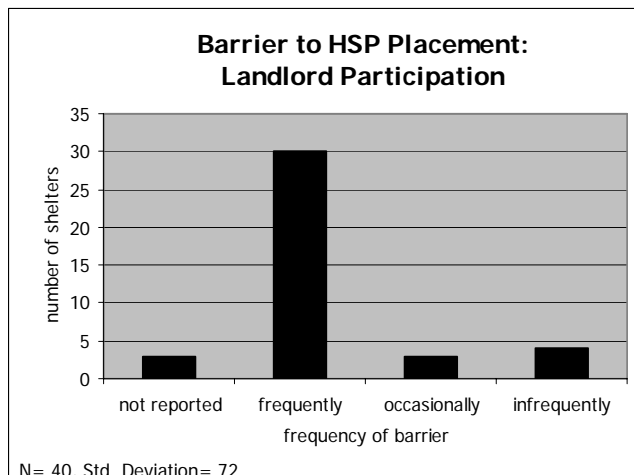
The inability to locate an apartment in decent condition at the available maximum rent was also reported as a barrier to HSP placement. Forty percent of shelters reported that they frequently encountered this problem. In addition, respondents reported frequently encountering families with at least one household member who is ineligible for public assistance and families with a public assistance sanction or case closure. Thirty-eight percent of shelters reported mixed eligibility within families and 30 percent of shelters reported problems with public assistance as common barriers to HSP placements.

Though our survey did not attempt to measure landlord attitudes regarding the HSP program, additional programmatic features are commonly cited among shelter providers as unattractive to landlords. For example, by design, the program assumes tenants will be able to offset through earned income or other resources the 20 percent annual decline in the HSP rent supplement. In addition, the rent supplement is eliminated entirely if the family earns too much income to qualify for public assistance, if any member of the family is sanctioned by public assistance, or if the family has their public

assistance case closed for any other reason.³¹ Moreover, HSP maximum rent levels are significantly lower than the Fair Market

FIGURE 4

Rents established for New York City by the federal Department of Housing and Urban Development.³² HSP maximum rent levels also have not been adjusted to reflect increases authorized by New York City's Rent Guidelines Board.³³



Risks to Long-term Housing Stability

Both our survey and a 2005 study by the Vera Institute of Justice found that homeless

families face significant barriers to employment. These findings raise questions about the viability of programmatic assumptions that all clients will be able to offset the 20 percent annual reduction in the Housing Stability Plus (HSP) rent supplement and pay their full rent without assistance after five years. In our survey, 56 percent of family shelters reported that most heads of household placed in HSP apartments have experienced chronic unemployment; sixty-five percent reported that most HSP-placed heads of household do not have GEDs or high school diplomas.

The Vera study found that 55 percent of a random sample of homeless families had no high school diplomas or GEDs; ten percent had completed eighth grade or less. The same study found that although 79 percent of families worked at some point during the five years before entering shelter, on average they were employed one time for less than one year during that five year period. The Vera authors noted that families were "generally working low-skill and low-wage jobs that provided limited opportunities for development and growth."³⁴

Together, these findings suggest that hesitancy about the program among landlords may not be unfounded. Given limited work experience and low levels of educational attainment, many formerly homeless families placed through the HSP program are likely to face significant barriers to securing employment that will allow them to afford their apartment as the rent supplement declines or is eliminated.

³¹ Sanctions and case closures are common among homeless public assistance recipients. In fact, 44 percent of respondents reported that clients placed in an HSP apartment had usually to always experienced public assistance sanctions within the past year. A 2005 study of homeless families conducted by the Vera Institute for Justice found that 57 percent of those receiving public assistance experienced a loss or reduction in benefits during the five-year period prior to shelter entry (Smith N., Flores Z., Lin J., & Markovic J. "Struggling to make ends meet: pre-shelter experiences of homeless families in New York City." *Vera Institute for Justice (2005)*). As of January 15, 2006, city administrative data indicated that 25 percent of all public assistance recipients were sanctioned or in the sanction process (Human Resources Administration. "HRA Public Assistance Weekly Caseload Engagement Status Report, January 15, 2006." The current HRA Weekly Caseload Engagement Status Report is available at <http://www.nyc.gov/html/hra/downloads/pdf/citywide.pdf>.)

³² The maximum HSP rent for a family of two is 23 percent or \$249 per month lower than the 2007 proposed Fair Market Rent for a one bedroom apartment. This example assumes that both family members would share a single bedroom. Fair Market Rent data is available at <http://www.huduser.org/datasets/fmr.html>.

³³ The New York City Rent Guidelines Board (RGB) has authorized a 7.25 percent increase for rent stabilized units leased between October 2006 and September 2007. (NYC Rent Guidelines Board. "2006 Apartment & Loft Order #38." June 27, 2006 <http://www.housingnyc.com/downloads/guidelines/orders/aptorder38.pdf>.)

³⁴ Ibid

In the second through fifth years of participation in the program, families face the daunting challenge of both maintaining eligibility for public assistance and earning adequate income to pay the portion of the rent burden that is no longer being paid by the rent supplement. For example, a single mother who works 35 hours per week supporting two minor children on a job that pays \$7.50 per hour could expect to keep her public assistance case open and to keep her HSP supplement. She would, however, only receive about \$135 per month from public assistance in addition to the \$525 HSP rent supplement. Her HSP monthly rent would cost \$925 per month and in the first year her out-of-pocket rent burden would be about \$265 per month. That burden would grow to \$370 per month in year two. In year three, assuming no rent increase, her rent burden would grow to \$475 per month. In year four, her rent burden would grow to \$580 per month and then to \$685 per month in year five. Her monthly gross income would be about \$1100. By year five she would pay at least 62 percent of her pre-tax income toward rent. The federal standard for affordability is 30 percent.

In addition, the bureaucratic burdens of maintaining a public assistance case while working are significant. Currently, HSP recipients from across the city must travel to two welfare centers in upper Manhattan to obtain information about, resolve issues with, or provide necessary documentation for their cases. If the working mother from the example above continues to earn \$1100 per month but is unable to keep up with the significant bureaucratic demands of keeping her case open, she will have to pay 84 percent of her pre-tax earnings to keep herself and her children in their apartment. Furthermore, if she earns more than \$1,278 per month, her family will risk losing their public assistance and be responsible for the full \$925 monthly rent - a rent burden that would equal 72 percent of the family's gross income. Yet, despite these challenges, the annual rate of families returning to shelters within one year of HSP placement has remained relatively stable³⁵ and few families placed through the HSP program have been found eligible to return to shelter.³⁶

When considered along with previous research about homeless families, our findings raise additional concerns about threats to long-term housing stability for HSP program participants. In a 1998 study of predictors of shelter entry for New York City families receiving public assistance, Shinn et al found that housing conditions and demographic characteristics were the most important risk factors associated with shelter entry.³⁷ The Shinn study also found that 59 percent of families who requested shelter were living doubled-up during the year prior to shelter entry. Similarly, a 2001 study by the Institute for Children and Poverty found that 56 percent of homeless families lived with friends or relatives prior to seeking shelter.³⁸ This same study found that over half of those who were living doubled-up left their last residence due to overcrowding or disagreements.³⁹

³⁵ From 2004 to 2006 one to one and a half percent of families placed in permanent housing returned to shelter within one year (DHS. "Critical Activities Report – Family Services – Fiscal Year 2006 and Fiscal Year 2004." Current reports available at <<http://www.nyc.gov/html/dhs/downloads/pdf/familyfy06.pdf>>. Data on shelter applications by HSP households is not available.

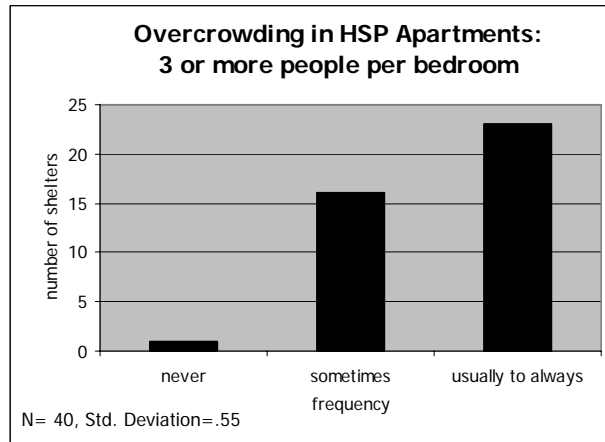
³⁶ According to DHS Commissioner Robert Hess, from December 2004 to May 2006, 94 families placed in HSP apartments applied and were found eligible for shelter. (DHS. "Testimony at City Council Hearing on FY07 Executive Budget." May 31, 2006 <http://www.nyc.gov/html/dhs/downloads/pdf/executive_hearing.pdf>.

³⁷ Shinn M., Weitzman B., Stojanovic D., Knickman J., Jimenez L., Duchon L., James S., & Krantz D. "Predictors of homelessness among families in New York City." *American Journal of Public Health* 88 (1998): 1651-1657.

³⁸ Institute for Children and Poverty. "Déjà vu: Family Homelessness in New York City." Institute for Children and Poverty April 2001.

³⁹ Ibid

FIGURE 5

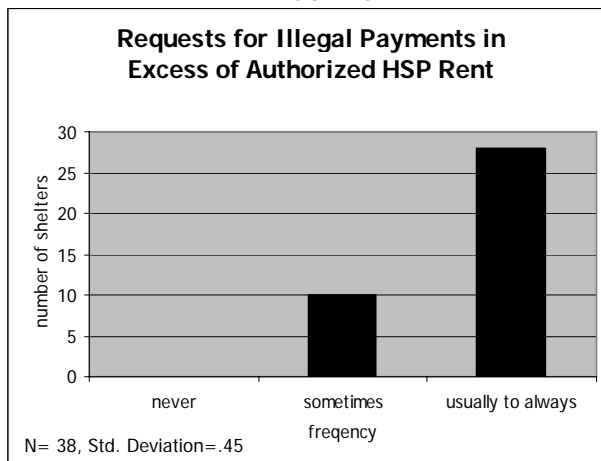


Overcrowding is common in HSP apartments (Figure 5). The majority of shelters (58 percent) reported that clients usually to always move into HSP apartments with three or more people to a bedroom. This finding raises considerable concern given the knowledge that overcrowding and the household discord it causes can lead families to seek shelter.⁴⁰

Our survey also found that landlord requests for side payments in excess of the maximum authorized rent are common.⁴¹

Seventy-four percent of shelters reported that landlords usually to always request such payments for HSP apartments (Figure 6). This finding is of particular concern given that a 1996 study by Culhane et al demonstrated a correlation between high rent burdens and shelter entry⁴² and given that, even without any side payment, families are already likely to struggle to offset the annual 20 percent

FIGURE 6



reduction in the rent supplement.

In addition, the majority of shelters (56 percent) reported that HSP apartments are usually to always in worse condition than those available through other rent subsidy programs. The following vignettes illustrate the severity of apartment quality problems found in the program:

⁴⁰ Ibid

⁴¹ Side deals requiring tenants to pay any amount above the authorized maximum rent are prohibited by the program rules set forth by the New York City Department of Homeless Services (DHS. "Information for Landlords and Brokers." <http://www.nyc.gov/html/dhs/html/rent/hsp_page2.shtml>.) Courts have ruled that landlords seeking excess rent payments in similar housing subsidy programs are committing fraud. See *Crutchley v Costa* (2001), *Santos v. Hendrickson* (1993), *Yengel v. Martinez* (1975), *Seabrook v. Commuter Housing* (1972), *Tinin v. Tinin* (1975).

⁴² Culhane D., Lee M., & Wachter S. "Where the homeless come from: a study of the prior address distribution of families admitted to public shelters in New York City and Philadelphia." *Housing Policy Debate* Volume 7 Issue 2 (1996): 327-365.

Ms. P is a twenty-year-old mother of two and first-time lease holder. She entered the shelter system after aging out of the foster care system. Ms. P moved into an HSP apartment in September 2005. Her apartment had a steady leak coming from the roof into her children's bedroom, no hot water, and a radiator in the children's bedroom that did not work. Her apartment did not have a working stove for over one month or a working freezer for nearly two months. The building superintendent removed all of the mailboxes in the building due to repeated vandalism, and consequently she was not receiving any mail. Prior to getting assistance to re-establish her mail service, she missed several important letters from the city's Human Resources Administration (HRA), and, as a result, her public assistance case was closed and HRA ceased HSP rent payments to her landlord. During that time she was also unable to pay her utility bill. With assistance from a case manager, she was able to reopen her public assistance case, obtain rent arrears from public assistance and secure a FEMA grant to keep her utilities connected. The radiator in her children's bedroom was replaced in the spring. Hot water in the building remains sporadic, and Ms. P. reports that she has become accustomed to boiling water to bathe.

Ms. B is 19 years old and has a four- year-old daughter. She moved out of shelter in July 2005 and into an HSP apartment. When she moved into her apartment there was no running water in the bathroom sink or bathtub, the toilet leaked, and there was a large hole in the bathroom ceiling. Repeated efforts to work with the landlord to complete repairs were unsuccessful. In November, the remainder of Ms. B's bathroom ceiling collapsed. In April, Ms. B was released from the apartment lease due to the unlivable conditions. She currently resides with the family of her daughter's father.

Homeless Single Adults: A Discussion of Key Findings

Sixty-seven percent of respondent shelters and drop-in centers placed at least one single adult using the HSP program. A total of 69 single adult client placements were reported. We conservatively estimate that the placements reported represent at least 32 percent of the total HSP single adult placements achieved system-wide at the time our survey was conducted.⁴³

Both system-wide and at respondent shelters the numbers of HSP placements were markedly lower for single adults than for families. Because the instance of disability among homeless single adults is significantly higher than among homeless families,⁴⁴ the program's five-year time limit and 20 percent annual reduction in the rent supplement, as well as the requirement that recipients remain on public assistance, make the program a poor fit for many homeless single adults. In the first year of the demonstration program, approximately 290 homeless single adults signed HSP leases. Of the 1,000 vouchers allocated for single adults and families without minor children during the first year, approximately 450 or 45 percent were utilized.

The October 2004 elimination of priority access for federal housing assistance for homeless families held no consequences for homeless single adults. Rather than replacing priority access to Section 8 and public housing, the initiation of HSP provided an entirely new affordable housing resource for homeless single adults. Though, as our

⁴³ As of mid October 2005, approximately 215 single adults had been placed in HSP apartments.

⁴⁴ Shinn M., Weitzman B., Stojanovic D., Knickman J., Jimenez L., Duchon L., James S., & Krantz D. "Predictors of homelessness among families in New York City." *American Journal of Public Health* 88 (1998): 1651-1657.

findings demonstrate, the HSP program is often unsuitable for and has not been widely used by this population.

Establishing Eligibility for HSP

The vast majority of single adult shelter residents residing at respondent programs were ineligible for the program; ninety percent or 2,255 residents were ineligible. Our findings indicate that single adults are most frequently ineligible for the HSP program because they do not meet length of stay requirements; program eligibility criteria for single adults require residence at a shelter or drop-in center for nine out of the past 12 months. Sixty-seven percent of respondent shelters reported length of stay requirements as a frequent reason for ineligibility.

Program eligibility criteria also require that homeless single adults have active public assistance cases. Forty-three percent of respondent programs reported clients not having active public assistance as a frequent reason for ineligibility, and 43 percent reported public assistance sanctions/case closures as a frequent reason for ineligibility.

In addition, those who receive social security benefits because of a disability are ineligible for public assistance. Fifty-seven percent of shelters reported receipt of social security benefits as a frequent reason for client HSP ineligibility.

The Department of Homeless Services (DHS) has instructed providers not to submit applications for single adults who are unlikely to maintain housing stability in the HSP program. They have also indicated that they will reject single adult applicants who seem unlikely to succeed given the HSP program design. Eighty-one percent of providers reported that they did not submit applications for eligible residents because they believed they would be rejected by DHS.⁴⁵ Thirty-eight percent reported that DHS had rejected applications which were submitted for eligible residents. DHS does not currently notify applicants of the reasons for rejection.

The most common reasons why agencies did not submit applications were:

- clients were seriously and persistently mentally ill or mentally ill chemical abusers (78 percent cited as a frequent reason);
- clients were using substances (61 percent cited as a frequent reason);
- clients had poor employment prospects (61 percent cited as a frequent reason).

In addition to the reasons cited above, some shelters serving homeless adults offer services focused on helping their clients obtain and keep employment. A single adult making more than \$652 per month is ineligible for public assistance and HSP.⁴⁶ Hence, the program is ill-suited for employed single adults.

The contrast between the city's approach to determining HSP eligibility for homeless single adults and for homeless families should be noted. HSP is virtually the only housing subsidy currently available to homeless families, and the city has instructed family shelters to place all HSP eligible households into HSP apartments unless they are

⁴⁵ For the purposes of this question, eligibility was defined as meeting length of stay and public assistance requirements.

⁴⁶ Community Service Society/Public Benefits Resource Center. "Monthly Public Assistance Income Guidelines for Households without Children." Public Assistance Training Participant Guide Summer 2006, pg.13.

able to secure placements through some other resource. As a result, homeless families are placed in HSP apartments even when the federal Social Security Administration has determined that the only adult is disabled and unable to do substantial work.

Recommendations

The challenges of helping poor households to compete in New York City's difficult housing market are extraordinary, and based upon the findings of our study and review of previous research and administrative data we recommend the following reforms to the HSP program:

Increase HSP maximum rents and strengthen quality assurance procedures

Maximum rents for the HSP program are significantly below the Fair Market Rent (FMR)⁴⁷ established by the federal Department of Housing and Urban Development. For example, the maximum monthly HSP rent for a family of two is 23 percent or \$249 lower than the 2007 proposed Fair Market Rent for a one bedroom apartment.⁴⁸ HSP rents have not been adjusted since the program was initiated. During this time, FMR increased by as much as 16 percent.⁴⁹ Furthermore, the New York City Rent Guidelines Board (RGB) has authorized a 7.25 percent increase for rent stabilized units leased between October 2006 and September 2007.⁵⁰ The two-year leases on apartments rented at the outset of the HSP program will begin to expire in late 2006. Without an increase to the HSP maximum rents, tenants of stabilized units will be faced with offsetting not only a reduced benefit as a result of the annual step-down but also the rent increase authorized by the RGB. Increasing the maximum HSP rents would also help those in non-stabilized units to afford rent increases. Upon expiration of the two-year leases, landlords of non-stabilized HSP units can raise the rent as much as they would like.

Maximum rent levels that are significantly below FMR lead to difficulties finding landlords willing to rent apartments through the HSP program. In fact, in our study, 75 percent of respondent shelters reported frequently being unable to find landlords willing to participate in the HSP program. Seventy percent reported that they have placed fewer families in permanent housing since the onset of the HSP program.

HSP maximum rents that are significantly below FMR also contribute to quality problems in HSP apartments. Some apartments available through the program present serious health and safety risks for tenants or require tenants to endure severely overcrowded conditions. To increase the stock of safe apartments available for rent through the program, rents should be increased. Rents should not be increased, however, without

⁴⁷ Department of Housing and Urban Development. "Fair Market Rents for Existing Housing." <http://www.huduser.org/datasets/fmr/fmr2007P/FY2007P_ScheduleB.pdf>.

⁴⁸ This example assumes that the HSP tenants would share a single bedroom.

⁴⁹ In New York City 2004 FMR for an efficiency was \$848. Proposed 2007 FMR for an efficiency is \$988. (HUD. "FY 2004 Fair Market Rents for Existing Housing." <http://www.huduser.org/Datasets/FMR/FMR2004f/ScheduleB_FY2004F_FMRs.pdf> and "FY 2007 Proposed Fair Market Rent." <http://www.huduser.org/datasets/fmr/fmr2007P/FY2007P_ScheduleB.pdf>.

⁵⁰ NYC Rent Guidelines Board. "2006 Apartment & Loft Order #38." June 27, 2006 <<http://www.housingnyc.com/downloads/guidelines/orders/aptorder38.pdf>>.

strengthening quality assurance standards for apartments and establishing occupancy standards.

Ensure mandatory re-inspection for apartments that pose a threat to tenant health/safety

Ms. B. and Mr. R and their two children accepted a two bedroom HSP apartment despite needed repairs. When they viewed the apartment it had no window guards, smoke or carbon monoxide detectors, an uninstalled radiator in the living room, water spots on the ceiling, a missing toilet tank cover, missing tiles around the toilet, and new kitchen cabinets were sitting on the floor awaiting installation. The Department of Homeless Services' inspection revealed the problems and the landlord signed a notarized agreement to remedy the noted issues prior to lease signing.

On the day the family moved into their new home, they were surprised to find that the repairs had not been made. In addition to the repairs noted by DHS inspectors, they have no heat, no hot water, and the landlord installed old cabinets that have mold and water damage in place of the new cabinets they had seen. Two days after the family moved into the apartment, it rained and a flood damaged the paint on the ceiling and walls, revealing additional mold. With help from a community group, the couple contacted the NYC Department of Housing Preservation and Development (HPD) to gain some relief. HPD found the apartment to have a high concentration of lead and mold. In July, the family found another apartment, but the new landlord had reservations about participating in the HSP program.

Under the current program design, the Department of Homeless Services (DHS) inspects apartments prior to authorizing lease signings. They also require landlords to self-certify (through notarized agreements) that all noted repairs will be made prior to lease signings. In many circumstances, DHS does not currently require re-inspection to verify that repairs have been made. In January 2006, DHS expanded the list of apartment conditions requiring re-inspection; the expanded list, however, makes no mention of conditions including broken toilet and bathing facilities, broken or missing stove and/or refrigerator, broken windows, or evidence of severe mold and/or pest infestation.

The existing system to ensure healthy and safe apartment conditions has proven inadequate and coupled with other program design flaws that make the program unattractive to many responsible landlords, has led to an HSP housing stock of dubious quality. The majority of family shelters (56 percent) reported that HSP apartments are usually to always in worse condition than those available through other rent subsidy programs. In addition, studies by the New York City Public Advocate and Housing Here and Now found that New York City taxpayers are subsidizing HSP landlords who fail to maintain safe conditions in their buildings.⁵¹ We recommend re-inspection prior to lease

⁵¹ An October 2005 report by Housing Here and Now found that 25 percent of buildings participating in HSP and New York City's rent subsidy program for homeless people with AIDS met the city's own criteria for "unsatisfactory" i.e. more than three class B or C building code violations per unit. (Housing Here and Now. "Your Tax Dollars at Work." (2005) <<http://www.housinghereandnow.org/pdfs/YourTaxDollarsFINAL.pdf>>.) Similarly, an April 2005 report by the New York City Public Advocate found that 31percent of apartments cleared by the Department of Homeless Services for participation in HSP had class C (i.e. immediately hazardous) violations in the past year and 12 percent had more than ten class C violations in the past year. (Public Advocate for the City of New York. "Subsidy Shame: City Pays Landlords for Hazardous Housing." (2005) <<http://pubadvocate.nyc.gov/policy/documents/SUBSIDYSHAME.pdf>>.)

signing of all units found during the initial inspection to have dangerous or unhealthy conditions.

Do not approve apartments with life-threatening code violations and buildings with a widespread pattern of hazardous code violations for participation in HSP

About one year after the initiation of the HSP program, the Department of Homeless Services announced that they will no longer rent apartments through the program in buildings currently in litigation with the New York City Department of Housing Preservation and Development (HPD).⁵² The New York City Council recently introduced legislation that would prevent DHS from authorizing HSP leases in apartments that have life threatening conditions and buildings with pervasive hazardous conditions.⁵³ The bill would also require notification of clients, building owners, and HPD if the buildings where HSP recipients live develop dangerous conditions. We support passage of that bill, which will help to ensure that the health and safety of HSP tenants is not jeopardized by egregious housing maintenance problems and that city taxpayers are not subsidizing landlords who fail to ensure that their buildings meet basic health/safety criteria.

Establish occupancy standards for HSP apartments

Ms. C is a 34-year-old mother of three children who left shelter and moved into a one-bedroom HSP apartment. Two of the children are disabled and receive social security benefits. Ms. C and her case manager report that the family's crowded living situation is exacerbating the children's health problems. Ms. C accepted this apartment despite concerns for her children's health because she was unable to locate a larger apartment.

The New York City Housing Authority (NYCHA) maintains occupancy standards for Section 8 and public housing apartments.⁵⁴ These standards are an important way to ensure that tenants are not subjected to dangerous, overcrowded conditions and to minimize deterioration of the city's precious stock of affordable housing. By contrast, the HSP program maintains no occupancy standards. In fact, the maximum monthly rent for an HSP apartment is determined by the number of family members with an active public assistance case and is not tied to apartment size. This creates an incentive for landlords to maximize profit by renting small units to large families. For example, a landlord who is unconcerned about tenant safety might choose to rent his one bedroom apartment to a family of five for \$1176 per month rather than rent to a family of two for \$820 per month.

As previously noted, our survey found that overcrowding in HSP apartments is common. The majority of family shelters (58 percent) reported that clients usually to always move into HSP apartments with three or more people to a bedroom. This finding is echoed by reports from aftercare providers who encounter families living in extremely overcrowded conditions in HSP apartments.

⁵² Department of Homeless Services. "Information for Landlords and Brokers." <http://www.nyc.gov/html/dhs/html/rent/hsp_page2.shtml>.

⁵³ New York City Council. "Introduction 161." February 21, 2006. Text available at <<http://webdocs.nycouncil.info/textfiles/Int%200161-2006.htm?CFID=197311&CFTOKEN=97530680>>.

⁵⁴ Occupancy standards are available in: New York City Housing Authority. "The Ledger: Section 8 Landlord Newsletter." <http://www.nyc.gov/html/nycha/downloads/pdf/ledger_summer05.pdf>.

The 2005 Vera study found that before entering shelter (in their five prior residences) families generally lived in apartments with an average of 2.5 occupants per bedroom. Additionally, at their last residence prior to shelter entry, the average number was 2.8 occupants per bedroom. The 1998 study by Shinn et al found that crowding added to the risk that families would enter shelters,⁵⁵ and a 1996 study by Culhane found a positive correlation between housing crowding and shelter entry rates.⁵⁶

We recognize that New York City currently faces an affordable housing crisis and that low-income families often live in crowded conditions throughout the five boroughs. We also recognize that severe overcrowding can lead to dangerous conditions for tenants and their neighbors, as well as to household disputes that increase the risk of homelessness. We therefore recommend the establishment of occupancy standards in the HSP program that ensure maximum use of available affordable housing resources, while protecting HSP program participants and all New Yorkers from dangerously overcrowded conditions.

Institute more aggressive penalties for landlords who require payment in excess of authorized rent levels

Although efforts by HSP landlords to collect more than the authorized rent are expressly prohibited in program rules and are fraudulent and illegal,⁵⁷ our survey found that landlord requests for side payments in excess of the maximum authorized rents are common. Seventy-four percent of family shelters reported that landlords usually to always request such payments for HSP apartments.

The Department of Homeless Services (DHS) has taken some steps to stop illegal side deals, including requiring both landlords and tenants to sign a statement acknowledging that the deals are prohibited, but the findings of our study coupled with reports from HSP tenants and shelter and aftercare providers indicate that the problem remains common.

The courts have held on numerous occasions that side deal agreements are unenforceable, illegal, and fraudulent.⁵⁸ These illegal arrangements result in an unmanageable rent burden for HSP tenants. Therefore, as the city's efforts to date have proven ineffective at significantly reducing the practice, we recommend that the city institute more aggressive measures, including suspending participation in all city rent subsidy programs for landlords who have been found to engage in the illegal practice and prosecuting repeat offenders.

Expand affordable housing options for families ineligible for HSP

Leading studies in the field have demonstrated that housing subsidies are the most effective tool for preventing a return to homelessness for families who were in shelters.

⁵⁵ Shinn M., Weitzman B., Stojanovic D., Knickman J., Jimenez L., Duchon L., James S., & Krantz D. "Predictors of homelessness among families in New York City." *American Journal of Public Health* 88(1998): 1651-1657.

⁵⁶ Culhane D., Lee M., & Wachter S. "Where the homeless come from: a study of the prior address distribution of families admitted to public shelters in New York City and Philadelphia." *Housing Policy Debate* Volume 7 Issue 2 (1996): 327-365.

⁵⁷ Side deals requiring tenants to pay any amount above the authorized maximum rent are prohibited by the program rules set forth by the New York City Department of Homeless Services (DHS).

<http://www.nyc.gov/html/dhs/html/rent/hsp_page2.shtml>. The courts have ruled that landlords seeking excess rent payments in similar housing subsidy programs are committing fraud. See *Crutchley v Costa* (2001), *Santos v. Hendrickson* (1993), *Yengel v. Martinez* (1975), *Seabrook v. Commuter Housing* (1972), *Tinin v. Tinin* (1975), etc.

⁵⁸ Ibid

As previously noted, the 1998 Shinn study concluded that a rent subsidy was “virtually the only predictor” of housing stability for families who left shelter.⁵⁹ A study by Wong et al reached the same conclusion. The Wong study analyzed the rate of shelter re-entry within two years from shelter exit and found the lowest rates of return among families discharged to subsidized housing.⁶⁰ Yet, subsidized housing is a scarce commodity in New York City. In fact, as of April 2005, nearly 130,000 households were on the New York City Housing Authority’s waiting list for a Section 8 voucher, while nearly 150,000 waited for public housing.⁶¹

In their November 2003 report on family homelessness prevention, the Special Master Panel recommended expanding the availability of rental assistance for families at risk of homelessness, including those who are working and not receiving public assistance.⁶² The New York State Assembly is considering a bill that would establish a rental voucher program for families not on public assistance who are working sufficient hours to meet the minimum public assistance work requirements but have incomes below 200 percent of the federal poverty level. We support passage of this bill.

Passage of the bill, however, cannot be assured and shelters currently have limited tools to reconnect families ineligible for HSP to affordable permanent housing. In July 2006, the city rolled out an initiative to help families with income, who are not eligible for HSP, to move out of shelter. That program offers two months rent to eligible homeless families who leave shelter for permanent housing. Some families are eligible both for this new benefit and a “one-shot deal” from the city’s Human Resources Administration, which provides a security deposit, broker’s fee, a furniture allowance, and covers moving expenses. Though this new program will help some families exit shelter, low-wage workers face an ongoing gap between their income and market-rate rents.⁶³ Many will require more than one-time assistance to help them afford their monthly rent.

We urge the city and state to develop additional rental support options for families who are ineligible for HSP, but have inadequate income to afford housing on the private market. Options to help these families exit shelter might include granting them priority access to NYCHA apartments and/or creating a local rental support program for working poor families and others who are ineligible for HSP. New York City could create a rent supplement program similar to the above-mentioned bill proposed by the State Assembly, but targeted toward working poor households and others in shelter who are ineligible for HSP, as well as for those who are at imminent risk of shelter entry. Because families would be able to access the program prior to shelter entry, there would be no incentive for a family to enter shelter to access the assistance. Such a

⁵⁹ Shinn M., Weitzman B., Stojanovic D., Knickman J., Jimenez L., Duchon L., James S., & Krantz D. “Predictors of homelessness among families in New York City.” *American Journal of Public Health* 88(1998): 1651-1657.

⁶⁰ Wong Y., Culhane D., Kuhn R. “Predictors of exit and re-entry among family shelter users in New York City.” *Social Service Review* 71 (1997): 441-462.

⁶¹ New York City Housing Authority. “Draft Annual Plan for Fiscal Year 2006.” <<http://www.nyc.gov/html/nycha/pdf/Draft20061.pdf>>.

⁶² The New York City Family Homelessness Special Master Panel was established in 2003 under an agreement between the Legal Aid Society and the City of New York and approved by the New York State Supreme Court. Their report entitled *Family Homelessness Prevention Report*, released in November 2003, is available at <<http://cccnewyork.org/publications/SMP%20Prevention%20Report%20FINAL.pdf>>.

⁶³ To afford a two bedroom apartment in New York City in 2005, a worker would need to make an hourly wage of nearly \$20. (National Low Income Housing Coalition. “Out of Reach 2005.” <<http://www.nlihc.org/orr2005>>). For the large majority of poor households New York City rents are increasingly unaffordable. Median rents in regulated rentals rose from 57 percent to 62 percent of poor households’ income from 1993-2002. The proportion of poor households paying at least 50 percent of their income for rent rose from 66 percent to 74 percent over the same period (Bach, V. “Making the rent: rent burdens and hardship among low income New Yorkers.” *Community Service Society* (1995)).

program would create a positive incentive for families in shelter to leave public assistance for work and would also assist New York State in increasing compliance with the minimum federal work participation rate and avoiding stiff fiscal penalties for non-compliance. Because of significant financial incentives for New York State to reduce shelter costs and avoid federal penalties, New York City should seek a state contribution toward financing the cost of a local program.

During the first four months of fiscal year 2006, after the HSP program was fully in place, shelters placed at least 43 percent more homeless families in unsubsidized housing than during the same period of the previous fiscal year, prior to the initiation of the HSP program.⁶⁴ Any increase in the number of unsubsidized placements is reason for concern because these placements offer the least protection against future episodes of homelessness. In fact, receipt of subsidized housing has been found to be nearly the only predictor of housing stability for families exiting shelter.⁶⁵ A 1997 study by Wong et al found that families placed in NYCHA public housing had the lowest rate of return to shelter compared to other types of placements.⁶⁶ Reports from shelter providers indicate that families who are not eligible for HSP face enormous difficulty securing affordable, permanent housing and are more likely to remain in shelter for extended periods or to exit shelter for tenuous and overcrowded, doubled-up situations (i.e. temporary living arrangements with family or friends).

To avoid long shelter stays, placements in unstable, unsubsidized housing, and/or placement of families that do not have a potential wage earner in HSP apartments, we recommend that the city and state develop affordable housing options for families who are ineligible for HSP. Such options would not only help families move more rapidly into permanent housing but would also create a positive incentive for families in shelter to work.

Reform the HSP program to encourage efforts to leave welfare for work

Mr. P is a single father with a teenage daughter. Mr. P found employment through the New York City Human Resources Administration, but he soon realized that if he kept the job he would lose his eligibility for public assistance and consequently HSP. He quit the job, but does not understand a public policy that forces him to choose between keeping a roof over his family's head and finding decent employment. He hopes that the program will be reformed to allow people to work and continue to receive rental assistance.

Currently, HSP beneficiaries who succeed in leaving welfare for work must assume 100 percent of the rent burden as soon as their public assistance case is closed. A single mother with two children working full-time at \$7.50 per hour, would make about \$1290 per month, and would be ineligible to continue receiving rental support even though, assuming no rent increase, she would need to pay nearly 72 percent of her monthly

⁶⁴ DHS. "Critical Activities Report – Family Services – Fiscal Year 2006." Current report available at <http://www.nyc.gov/html/dhs/downloads/pdf/familyfy06.pdf>. Both the FRAP and EIHP programs were eliminated prior to the start of fiscal year 2006; therefore, the category on the report labeled "other placements (FRAP, EIHP, private housing)" reflects only placements to unsubsidized private housing. Even if all of the placements counted in that category for the same period in fiscal year 2005 were also to private housing, the available data demonstrate an increase of at least 43 percent in families placed in unsubsidized housing.

⁶⁵ Shinn M., Baumohl J., & Hopper K. "The prevention of homelessness revisited." *Analyses of Social Issues (2001)*: 95-127.

⁶⁶ Wong Y., Culhane D., Kuhn R. "Predictors of exit and re-entry among family shelter users in New York City." *Social Service Review* 71 (1997): 441-462.

pre-tax income toward rent to maintain her HSP apartment. Similarly, a single adult working 25 hours per week at minimum wage, \$6.75 per hour,⁶⁷ would be ineligible to continue receiving rental support even though, assuming no rent increase, he/she could expect to pay 95 percent of his/her monthly pre-tax income toward rent to maintain his/her HSP apartment.

Because HSP recipients lose the full rent benefit as soon as they earn too much income to qualify for public assistance, the current program design results in an incentive to avoid securing a well-paid job. In order to eliminate work disincentives and reduce the likelihood that people housed through HSP will not be able to afford their apartments once they obtain substantial employment, we recommend continuing the rent supplement for households that return to work and earn too much to be eligible for public assistance, but not enough to afford their rent.

Reduce the amount of time homeless single adults must spend in shelter before accessing HSP

Relatively few homeless single adults have been able to utilize HSP to exit shelter and reconnect with affordable housing in the community.⁶⁸ Because HSP requires maintenance of an active public assistance case and requires the recipient to assume a growing rent burden, the program is ill-suited to the needs of most disabled single adults who are eligible for federal disability benefits. For other homeless adults, with a few modifications, HSP could provide a valuable avenue out of shelter.

The current HSP maximum rent for a single person is \$765,⁶⁹ and clients, service providers, and advocates report tremendous difficulty securing safe and decent apartments at that rate. Consequently, increasing HSP rents will be important to strengthening the utility of the program for homeless single adults. In addition, our survey found that 90 percent of homeless single adults were ineligible for the program⁷⁰ and that the most common reason for ineligibility was not having resided in shelter for nine of the past 12 months.⁷¹ We recommend reducing that length of stay requirement so that homeless adults who could benefit from the program are not forced to remain in shelter for nine months prior to accessing affordable housing through the HSP program.

Eliminate the annual step-down and time limit for children, the elderly, and the disabled

The New York City Human Resources Administration reports that, though they have succeeded in moving impressive numbers of people off of welfare and into work, a large portion of their current caseload is unable to work because they are children, are elderly, or are disabled. In fact, the agency acknowledges that, as of January 15, 2006, 41 percent of public assistance recipients were unable to work.⁷²

Under the current HSP program design, all households are subject to the annual 20 percent reduction in the rent supplement and a five-year time limit. This means

⁶⁷ New York State Department of Labor. <http://www.labor.state.ny.us/agencyinfo/minwage_home.shtm>.

⁶⁸ See page 17 of this paper for a discussion of key finding on homeless single adults.

⁶⁹ Department of Homeless Services. http://www.nyc.gov/html/dhs/html/rent/hsp_page2.shtml.

⁷⁰ See page 17 of this paper.

⁷¹ Ibid

⁷² New York City Human Resources Administration. "Public Assistance Weekly Caseload Engagement Status Report, January 15, 2006." HRA's most recent engagement report is available at <<http://www.nyc.gov/html/hra/downloads/pdf/citywide.pdf>>.

households must earn income to offset the annual rent benefit reduction regardless of whether the only adult is disabled or elderly. After five years, all HSP beneficiaries, including those who are children, elderly, or disabled will no longer receive any rent supplement. Although an active public assistance case is required to establish and maintain eligibility for HSP, in some cases, families leave shelter using HSP even though the head of household receives federal disability benefits. In these cases, HSP eligibility is established based on a child's active public assistance case. However, in the absence of programmatic reform, in households where the only potential wage earner has been determined by the federal government to be unable to work, the family is unlikely to maintain their apartment.

To minimize the number of households who will be unable to maintain their HSP apartments and the number who will be forced to return to shelter, we recommend eliminating the annual step-down and time limit for children, the elderly, and the disabled.

Create a safety net to keep those who are unable to offset the reduction/loss of the HSP rent benefit stably housed

As discussed, the findings of our study and previous studies raise questions about the viability of programmatic assumptions that all clients will be able to offset the 20 percent annual reduction in the rent benefit. Though an increase in the maximum authorized monthly HSP rents is necessary to increase placements out of shelter, we recognize that such an increase will be challenging for some formerly homeless clients to manage as they assume a greater portion of the overall rent burden. Currently, the annual HSP step-down and five-year time limit are applied arbitrarily and across the board regardless of households' ability to secure earned income that will allow them to afford rent. We recommend a more nuanced approach that recognizes the varying barriers that homeless families and single adults face as they pursue self-sufficiency. A good cause exemption policy would create a mechanism to continue rental support for those that have been unable to overcome significant barriers to self-sufficiency and would prevent costly re-entry into the city's shelter system.

Recognizing that some households will be unable to offset the annual reduction in their rent benefit and will risk losing their housing as a result, the New York City Council has introduced legislation that would create a local rent subsidy program to help HSP households maintain housing stability.⁷³ The program would be available to any HSP recipient that can demonstrate that the supplement reduction will subject them to the risk of losing permanent housing. We support passage of this bill.

Eliminate the full family sanction provision

The HSP program currently includes a full family sanction provision, which suspends the entire rent supplement when any member of the household is sanctioned by public assistance. For several years, the Pataki administration has sought changes to New York State's welfare program which would institute a similar full family sanction provision for all public assistance recipients. Recognizing the frequency of erroneous

⁷³ New York City Council. "Introduction 342." April 18, 2006. Text available at <http://webdocs.nycouncil.info/textfiles/Int%200342-2006.htm?CFID=197311&CFTOKEN=97530680>.

⁶⁸ Human Resources Administration. "HRA Public Assistance Weekly Caseload Engagement Status Report, January 15, 2006." The current HRA Weekly Caseload Engagement Status Report is available at <http://www.nyc.gov/html/hra/downloads/pdf/citywide.pdf>.

public assistance sanctions and the danger of penalizing children for the mistakes of their parents, the legislature has rejected these proposals.

Nevertheless, a similar full family sanction provision exists in the HSP program. Administrative data maintained by the New York City Human Resources Administration indicate that 25 percent of all public assistance recipients were either sanctioned or in the sanction process as of January 2006.⁷⁴ Since households are ineligible to receive public assistance to pay arrears accumulated during a period of sanction, households that are unable to secure scarce charitable resources to pay these arrears are likely to be evicted from their apartments. Those able to earn income sufficient to pay off arrears risk having their public assistance case closed and losing all rental assistance. To help stabilize formerly homeless households and minimize costly returns to the emergency shelter system, we recommend elimination of the HSP full family sanction provision.

Create a pilot program that allows HSP households to get information about and resolve basic issues with their PA case through a toll-free phone service

Any disruption to a household's public assistance status also results in disruption to their HSP rent benefit. Consequently, rapid access to public assistance case information and expeditious resolution of any issues impacting a household's case is critical to avoiding rental arrears. When HSP households are facing housing court proceedings for non-payment, this information and the ability to quickly resolve issues becomes even more important. Currently, HSP recipients from across the city must travel to welfare centers located in upper Manhattan to obtain information about and resolve any issues regarding their public assistance cases. For individuals who are trying to maintain paid employment and get off of welfare, frequent trips to a distant office means time away from the job. The ability to access public assistance information and resolve basic issues over the phone would support housing stability and reduce barriers to employment for formerly homeless households.

Conduct additional research to confirm and expand upon the findings of our study

We acknowledge the limitations of our study as discussed in the methodology section and recommend that additional research be conducted both to confirm our findings and to examine the broad range of longitudinal outcomes for homeless families and single adults placed in permanent housing through the Housing Stability Plus program. We recommend that additional research address the following questions:

- How do formerly homeless households placed in HSP apartments fare compared to households placed through stable subsidized housing programs with policies that tie tenant rent burden to household income?
- How do shelter re-entry rates, eviction rates, formal/informal foster care placement rates, arrears accumulations, and housing stability compare for formerly homeless households placed through the HSP program and those placed through Section 8 and/or other subsidies?

- What are the most prevalent problems faced by HSP tenants who have not maintained stability? How prevalent are those problems?
- How have clients coped with risks to housing stability (e.g. arrears accumulated due to step-down or sanction and serious apartment quality or overcrowding issues)?
- Are there longitudinal differences in educational attainment, food security, and/or household income between formerly homeless households in the HSP program and other housing subsidy programs?
- Are the savings realized through the time limit and step-down in the HSP rent supplement offset by public expenditure in other areas?

For more information about the recommendations contained in this report please contact Homeless Services United at 70 W. 36th Street, Suite 1404, New York, NY 10018; 646-827-2272; or info@hsunited.org.

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Homeless Services United (formerly the Council on Homeless Policies and Services) is a coalition of nonprofit agencies serving homeless and at-risk adults and families throughout New York City. HSU provides advocacy, information, and training to member agencies to expand their capacity to deliver high-quality services. HSU advocates for expansion of affordable housing and prevention services and for immediate access to safe, decent, emergency and transitional housing, outreach and drop-in services for homeless New Yorkers. Homeless Services United promotes effective solutions to end the crisis of homelessness in New York City. Please visit us at www.hsunited.org.