THE BUSINESS OF HOMELESSNESS

Financial & Human Costs of the Shelter-Industrial Complex

Picture the Homeless Research Committee, 2018

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Executive Summary

This report is the product of a year-long investigation by Picture the Homeless's research committee into the fiscal policies and priorities that influence the lives of homeless New Yorkers. As the city's homeless shelter census has grown to a record high of over 60,000 people, the city has also seen its spending on shelter increase to an all-time high of over $1.8 billion, with an additional $650 million in capital funding allocated to upgrade and expand the shelter system in the next 10 years.

By failing to create new units... the city is ensuring that shelter entry will continue at pace for the foreseeable future.

At the same time, Mayor de Blasio's housing plan — lauded as the most ambitious affordable housing plan in the country — has fallen short in providing new units of housing affordable to households most at-risk of homelessness, including individuals and families working low-wage or part-time jobs, those relying on social security income/disability pensions, and countless others in shelter, on the streets, living doubled-up, sleeping on couches of friends or family, in their cars, or simply struggling to hang on to the city's severely limited low-income housing units. Moreover, the plan's emphasis on neighborhood rezonings and market-driven housing production in the city's lowest income neighborhoods has left many communities concerned that the city's housing agenda is not only failing the lowest income families, but also actively promoting displacement and gentrification. For these communities, the mayor's housing plan amounts to nothing more than a smoke screen — investing in housing that misses the mark for those most vulnerable to evictions and homelessness, while adding fuel to the fire in communities already facing widespread displacement due to gentrification.

When faced with critiques about the administration's failure to address the housing needs of New Yorkers at the very lowest income, administration officials repeatedly cite the outsize cost of subsidizing housing for the most vulnerable. According to these officials, truly affordable housing that rents at $500 a month or less is "not sustainable" and "not financially feasible," and cannot be developed at a rate to keep pace with the need. At the same time, however, the city is paying just over $1 billion this year to meet its mandate to provide shelter for these very households.

This report investigates the causes and consequences of the administration's budgeting priorities, investigating where the money is being allocated, how it is being spent, and how the city's fiscal priorities could be adjusted to support permanent, stable, and decent housing for the lowest income New Yorkers. What we found is that it is not only possible to build housing for community residents of the lowest-incomes, but that doing so would prove more financially sustainable in the long-term for our city.

KEY FINDINGS:

The city says it is too expensive to subsidize housing for households of extremely low income, when actually it is more expensive not to. By failing to create a meaningful number of new units of housing for households earning below $20,000/year, the city is ensuring that shelter entry will continue at pace for the foreseeable future. Without substantive changes in rates of shelter entry and exit, the budget for shelter operations will increase by over $325 million in city tax levy funds by 2022, above an already record-setting $1 billion allocation of city funds. Even at current capacity and cost, the city could finance its share of the cost of housing every homeless family with the money that it is already set to spend on operating shelters over the next 3 years. Over the next 7 years, the city will spend more on operating shelters than the amount of city subsidy required to create new housing for every single homeless household in NYC.

DHS's expense budget relies heavily on contracts — primarily with nonprofit shelter service providers — but the services provided are inadequate and wasteful of city resources. While the city spends millions on security, staffing, housing assistance, and maintenance in shelters, the experience of residents living in poorly maintained, under-staffed, and unsafe shelters indicates that this spending has not accomplished its intended results. This is compounded by a significant lack of DHS oversight over shelter-related spending by contracted nonprofit service providers, which accounts for the vast majority of annual DHS spending.

Short-term rental vouchers are a band-aid, not a solution. Although the city's efforts to assist households out of shelter through the use of housing vouchers have helped to stabilize the shelter census, we know they are not a long-term solution to the homelessness crisis. Due to an under-supply of reasonably priced rental housing, households with vouchers continue to struggle to find rental units they can afford. Many are not eligible for rental assistance, lost within a web of complicated eligibility criteria. Those who are able to find housing with a rental voucher still struggle to secure permanent housing, due to the limited term of the subsidy and instability in unregulated rental units.

The funding for shelters can be moved into housing — especially city tax levy funds and capital funding for shelters. PTH identified three mechanisms through which the city can shift funding from shelters into deeply and permanently affordable housing. We know there are solutions, and hope the city will embrace a more sensible approach to how it allocates resources to housing/homelessness.

Budgets are not published in a way that is easy for the public to read or understand, let alone speak out on. This prevents us from understanding key decisions that affect our lives, and taking steps to change them. The annual budget is one of the most important documents for understanding our government's policy priorities — and identifying whether or not our elected officials are "putting their money where their mouth is." But these critical policy decisions aren't published in a way that makes them accessible to everyday New Yorkers who are most affected. This is a severe disconnect, and prevents us from understanding the real impact of present-day financial decisions on the future shape of our city.

GLOSSARY

One of the ways that everyday New Yorkers are disconnected from the budget and policy decisions that affect us is through the use of inaccessible jargon and technical language. While we do use some of this language in our report, Picture the Homeless is committed to making our research accessible to everyone — so we created the glossary below as an introduction to key concepts in budgets, contracts, and housing finance.

AREA MEDIAN INCOME (AMI): Area Median Income is a standard established by the U.S. Department of Housing and Urban Development. The standard looks at all the reported incomes in a single area (i.e. New York City) by household size and finds the median or middle of this range. For example, a single person earning $40,000/year in New York City would be defined as below 60% AMI, while a single person earning $10,000/year would fall below 15% AMI.

EXPENSE BUDGET: The expense budget is used to pay for everyday operations/services of the city, including staff salaries, materials, rent, and similar overhead and administrative costs. Revenue for New York City's expense budget can come from the city tax levy, state and federal funding, or other sources (i.e. fees charged for city concessions or services).

CAPITAL BUDGET: The capital budget is used to pay for major investments that have a lifespan of many years in the future (i.e. a bridge, a new school building, a new park.) Since future generations will benefit from the use of the project, these investments are often paid for using debt. If expense budgets operate like a bank account (money either saved or being used to pay directly for everyday expenses), capital budgets operate more like a credit card, with debt being paid back over the course of many years.

CITY TAX LEVY: funding collected from New York City taxpayers annually. Unlike state/federal funding which is often restricted to specific needs and purposes, city tax levy funds can typically be used for a variety of purposes according to agency needs and priorities.

FISCAL YEAR (FY): The fiscal year is the year that begins when the budget is passed and ends 12 months later. In New York City, where budgets are typically approved in June, the fiscal year begins on July 1 and continues until June 30th of the following year.

RENTAL SUBSIDY: A rental subsidy is any program where the city, state, or federal government assists in the monthly payment of rent. Generally, subsidy programs establish a maximum rent that can be paid with government assistance and define what portion is paid by the subsidy recipient and the government based on household income.

LOW INCOME HOUSING TAX CREDIT (LIHTC): LIHTC is an affordable housing finance tool used to raise money for major housing projects with significant up-front expenses. Under LIHTC, investors can provide up-front capital for housing projects in exchange for tax credits that reduce their annual tax burden. LIHTC capital funds are usually awarded by local or state housing finance agencies to projects that provide affordable housing. A portion of units in LIHTC projects must serve households at or below 60% AMI.

DEBT SERVICE: This refers to the amount of money a developer has to pay back to the city for low-interest loans and other financing used to build a housing project. The city's housing development term sheets usually establish a required rate of debt-service repayment, a cost which is generally passed on to tenants in the form of higher rent.

TERM SHEETS: Term sheets are the documents used by HPD to define what kind of housing a project must include (homeownership vs. rental, affordability ranges, unit sizes, etc.), the responsibilities of the developers who apply for HPD funding, and the amount of support HPD can offer to support the project. Term sheets are guidelines more than rules, but give us a good read of the range of options available to developers who seek to build or preserve affordable housing with city funding. Some term sheets we have looked at include:

EXTREMELY LOW AND LOW INCOME AFFORDABILITY (ELLA): This term sheet focuses on extremely-low income, very-low income, and low-income renters, as well as supportive housing.

MIX AND MATCH: This term sheet is designed to build mixed-income housing by requiring that developers construct units affordable to households of many different income tiers, including extremely low-, low-, and moderate-income households.

SENIOR AFFORDABLE RENTAL APARTMENTS (SARA): This term sheet creates housing for seniors, including seniors of low, very-low, and extremely-low income.

NEIGHBORHOOD CONSTRUCTION PROGRAM (NCP): NCP is used to create housing in smaller buildings (45 units or less) on "infill" lots. This program is being tested in vacant land throughout the city, and serves people up to 165% AMI.

OUR SPACE INITIATIVE: Our Space is an additional financing mechanism that HPD can layer on top of its existing term sheets, in order for a portion of units to rent to homeless households at the "shelter allowance" rents set by the state (see *Shelter Allowance, next column*).

SHELTER ALLOWANCE: New York state establishes a "shelter allowance," for households who are homeless and on public assistance, which actually refers to how much the state will contribute towards paying that household's rent. The shelter allowance is very low, around $215 for a single adult and $450 for a family of four with children.

SUPPORTIVE HOUSING: Supportive Housing is a form of housing for formerly homeless people that combines affordable housing income with support and services. This form of housing is part of a "housing first" approach to chronic homelessness, and was developed to focus on households who were chronically homeless and had co-occurring medical, mental health, or social services needs. Not all homeless people are eligible for all supportive housing, which is historically designed for households with documented mental or chronic physical illness (i.e. HIV/AIDS), addiction, history of trauma/abuse, veteran status, grandparents caring for grandchildren, youth aging out of foster care, and other populations vulnerable to chronic homelessness.

Why the Budget? Why now?

The annual adopted budget may be the most important policy document affecting the day-to-day experiences of everyday New Yorkers. It is both a blueprint to the everyday operations of our city government and civil services, and a visioning document that predicts the major spending commitments our city will make in the next decade. If someone wants to know the forecast for New York City's future, the budget is the best indicator of where we are now and where we are going as a city.

In the context of homelessness and housing, the budget is all the more critical. Since 2014, Mayor de Blasio has made affordable housing a linchpin of his administration's progressive platform, releasing a plan in 2014 to create or preserve 200,000 units of affordable housing. While de Blasio's plan presented a step in the right direction following on a more conservative Bloomberg housing agenda, tenants' rights and homeless activists were quick to observe that the plan's focus on households at 50-80% AMI (between $34,360-$68,720 for a household of three) put it largely out of reach to New York City households most severely at-risk of displacement and homelessness.[1] The mayor's focus on these income bands, at the exclusion of households most vulnerable to displacement and homelessness, led many to ask the question: Affordable to Whom?

These concerns were further amplified with the adoption of the Mayor's Mandatory Inclusionary Housing (MIH) proposal by the City Council in 2015. The proposal leveraged floor area increases through rezoning in order to require landlords to provide a set-aside of affordable units in private housing, without any need for subsidy.[2] The policy has been presented as a cost-effective solution for affordable housing, requiring the private market to produce units without any cost to the city. But the devil is in the details: the MIH proposal approved by the council required only 25-30% of units in private buildings to be affordable to households earning between 60-80% AMI (an annual salary of $42,950-$68,720 for a family of three) but in many of the neighborhoods where MIH was set to be implemented — low income neighborhoods like East New York, East Harlem, and the Jerome Avenue corridor in the Bronx — most residents would not be eligible for any of the units created through MIH.[3]

Residents and community groups in neighborhoods targeted for rezoning campaigned for housing that more accurately reflected existing local incomes, and lobbied for additional subsidies in local affordable housing developments, especially those built on public land. In response to these demands, city officials had a ready answer: subsidizing a significant amount of housing for households at the lowest incomes was too expensive and not economically viable in the long term; new units of housing for residents of extremely low income could only be possible if tied to a greater number of units at market rate rents or, in some cases, "affordable" rents that met or exceeded the market rate in rezoned neighborhoods."[4]

Effectively, the city representatives seemed to be saying that the only way to create housing affordable to existing neighborhood residents was to invite substantial market-rate housing — with its own potential to invite and accelerate displacement — along with it. But none of the workshops called into question the causes for the city's lack of adequate resources for housing affordable to residents of extremely low income, or questioned whether more subsidy for deeply affordable housing could be made available.

At the same time, many of the neighborhoods targeted for rezoning were also suffering from some of the highest rates of homeless shelter entry in the city, with anywhere from 300-500 families entering each year. According to

1 This and all subsequent AMI-to-income translations are based on NYC HPD's "What is Affordable Housing?" website, specifically the table "2017 New York City Income Limits by Household Size". Online: http://www1.nyc.gov/site/hpd/about/what-is-affordable-housing.page; According to NYU Furman Center, "State of New York City Housing and Neighborhoods in 2016," (pages 10-11) approximately 20% of New York City households earn under $20,000/year and fall below the poverty line.

2 Occasionally, HPD can add subsidy to MIH eligible projects to achieve deeper affordability. This is allowed but not typically required.

3 NYC Department of City Planning, "Mandatory Inclusionary Housing." Updated: March 22, 2016. http://www1.nyc.gov/site/planning/plans/mih/mandatory-inclusionary-housing.page

4 For example, in East New York, the 2016 median asking rent (a reasonable estimate of the "market-rate" rent for the neighborhood) was about $1110 in 2016, just under the rent for an HPD one-bedroom unit affordable to households at 70% AMI. (Source: NYU Furman Center, State of New York City's Housing and Neighborhoods 2016, Brooklyn Community District 5 [East New York/Starrett City.])

"One brush is painting the landscape of what New York City will be in the next 20 years. It will be for people of a certain income, and everyone else will be displaced, transient, couchsurfing, or doubled up, and will not be able to have permanent housing."

— Llima Berkeley, PTH member.

DSS data on family shelter entries, East New York (11207 and 11208) and Morris Heights/University Heights (10453) were among the top ten zip codes for shelter entry in 2014, 2015 and 2016. East New York led the city in shelter entries, with 900 families entering shelters from this zipcode in 2015 alone.[5] And East Harlem, the only neighborhood targeted for a large-scale rezoning in Manhattan, routinely has the highest rates of family shelter entry in the borough.[6]

In response to growing rates of shelter-entry and street homelessness in New York City, in February 2017 the de Blasio administration released "Turning the Tide on Homelessness in New York City," a plan which proposed the closure of unsafe and expensive cluster-site and hotel shelters, to be replaced by 90 new or expanded shelters. The plan, which committed to a 45% reduction in shelters overall, proposed a borough-based approach to shelters, with the goal of keeping homeless shelter residents close to their communities and local support systems.[7] While on the one hand this approach sought to limit the complications and dislocation of shelter entry for households, on the other hand it revealed the failures of the city's backwards priorities on housing and homelessness: while New York City couldn't find the resources to invest in housing affordable to residents of extremely low income in areas with high rates of shelter entry, it could easily dedicate resources to expanding shelters — at an average cost of over $62,000 per family per year — in the same neighborhoods.[8]

While the city has an ethical responsibility and a legal "right to shelter" mandate to provide shelter services to eligible households in need, there is no such imperative that the city ensure these households have a basic right to housing. This means that the city must continue to channel a growing share of its tax levy resources into homeless shelters — upwards of $1 billion dollars a year — but is under no obligation to channel resources to address the root causes of homelessness.[9] The "Turning the Tide" plan demonstrates that the city has accepted an expanded shelter system as the status quo for the foreseeable future.

In multiple testimonies, public statements and even the "Turning the Tide" report, the de Blasio administration has been quick to point out the relationship between the city's large-scale loss of affordable housing units to its rising rates of homelessness. But in spite of these widely accepted facts on the ground, the annual capital budget for housing has not made significant investments in replacing even a fraction of the housing needed for those earning under $20,000 a year, or well below 30% of the AMI. In three years, the city created only 4,430 newly constructed units of housing affordable to roughly 672,000 households earning under $20,000/year—approximately one unit for every 191 extremely-low income households.[10]

In 2016, under pressure from housing advocates citywide, HPD and the mayor committed to invest an additional $1.9 billion in the capital budget to create and preserve additional units of housing for households earning up to $40,000 annually. While this was a welcome and important investment, it failed to address that roughly half of these households earn well below the baseline incomes for even the most affordable new units

5 NYC Department of Social Services, FOIL request, 2016.

6 Ibid.

7 City of New York, "Turning the Tide on Homelessness in New York City," February, 2017, pages 85, 93.

8 According to the Mayor's Office of Operations Fiscal Year 2017 Mayor's Management Report, the average daily cost of a family with children in a shelter is $171.

9 NYC Office of Management and Budget, "Financial Plan Expense," in *February Financial Plan*, *fiscal years 2018-2022*, February 1, 2018.

10 New construction data is pulled from an HPD FOIL, received on August 9, 2017. The actual number of extremely low income new construction starts as of March 31, 2017 was 3,503. Household income data is drawn from the U.S. Census Bureau, 2011-2016 American Community Survey 5-Year Estimates.

constructed through Housing New York. In other words, while de Blasio's Housing New York plan has seen a shift towards deeper affordability, the new units proposed still do not reach deep enough to meet the needs of New Yorkers most at risk of displacement and homelessness. For these households — amounting to close to one-fifth of New York City's population — the city must increasingly rely on a limited set of tools, including public housing, rental assistance (including Section 8, LINC, and CityFEPs), or the city's homeless shelter system. And with federal cuts to project based section 8, moving-to-opportunity vouchers, and other sources of income-targeted affordable housing, the situation facing New York City households of extremely low income is likely to become more dire.

The city's inability to create new housing to prevent this crisis ensures that homeless shelters will remain in business for years to come.

This is not just a problem at the level of local fiscal policy, but extends to state and federal policy as well. When it comes to family homelessness, the city relies heavily on state and federal funding for homeless shelters, but receives inadequate funding from non-city sources to assist families of the lowest incomes to secure permanent housing. While the state and federal government channel upwards of $700 million per year to provide services to households in family shelters in New York City, the state will only pay between $215 (for a single adult) to $450 (for a family of four) towards rental assistance — less than 1/5 of the asking rent for a New York City apartment.[11] Although this report focuses on the city's financial policies, backwards funding priorities at the state and federal level have undoubtedly contributed to the problem. With the possibility of severe and disastrous cuts to key federal affordable housing programs in the future, this situation is likely to worsen, putting critical New York City housing initiatives at great risk. These shifts in state and federal funding will require the city to take a hard look at its fiscal priorities, and to evaluate the best use of limited city tax levy and capital funds.

PTH members recognize that the city's mandate to provide shelter is a necessary social safety net for many New Yorkers. But the system that we experience every day is no longer a safety net, and has become an increasingly permanent last stop for extremely low-income New Yorkers — at great personal and public cost. The city's inability to create new housing to prevent this crisis ensures that homeless shelters will remain in business for years to come.

In this report, we propose working solutions that could address our present-day homelessness crisis at its source, while saving the city millions of dollars in the process. We know that money can be diverted away from wasteful shelters and into thriving and stable housing and neighborhoods — the question is whether government agencies are willing to shift our budget to address the needs of people working part time and low-wage jobs, seniors and others living on fixed incomes, people going to school, raising families, and many more whose housing, health and economic stability is on the line.

11 NYS Office of Temporary and Disability Assistance. "Temporary Assistance for Needy Families (TANF) State Plan 2018-2020." https://otda.ny.gov/policy/tanf/: NYC Median Asking rents are reported to be $2750 according to NYU Furman Center, "State of New York City's Housing and Neighborhoods in 2015," pg. 36.

Methodology

CONTEXT

The story of this research project begins with a document familiar to anyone who has ever stayed in the city's shelter system — the public assistance budget letter. These letters, issued by the NYC Human Resources Administration, document exactly how much is spent on New Yorkers in shelter on a monthly basis — usually upwards of $2500/month, and sometimes $5,000/month or more. PTH members have long wondered: how could the city spend more on their shelter stay than the cost of a market-rate apartment? And who benefits from a system so costly for government, for taxpayers, and for homeless people themselves?

MONTHLY CASE LEVEL ENTRIES | MONTHLY SUFFIX LE
SUFFIX DATA
FR CODE | PA SUF ID 01
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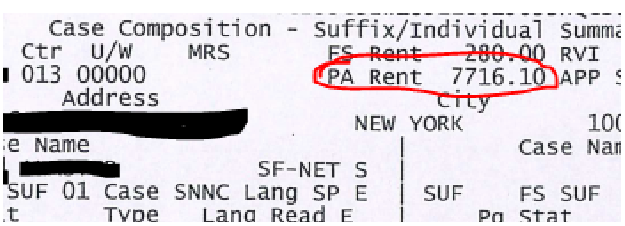
PRO IND | STATUS AC
SHELT TY 30 |
ACT.SHELT 0.00 | PA SHELT 2325.66
NO. BDRMS | NO. IN SUF 1
WATER AMT | RTG CODE
FSUA IND X | ADDL. TYPE
HEAT TYPE | ADDL. AMT
FSUA AMT | FUEL CODE

Excerpts from public assistance budget letters for a resident of the single adult shelter system (above) and a couple in the adult family shelter system (below).



Case Composition - Suffix/Individual Summa
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In the words of PTH co-founder Anthony Williams: "Once we give a provider our Social Security number, our Medicaid card, that's money from the government. Every homeless person you see is worth big money."[12]

In this investigation, PTH members sought to understand where this figure came from, and what exactly it was paying for. For our research committee members, it was difficult to reconcile the services they receive in shelter — dilapidated conditions, lack of housekeeping or maintenance, packaged TV-tray style meals, and limited access to case management services — with the per diem cost of their stay, an average of between $99-171 per day.[13] As the experts on the range of services and conditions found in actual city-operated and non-profit contracted shelters, research committee members had direct and invaluable insights into the realities of shelter spending.

Our research also built on one component of the mayor's 5-borough, 10-year housing plan — a commitment to "shift funding from high-cost homeless shelters to lower-cost permanent housing."[14] In the plan, Mayor de Blasio stated that the city would "pilot programs to reallocate a portion of shelter funding to finance lower-cost permanent housing for homeless individuals and families."[15] PTH members were motivated by this idea, which they had long demanded, and a new area of research emerged — how could shelter spending be moved to help subsidize extremely low-income housing? What budgets could this funding be drawn from, and where would it go? And most importantly, what would be the overall impact of diverting funding from shelter into housing — essentially using funds for shelter to prevent shelter entries at the source?

DATA COLLECTION:

To inform our research, we looked to several key data sources. First and foremost, we collected a range of budget letters for clients in both single-adult and family shelters. The amounts in the letters ranged from a low of $2,275 per month for a single adult sheltered on Ward's Island, to just over $7,700 for an adult couple living in a Manhattan hotel shelter. This was perplexing to us. Why were some budget letters so much higher than others, and what was all the money paying for?

To better understand these budget letters — and the

12 Donna Lamb, "Anthony Williams: Homeless People Are Worth Big Money." Greenwich Village Gazette, January 11, 2002.

13 City of New York/Bill de Blasio, "Fiscal 2017 Mayor's Management Report"New York: September, 2017, page 209. http://www1.nyc.gov/site/operations/performance/mmr.page.

14 City of New York, Mayor Bill de Blasio (2014) "Housing New York, a Five-Borough, Ten-Year Plan," page 11.

15 Ibid.

scope of New York City's housing and homelessness budgets more generally — we took a field trip to the Independent Budget Office, a nonpartisan agency tasked with analyzing the city budget and making it accessible to a broader public. There, we met with two budget analysts focused on the housing and homelessness budgets, who taught us how to read the budget, including the sources of revenue, for housing and homelessness, and the ways in which funds are allocated. This session gave us a roadmap for understanding the city budget, which we could apply to our investigations into the FY2018 budgeting process. More importantly, we learned that shelter budget letters directly correspond to the cost per client of existing city contracts with shelter providers, which led us to a new area of research — homeless shelter contracts.

Following up on this lead, we sent out FOIL requests to the city Comptroller's office, seeking a range of city shelter contracts (the NYC Comptroller oversees the certification of all contracts and tracks spending to contracted service providers throughout the year).[16] The contracts covered a range of shelters— including hotel and cluster-site shelters—and many included budgets that clarified annual spending on line items like food, furniture, transportation, office overhead, and staffing. These contracts were essential in understanding how every dollar accounted for in the budget letters is allocated, and allowed us to begin to match up the spending to individual experiences in shelter. Additionally, we used the Comptroller's online spending database, "CheckbookNYC" to access a list of all DHS contracts for the fiscal year, covering everything from the food provided in shelters to the buses used to transport families between shelters, to the security services on site. This gave us a big picture view that we could compare with our deep dive into individual shelter contracts.

While investigating the city's spending on shelter service contracts, we also looked closely at the way the city allocates money towards affordable housing. To this end, we took a close look at the city's existing term sheets for developing housing for households of extremely low-income. We focused specifically on term sheets for new construction, including ELLA (the extremely-low and low income affordability program), Mix and Match (mixed income rental program), SARA (senior affordable rental apartments program), and the Our Space Initiative which subsidizes supportive and non-supportive housing for extremely low-income homeless households at rents based on the state shelter allowance rates. Analysts at the IBO helped us to determine the city's capital investments in these programs in the FY2017 and FY2018 budgets, and were also able to share with us how many units of extremely low income housing had been financed by the city in FY2016.

In addition to exploring budget allocations, PTH members also investigated the city's recently published data from the first three years of Housing New York (HNY) and in particular the city's track record in providing housing for households at-or-below 30% AMI. We focused on new construction units and took a close, project-by-project look at the type of housing created, and for whom it was available. We conducted online searches on every project listed in the city's Housing New York open data file that contained any units of extremely low income housing, to see how the projects were funded and who they served. Among other things, we found significant overlap between supportive housing, senior housing and extremely low income housing, suggesting that the vast majority of new units created under HNY for extremely low-income households were restricted to either seniors or to populations eligible for supportive housing, while excluding a larger population of extremely low-income households.

A major interest of our research committee was on the challenges facing homeless New Yorkers attempting to move out of shelter and into permanent housing, including members holding rental vouchers through LINC, CityFEPS or other rental assistance programs. Since housing assistance and relocation services are part of most DHS contracts with shelter providers, we wanted to understand why so many of our members were struggling to move from shelter into housing. Specifically, we wanted to better understand the incentives for shelter providers to relocate residents (if any), and what barriers faced housing specialists and clients trying to successfully transition from shelter to rental housing.

To answer these questions, we took two approaches.

16 NYC Comptroller, Checkbook NYC, FY2017 (July 1, 2016-June 30, 2017). Retrieved October 6, 2017.

First, we sent a FOIL request to DSS to inquire about the agency's mechanisms for incentivizing providers to move clients out of shelters, like the PIP (provider incentive program) which paid financial bonuses to providers who met or exceeded monthly move-out-targets. Our FOIL request also asked for information on oversight of provider move-out rates, and specifically whether DSS compiled statistics on shelter provider performance with respect to assisting clients into housing, similar to a discontinued reporting mechanism, the Shelter Performance Report. In response to our FOIL request, DSS explained that it no longer provides financial incentives to providers based on move-out rates, and that DSS was "in the process of determining whether move-out expectations are codified or calculated by this Agency."[17] Nearly a year after our request was submitted, we received detailed quarterly placement data from DSS, which is analyzed and included in this report.

Additionally, we conducted a small focus group with two former housing specialists and one current case worker who routinely provided housing assistance to homeless clients through a large contracted nonprofit service provider. Our session was elucidating, and highlighted many of the challenges facing even the best-intentioned and most diligent social service workers. They untangled for us the complicated pathways from shelter into housing, and explained many of the barriers they came up against in their own work to support clients into permanent housing.

Finally, we met with several affordable housing finance experts, who helped us better understand how city tax levy funds could be leveraged to support housing that was more affordable to homeless people and those at risk. In the Spring of 2017, we met with Moses Gates of the Regional Plan Association, who walked us through the basics of affordable housing finance, including Low Income Housing Tax Credit (LIHTC) financing. Following on that session, we met later that year with Ken Wray of CATCH Mutual Housing Association, a nonprofit housing provider who helped us explore different ways in which existing city funds spent on shelter could be invested into housing projects serving the lowest-income households, and helped us estimate the number of deeply affordable units that could be produced annually if funds were transferred from shelter into housing.

ORGANIZING METHODOLOGY

Like all effective participatory action projects, PTH members did not want our research to exist in a vacuum. We took our knowledge straight to the source — the city council's annual budgeting process. During the months of March and April, we studied the city's preliminary and executive budgets for housing and homelessness, and formed opinions on how the city could better allocate funding to support people living in shelter and on the streets. Five of our research committee members submitted oral and written testimony at the New York City Council's executive budget hearings, calling for a greater investment in deeply affordable housing, and increased oversight of shelter spending. Our testimony was a powerful moment, connecting the impact of the budget to human experiences — and, while they did not result in immediate changes to the FY2018 budget priorities, set a precedent to organize for much-needed changes in the FY 2019 budget. We are optimistic that our efforts have already had an impact; as a direct result of our organizing, we see groups citywide talking more openly and frequently about the cost of homelessness and the need to link housing investments directly to their impact on displacement of households to shelter.

17 Department of Social Services, Email Correspondance, May 2017.

FINDINGS

WHERE IS THE MONEY?

To begin to understand how money is allocated in the New York City budget, it's important first to distinguish between the expense and capital budgets.

TABLE 1: FY2018 EXPENSE FUNDING BY AGENCY

Agency	Total	City	State	Federal (CD+Other)
DHS	$1.8 billion	$1.04 billion	$166 million	$615 million
% of Total	-	57%	9%	33%
HPD	$1.3 billion	$147 million	$16.7 million	$1.1 billion
% of Total	-	11%	1.2%	83%

NYC Office of Management and Budget, "Financial Plan Expense." in February Financial Plan, Fiscal Years 2018 - 2022, February 1, 2018.

The expense budget is used to pay for everyday operating expenses—including personnel salaries, everyday maintenance and repair costs, supplies, and rent. This money comes from a variety of sources, including city tax revenues, as well as dedicated allocations from the state and federal government.

By comparison, the capital budget is used to pay for larger and more expensive projects with a life span of several years—things like bridges, a new building, or a major renovation—that have a long term benefit to city residents now and in the future. In order to distribute these costs equitably, the city generally funds these projects by taking out debt, which is paid back over time. This means that present day users and future users share the burden of paying for a major project, rather than placing the burden on present-day taxpayers.

DHS BUDGET: EXPENSE AND CAPITAL

When it comes to the shelter system, most funding comes from the expense budget, since DHS is paying for the daily costs of providing shelter, including rents, meals, support staff, and other immediate needs. The funding in the expense budget is split between city tax levy funding and state/federal funding used to provide emergency housing, primarily for families with children. The expense funding for shelters has been on the rise for several years and surpassed $1.7 billion in FY2017.[18] In FY2018, the city budgeted over $1.823 billion in expense funding for DHS, roughly $1.3 billion of which is dedicated to shelter operations; however, this number is expected to rise over the course of the year as shelters adjust to increasing rates of entry.[19]

TABLE 2: FY2018 CITY/STATE/FEDERAL SHARE OF SHELTER FUNDING, BY FACILITY TYPE

Facility Type	City	State	Federal	Total	% City Tax Levy
Single Adult	$371 million	$74 million	$8 million	$453 million	82%
Adult Family	$50 million	$9 million	$14 million	$73 million	69%
Families with Children	$302 million	$62 million	$480 million	$845 million	36%
TOTAL	$723 million	$145 million	$502 million	$1.37 billion	-

Source: IBO, via email correspondence, July 2017.

The cost of shelter is split between city, state, and federal sources; however, the city is increasingly bearing the burden as the shelter system expands. At present, the city directly funds over half of the costs of the shelter system, and the majority of both the single adult and adult family systems, to the tune of $723 million per year (see Table 2). While the city's share of the cost of the family system is

18 NYC Office of Management and Budget, "Financial Plan Expense," in *November 2017 Financial Plan,* Fiscal Year 2018.

19 Ibid; Sarah Stefanski, Independent Budget Office, email correspondence, July 17, 2017.

lower, it has been on the rise for several years and the costs now approach those of the single-adult system. The city's share of this cost has increased from 32% in FY2014 to 36% in FY2018, an overall increase of roughly $129 million.[20]

Using per-diem shelter rates from the FY2017 Mayor's Management Report, we were also able to look at per household spending, on average, by city, state, and federal government:

TABLE 3: ESTIMATED PER HOUSEHOLD COSTS FOR SHELTER STAY, FY2017

	2017 Per Diem Cost	Av. # Days in Shelter	Per Household Av. Cost	Est. City Share of Cost
Single Adult	$ 99.46	383	$38,093	$ 31,236
Adult Family	$ 138.13	550	$ 75,971	$ 52,420
Families w/ Children	$ 171.21	414	$ 70,880	$ 25,517

Source: City of New York, "Fiscal Year 2017 Mayor's Management Report," page 209.

In addition to funding in the expense budget, the DHS capital budget allocates financial resources to make major renovations to existing shelters, and increasingly to build/expand shelters for more capacity. In FY2017, DHS capital funding was projected at roughly $350 million over the course of 10 years (roughly $70 million for FY2018.)[21] However, in FY2018 this projection has nearly doubled to $650 million, with roughly $133 million allocated for capital investments in shelters (including expansion) in 2018 (see table 4).[22]

HOUSING BUDGET: EXPENSE AND CAPITAL

The NYC Department of Housing Preservation and Development has a relatively small expense budget, dedicated towards operating its preservation, new construction, and enforcement programs. Among other things, this funding includes pass-through funding for NYCHA and Section 8 programs, code enforcement programs, the agency's legal department costs, and staffing for all departments. This year, the expense budget for HPD was roughly $1.3 billion (see Table 1), with the vast majority of this funding (over 85%) coming from the federal government.[23] A small percentage—roughly 11% —is projected to come from the city tax levy.

TABLE 4: FY2018 CAPITAL FUNDING BY AGENCY

Agency	2018	City	Federal	10 year
DHS	$136 million	$136 million	—	$650 million
% of Total		100%	0%	-
HPD	$1.97 billion	$1.93 billion	$35 million	$9.5 billion
% of Total		98.2%	1.8%	-

Source: "Ten Year Capital Strategy, Fiscal Years 2018-2027," "Capital Budget" in June 2017 Adopted Budget.

The capital budget for HPD, however, is considerably larger, at about $1.97 billion allocated for the coming fiscal year and a cumulative $9.5 billion projected for the next ten years.[24] This makes sense, since the agency is primarily focused on building and preserving housing projects that are expensive and provide long-term benefits.

RENTAL ASSISTANCE BUDGET (EXPENSE):

An additional area of spending worth examination is the New York City Department of Social Services' suite of rental assistance programs. In 2017 and 2018, spending for rental assistance programs including the Living in Communities voucher (LINC) and CityFEPs was expected to exceed $90 million and $95 million per year, respectively. [25]

20 FY 2014 data is drawn from: Sarah Stefanski, New York City Independent Budget Office, "Albany Shifts the Burden: As the Cost for Sheltering the Homeless Rises, Federal & State Funds Are Incresingly Tapped," October 2015.

21 NYC Office of Management and Budget, "Ten Year Capital Strategy, Fiscal Years 2018-2027," in January 2017 Financial Plan, Fiscal Years 2017-2021, January 24, 2017.

22 NYC Office of Management and Budget "Ten Year Capital Strategy, Fiscal Years 2018-2027," in April 2017 Executive Budget, Fiscal Year 2018, April 26, 2017.

23 NYC Office of Management and Budget, "Financial Plan Expense," in February Financial Plan, fiscal years 2018-2022, February 1, 2018.

24 NYC Office of Management and Budget "Ten Year Capital Strategy, Fiscal Years 2018-2027," in April 2017 Executive Budget, Fiscal Year 2018, April 26, 2017 and "Capital Budget" in June 2017 Adopted Budget, July 18, 2017.

25 Sarah Stefanski, "IBO analysis of Preliminary Fiscal Year 2018 Financial Plan." Via email correspondence, April 3, 2017.

How is the money being spent?

SHELTERS

New York City's Department of Homeless Services oversees hundreds of homeless shelters citywide. As of August, 2017, this universe included 586 shelter sites (including traditional shelters, hotel shelters and cluster site shelters) operated either by DHS or one of 77 contracted shelter service providers.[26] The vast majority of the costs incurred by DHS in Fiscal Year 2017—roughly $1.3 billion—went towards contracted service providers in adult and family shelters. The agency's top ten largest spending areas in fiscal year 2017 are detailed below.[27]

SPENDING CATEGORY	TOTAL EXPENSES
Homeless Family Services	$757.7 million
Homeless Individual Services/ Medical Services	$541.9 million
Payroll	$162.6 million
Security Services	$45.3 million
Food & Forage Supplies	$19.7 million
Maint & Rep General	$10.9 million
Prof Serv Computer Services	$10.7 million
Rentals - Land Bldgs & Structs	$8.2 million
Cleaning Services	$6 million
Construction-Buildings	$5 million
GRAND TOTAL	**$1,569,157,406**

As many homeless shelter residents can attest, services and maintenance standards in DHS and nonprofit operated shelters can vary widely from provider to provider and from shelter to shelter. With limited exceptions, however, the experiences of shelter residents point to a massive waste of resources, with shelter residents citing a lack of basic maintenance/repairs, inadequate services and case management, and an unsafe or unsanitary environment.

Accomodations in a non-profit operated single adult homeless shelter.

Standard provisions in single adult homeless shelters include a metal spring mattress wrapped in vinyl, and a locker in which all personal items kept on the premises must fit. Single adults typically reside in shared rooms with several roommates, and some dormitory-style facilities can house dozens of homeless single adults at the same time. Bathrooms are also shared, resulting in limited privacy for residents, particular in dormitory-style facilities.

Family facilities offer a slight improvement, typically ensuring that the family unit has a private space, but these spaces are wholly inadequate for ongoing residence, ranging from converted non-residential units (i.e. classrooms in schools) to cluster apartments in deteriorating rental apartment buildings to rooms in hotels without any cooking facilities or separate bedrooms for young children.

Shelter residents are subject to onerous rules and regulations, including nightly curfews and "bed checks," random room inspections, which can result in the disposal of personal property, and in certain cases restrictions on movement within the space (i.e. lack of access to public spaces in hotel shelters) and visitors/guests. With such substandard conditions so widespread, it is no surprise that homeless shelter residents are shocked to learn the price tag on their shelter stay.

26 NYC Mayor's Office, "Shelter Repair Scorecard: August 2017 Summary." August 31, 2017.

27 Data is drawn from NYC Comptroller, Checkbook NYC, "Total Spending, Department of Homeless Services, Fiscal Year 2017 (Jul 1, 2016- Jun 30, 2017)." Retrieved September 28, 2017.

With these concerns in mind, PTH's research committee took a line-by-line look at the amount spent on goods/services for shelter residents, and connected these costs to the tangible outcomes they experience every day in shelter.

CONTRACTED SERVICE PROVIDERS: $1,299,715,774.40

As noted above, the largest share of DHS spending is on contracted service providers, including shelter operators (nonprofit and private). The quality of services varies across providers, and sometimes even across shelters under a single provider's purview. Service providers contracted by the city are typically governed by contracts that establish requirements around ongoing case-management, housing assistance services, and repairs/maintenance obligations. In spite of these requirements, the experiences of shelter residents are extremely inconsistent. At best, housing specialists and case managers are overwhelmed and under-resourced. At worst, they are unprofessional, abusive, or negligent. Many residents reported infrequent meetings with case managers or housing specialists (when there are housing specialists employed on site.) A lack of attention to basic repairs and maintenance in cluster-site shelters—many of which operate without binding contracts with the city—has compounded to 13,687 violations across 206 buildings, or over 66 violations per building.[28]

Even as conditions in contracted shelters fail to meet established standards due to a lack of oversight and income, some nonprofit shelter providers have seen their budgets expand exponentially in the past several years. A small number of service providers make up the lion's-share of DHS's shelter contracts, receiving payments of anywhere from $25 million to over $100 million per year to operate city shelters.[29] This expansion of business has meant massive rewards for nonprofit executives, many of whom bring in salaries of anywhere from $250,000 to over $500,000 per year.[30] Meanwhile, "front line" workers directly interacting with clients earn far less. For example, a full-time case-worker or housing specialist at one DHS contracted family shelter earns between $40,000-$45,000/year, while a maintenance worker in that same family shelter earns just under $30,000.[31]

SECURITY SERVICES: $45,378,565.75

The sole contractor for security services through DHS was FJC Security Services in 2017 (this does not include additional security services contracted by nonprofit service providers). In spite of the major investment in FJC, many residents feel unsafe in shelters, and in recent years there have been several murders in the system, including that of Deven Black at Boulevard Homeless Shelter on January 27, 2016, Marcus Guerreiro at Bellevue intake shelter on April 15, 2016, and Rebecca Cutler and her two daughters Maliyah Sykes and Ziana Cutler, who were killed in a hotel shelter in February, 2016.[32] While DHS has increased its expenditures to ramp up security in shelters, this has not substantively created an environment where residents feel secure and safe.

Additionally, shelter residents report varying degrees of professionalism and efficacy by contracted security staff, some of whom are belittling and disrespectful to shelter residents. Some FJC personnel have been reported to use unnecessarily violent tactics with shelter residents, without repercussion and with minimal record keeping of incidents. Additionally, some shelter residents report that shelter security staff do not intervene in instances where incidents are caused by staff members. This is particularly problematic in the shelter system, where many residents are already under severe pressure (and some are managing mental illness,) and in which additional violence or hostility can compound an already stressful environment.

28 NYC Mayor's Office, "Shelter Repair Scorecard: August 2017 Summary." August 31, 2017.

29 NYC Comptroller, Checkbook NYC, DHS Top Prime Vendors, FY2017 (Jul 1 2016-Jun 30 2017.) Retrieved February 2018.

30 Nonprofit provider executive salaries were pulled from providers' New York State Charities Bureau registrations, which include IRS Form 990s.

31 NYC DHS, 2015 contract with Acacia Network Housing Inc, to provide temporary emergency housing and rehousing support to families, attachment #2A. Documents provided via FOIL request to NYC Comptroller, May 2017.

32 Ginger Adams Otis, et al. "Cops looking for killer of 55-year-old homeless man whose throat was slit in Manhattan shelter" New York Daily News, April 16, 2016. http://www.nydailynews.com/new-york/manhattan/nypd-probes-death-man-50-garroted-manhattan-shelter-article-1.2602595

FOOD AND FORAGE SUPPLIES: $19,766,343.04

The 2017 budget shows only three food suppliers, Ambassador, Whitsons, and Maramount.[33] While shelter service contracts typically include a 14-page long rider establishing NYC food standards, many residents opt not to eat the food served in shelter in favor of soup kitchens, pantries, or simply purchasing food on a limited budget. PTH members have reported that food portions are small and routinely cause food poisoning and indigestion. Occasionally pre-prepared foods arrive weeks after the expiration date. As a result, an enormous amount of food purchased for DHS residents is thrown away each day; at the same time, members report that DHS staff are instructed not to give residents more than one meal, even if asked for an additional portion.[34] The low quality and quantity of food in shelters can exacerbate health issues for shelter residents, or further strain limited economic resources if they opt to purchase food at their own expense.

MAINTENANCE AND REPAIRS: $10,901,618.10

This line item refers to major maintenance expenses including repairs to HVAC, x-ray machines, and elevators, painting contracts, and plumbing. But in spite of this investment, residents of NYC shelters report ongoing issues with repairs to their buildings which require serious ongoing maintenance. Currently, the city recorded 1,881 outstanding violations at non-cluster site shelters, however there are serious questions about the process of inspections and oversight into violations in shelters. While DHS claims to make surprise drop-in visits to shelter (known as "Callahan inspections"), shelter residents report that both residents and staff are aware of these inspections up to 2 weeks ahead of time. Picture the Homeless members have reported noticeable improvements in advance of these unannounced inspections, including maintenance and cleaning that does not occur on a regular basis, replacement furniture/mattresses, and sudden appearances of amenities not typically provided in shelter.[35] As a result, it's possible that outstanding violations or ongoing lack of maintenance or cleaning services that are obvious to residents are reduced or concealed during shelter inspections.

CLEANING SERVICES: $6,060,765.18

System-wide, DHS spent over $6 million annually on cleaning services in shelters (this does not include cleaning services paid for by subcontracted shelter providers), however this expenditure has a negligible impact on the cleanliness of shelters. PTH members report that they are regularly locked out of dormitories and restrooms during the day for cleaning purposes only to find that no noticeable cleaning has been performed, and restrooms not stocked with basics like soap, toilet paper, and paper towels (in some shelters, these items are only available by request from front-desk staff.) Occasionally, DHS staff perform random room inspections, in which personal belongings left out of lockers are disposed of. Shelter residents routinely report issues of rodent and insect infestations, in spite of close to $100,000 allocated to pest control services.

33 In 2014, Mayor de Blasio and the Department of Education discontinued contracts with the Maramount Corporation due to wage theft from its food service workers.

34 This experience was reported to us by a member living in a CAMBA operated shelter, and has been corroborated by other members.

35 This is a nearly universal experience among PTH members, many of whom have reported being able to predict an upcoming Callahan inspection due to observed improvements in maintenance and cleaning at their shelters one or two days prior.

Rental Assistance

To help reduce its existing shelter census, DSS has initiated several new and primarily city-funded rental vouchers over the past three years. These programs include the Living in Communities vouchers (LINC), the CityFEPS voucher (a city-funded voucher which serves a similar population as the state-level Family Eviction Prevention Subsidy or FEPS), and the Special Exit and Prevention Subsidy (SEPS). The city pays the majority of costs for its rental assistance programs, with the exception of two versions of the LINC voucher (LINC I and LINC II) and the CityFEPS voucher, which are partially funded by New York State.[36] In total, the city's investment in rental assistance vouchers will exceed $90 million in 2017 and 2018.

According to the DHS move-out data from March 2017, between July 2014 and February, 2017 20,183 households have exited the shelter system with some form of subsidized rental assistance (rental assistance voucher or a public housing placement). Of these, 15,110 households received some sort of rental assistance voucher, and 12,935 households exited with city- and state-funded rental assistance vouchers like CityFEPS, SEPS, and LINC. [37] This number has increased since that time; as of June 2017 DHS reported an additional 2,503 subsidized exits between February-June 2017, bringing the total subsidized exits to over 22,000 households.[38]

SHORTCOMINGS OF RENTAL ASSISTANCE

While the availability of rental subsidies has been an important step-up for many homeless households, there are severe limitations on both the effectiveness and the permanence of rental assistance programs:

- **Many households in shelter are not eligible for the city's rental assistance programs.** The city's voucher programs are structured around very specific populations (i.e. families where one member is working over 35 hours a week, single adults who have a disability, households in which one member is a documented survivor of domestic violence). These rigid requirements ensure that certain shelter residents are excluded from eligibility. In June 2017, for example, only 6,368 households were qualified for the LINC voucher—roughly 22% of the average number of households in shelter on a daily basis in 2017.[39] Additionally, no undocumented individuals in shelter are eligible for any form of public rental assistance. While family households of mixed citizenship status are eligible for rental assistance, the amount of assistance reflects only household members who are eligible for public assistance; if two members of a five person household are undocumented, that household would receive a voucher based on a family size of three.

- **Rental assistance programs are not a permanent safety net.** Households relying on vouchers like LINC and SEPS are limited to four lease renewals (five years) of assistance, and assistance within that time is also contingent upon their ongoing eligibility for Public Assistance benefits. CityFEPs, while available for longer than 5 years, is contingent on the household having children under the age of 19, meaning that households could lose the subsidy when their children age-out.[40] All vouchers rely on the continued availability of a unit affordable to the maximum rent established by the voucher (see below).

- **Rental assistance programs rely on the availability of affordable units.** Maximum rents for LINC, SEPS, and CityFEPS range between $1,213 for a one-person household to $1,515 for a four-person household. Anyone familiar with the NYC housing market, however, can attest to the very limited number of even studio apartments renting at-or-below these levels. As a result, many voucher holders are now seeking out

36 NYC Independent Budget Office, "Homeless Rental Assistance Increased but Impact on Shelter is Uncertain." (March 2015) & "Further Increases to Homeless Rental Assistance, But Additional Funds for Shelter Still Necessary" (May 2015.)

37 DHS, "Special Initiatives Move-outs and Placements LINC combined" (response to FOIL request.) March 24, 2017.

38 Stephen Banks, testimony before New York City Council Committee on General Welfare. "Transcript of the Minutes of the Committee on General Welfare," June 27, 2017, pg. 24.

39 Ibid.

40 DSS, LINC Documents Center, LINC I-VI Client Fact Sheets. https://www1.nyc.gov/site/dhs/permanency/linc-documents.page, retrieved February 2018.; DSS, SEPS Rent Supplement Program Fact Sheet. https://www1.nyc.gov/site/dhs/permanency/seps.page, retrieved February 2018; DSS, CityFEPS Rent Supplement Program Fact Sheet. https://www1.nyc.gov/site/dhs/permanency/cityfeps.page, retrieved March 12, 2018.

rooms, rather than apartments, in order to expedite their move out of the shelter system.

In addition to an undersupply of applicable units, DHS residents are also disadvantaged by persistent stigma and discrimination against voucher-holding tenants. This is not helped by a lengthy "lease-up" process which can take anywhere from two weeks to several months and involves more paperwork, inspections, and certifications than a more typical leasing process.[41] While DHS offers incentives to both landlords and brokers to accept LINC voucher-holding tenants, in many cases the length of the process and the level of paperwork required to finalize a lease-up may not outweigh the benefits.[42]

The result is a system where some households continue to struggle to find a landlord who accepts their voucher, while others are unable to secure a voucher at all. Once in housing, households may continue to worry about their ongoing eligibility for rental assistance, or the stability of their current housing situation.

LACK OF SUPPORT/TRAINING FOR DSS HOUSING SPECIALISTS

This situation is compounded by a lack of rigorous oversight or support for housing specialists and caseworkers responsible for connecting shelter residents to units. In an interview with three current and former housing specialists conducted by PTH members in May, 2017, it became clear that many of DHS's methods for connecting households to units are both ineffective and intractable. For example, one frequently employed method by DHS housing specialists is the so-called "bus tour," in which dozens of households are bused to view a limited number of units. These tours are both expensive and time-consuming, and result in a stressful environment for clients who are essentially competing against one another for a limited set of units.[43] In spite of the obvious ineffectiveness of these approaches, the housing specialists we spoke to discussed being discouraged from innovating or improving on existing methods.[44]

Additionally, housing specialists cited a lack of support and resources due to a competitive environment in which caseworkers, evaluated on their own success in moving clients out of shelter, are incentivized to hoard contacts and connections. In spite of a robust array of trainings on case management and social work, DHS also failed to provide adequate training on housing assistance to on-the-ground caseworkers seeking to improve their capacity to match households to units.[45]

As a result, efficacy can vary from caseworker to caseworker. As many homeless clients can attest, this leads to variable results from shelter to shelter and housing specialist to housing specialist, resulting in a system in which some households get adequate support while others are left to their own devices in finding and securing rental housing.

FALLING SHORT ON CONTRACTED PLACEMENT GOALS

Records received from DSS in November 2017 indicate that, regardless of size, providers across the board are failing to meet the minimum housing placements established by DSS on a quarterly basis. Fewer than five shelters met housing placement goals for every quarter throughout the year. Even in the family shelter system, where just over half of providers hit quarterly placement targets during at least one quarter, only one shelter

	Number of Shelters (Total)	Shelters that met DSS placement targets any quarter in FY2017	Shelters that met DSS placement targets in all quarters of FY2017
Single Adults	90	16	4
Adult Family	28	4	0
Families with Children	172	93	2

41 Interview with present and former DHS Housing Specialists. May 1, 2017.

42 DHS Rental Assistance Page, LINC Program. "Landlord Bonus Extended." https://www1.nyc.gov/site/dhs/permanency/linc-program.page

43 Interview with present and former DHS Housing Specialists. May 1, 2017.

44 Ibid.

45 Ibid.

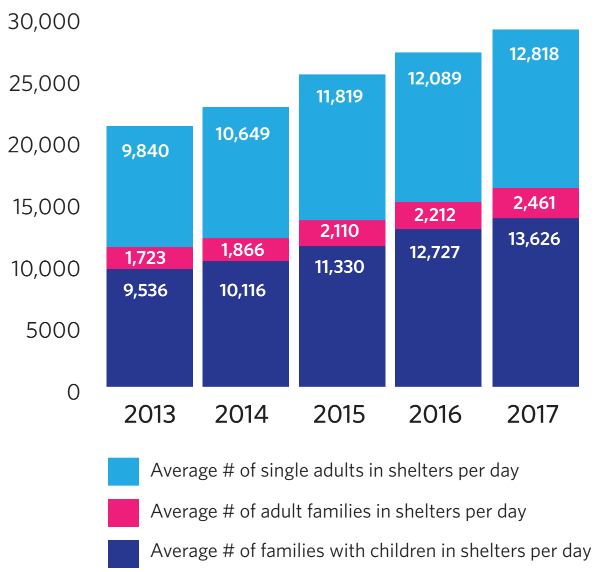
provider achieved the targets during all four quarters.[46]

There are many possible causes that underlie a shelter provider's inability to meet monthly and annual housing placement goals, but at the root of the problem is a lack of available units to move homeless households into — whether with vouchers, through set-asides, or with supportive housing. In the words of the housing specialists we spoke to, in order to find housing for the homeless, "there has to be housing to find." At its root, DSS's poor track record of moving households into permanent housing indicates a need to invest in new housing for households earning below $20,000 year.

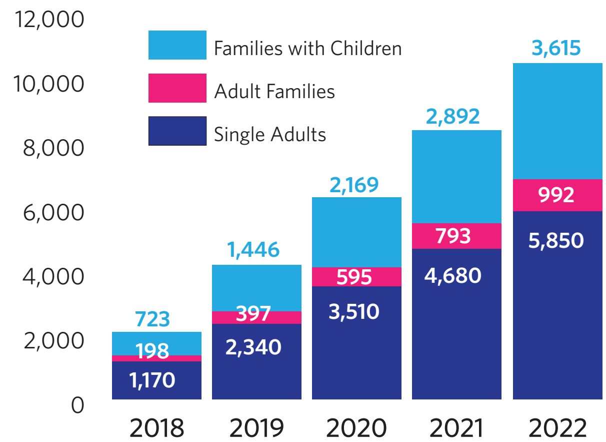
MORE HOUSEHOLDS ENTERING THAN EXITING

More to the point—as DHS has moved 22,000+ households out of shelter in just three years, a greater or equal number of households has been forced to enter the shelter system due in large part to a lack of safe, stable, truly affordable housing. Although the actual rate of

Increase in Daily Average Sheltered Households 2013 – 2017



Projected increase in Shelter Census 2018-2022



shelter entries vs. exits is hard to quantify due to a high number of duplicate entries (households who enter shelter multiple times during the course of the year,) the overall trend has resulted over time in a gradual increase in the average daily shelter census, which now exceeds 60,000 people (roughly 28,900 households) on a daily basis.

Based on the average rates of increase from the past several years and assuming no major changes in homeless prevention programming or rates of housing placement, it is reasonable to expect an increase of just over 2,000 households per year to the average daily shelter census.[47]

PROJECTING THE COSTS

By averaging increases in daily shelter census from the past three years we were able to project out the added cost if the shelter system continues to expand at its current rate.[48] This expansion assumes no changes in homelessness prevention, rates of housing placement, or costs of shelter, but gives us a baseline of what we can expect in the next five years if DSS and HPD do not invest in significant changes to create more housing options for households at-risk of homelessness.

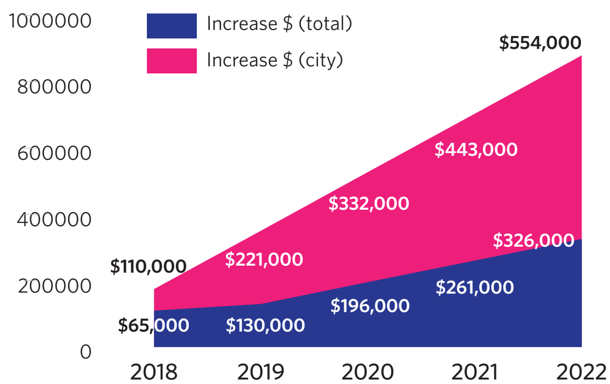
46 This data was derived from records obtained through a FOIL request in November, 2017. Accompanying the response was the following explanation: "The placement target goals reflected [in] the attached records are in the process of being replaced with revised provider performance metrics. For example, the goals for Single Adult and Adult Family shelters have not been adjusted since 2015. Moreover, recent presentations to providers discussing DHS' Model Budget principles and comprehensive efforts to reform rates included the agency's plan to overhaul and enhance existing performance metrics. The old shelter placement goals will be replaced with a new comprehensive performance evaluation process along with performance payments and rate reforms." (Stephanie Rivera, Employment Law/FOIL/Subpoena Unit. Via email correspondence, November 8, 2017.)

47 To make this projection, we averaged the difference between the average daily shelter census records in 2015-2017, for each type of shelter (single adult, adult family, family with children.) We found that the average increase between those three years was 2,091 households.

48 To project costs, we used current average per-diem rates from the FY2017 Mayor's Management Report by household type (single adult, adult family, families with children.)

Based on these projections, without substantive changes to address rates of entry to shelter and efficient exits from shelter, the city's share of the costs of the shelter system could increase by over $326 million in just five years, bringing the city's annual expenditures to over $1.3 billion annually. The total increase in cost for city, state, and federal budgets would be on track to increase by approximately $554 million, bringing the total cost of the shelter system well above $2.3 billion annually.

Projected Increase in Costs 2018 – 2022



This fact underscores the need to address the issue of shelter entries, which has been given far less attention than that of shelter exits. Even as the city has made a massive investment in tenant protection and eviction prevention resources, these programs are clearly not keeping up with a housing market that pushes New Yorkers into the shelter system at a rate of 20,000-35,000 households per year.

While rental assistance is a linchpin of DHS's rapid re-housing program, DHS residents know that vouchers are at best a band-aid over the immediate crisis, not a permanent solution. The shortcomings of these programs are evident, and lay bare the need for a more substantive investment in new units affordable to homeless New Yorkers as well as those imminently at-risk of entering shelter.

Housing

Wasteful shelter spending and the inefficiencies of the city's rental assistance programs highlight the need for more substantial capital investment in deeply affordable housing—units that can serve households of extremely-low income, who are most at risk of entering the shelter system. But to date, the city's major investments in new units of affordable housing have not managed to create an adequate supply of units affordable to these households.

In three and a half years, the city has produced fewer than 4,500 newly constructed units of extremely low income housing—a rate of about 1,200 new units per year. With over 28,000 households in shelter on average each day, and thousands more entering shelter each year, there is no way that this rate of construction can keep pace with the problem. But from the city's perspective, it is not fiscally viable to create a greater number of new, extremely low income units. Instead, the priorities of the housing budget reflect a desire for cost-effectiveness: what can produce the greatest number of units for the least amount of subsidy.

To understand the way that NYC is spending its housing capital funds, it's helpful to look more broadly at the mechanics of affordable housing finance—in particular the creation of newly-constructed, deeply affordable housing.

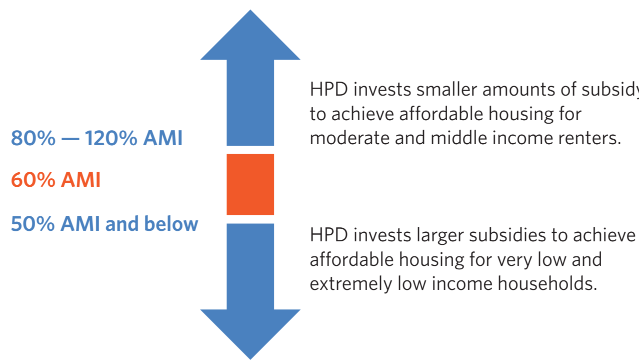
IN GENERAL, AFFORDABILITY OF HOUSING IS BASED ON A SIMPLE FORMULA:

RENT = MAINTENANCE
+ TAXES
+ DEBT SERVICE

The amount a developer needs to collect in rent is based on the cost to maintain the unit, plus taxes, plus repayments on any loans taken out to construct the building (this is known as "debt service.") The amount of debt depends on how large a loan was needed to construct the building, and the rate of repayment (usually adjusted based on the period of the loan). This cannot be overstated: the larger the amount required to repay these debts, the more rents will need to be adjusted up to cover the difference.

In New York City, maintenance costs tend to run between $600-750 dollars per unit, depending on amenities, apartment layout and similar factors.[49] Affordable housing projects tend to also be eligible for property tax exemptions or abatements. That means that without debt, a unit could cost around $600-650/month. But debt is a major factor. In New York City, a newly constructed unit can cost anywhere from $300-400 per square foot, meaning a 1000 square foot unit would cost over $300,000 to build, and a 100-unit building could easily exceed $30 million.

To help cover this cost, many owners seeking to build affordable housing apply for low-income housing tax credit (LIHTC) financing. The LIHTC program allows wealthy investors to directly invest capital funding into affordable housing projects, in exchange for reductions in their annual tax payments. The capital provided by LIHTC allows developers to reduce the amount they need to take out in debt, which in turn reduces the debt service (and the rent) in our affordable housing equation.



Unfortunately, LIHTC financing doesn't currently meet the needs of most of New York's low income renters. The program requires that developers finance units at 60% AMI or below, but does not incentivize more deeply affordable units.

Given the limitations of LIHTC, it's no surprise that nearly half of all units created or preserved by HPD since 2014 have been for households of 50-80% AMI ($34,360-$68,720 for a family of three). In order to reach below 60% AMI, HPD is required to contribute additional subsidy in addition to capital provided through LIHTC. This subsidy can be provided in two ways:

49 Interview, Moses Gates, February 27, 2017.

Program	Homeless set aside requirement	Extremely Low Income requirement (30% AMI and below)	Very Low income unit requirements? (30-50% AMI)	Limitations on Very Low or Extremely Low Income units?
ELLA Option 1	10% of units.	10%	10% at or below 40% AMI 10% at or below 50% AMI	40% of units must be at or below 50% AMI; Remainder must be at or below 60% AMI.[50]
ELLA Option 2	30% of units	--	5% at or below 40% AMI 5% at or below 50% AMI	See above.
Neighborhood Construction Program	Term sheet does not specify a minimum set-aside; According to HPD, projects may serve low income households (as low as 30% AMI) or moderate/middle income households (up to 165% AMI)			
Mix and Match	10% of units, preference for 20% of units or more.	10% requirement for households between 30-50% AMI, preference for 20% of units or more.		At most 60% of units can rent at or below 60% AMI.
SARA	30% of units	No requirements are defined by the term sheet.		Units must be below 60% AMI, with limited exceptions.

- **Capital Subsidy:** Like LIHTC, these subsidies (generally in the form of a low-interest loan) help developers pay a portion of the up-front costs of developing a unit. This can significantly lower the debt-service (or mortgage) on each unit, allowing developers to rent the unit for less.

- **Operating Subsidy:** The other way HPD helps developers create new and deeply affordable units is through operating subsidies, which pay the difference between what a low-income tenant can afford and the rent for a unit. This can come in the form of Section 8 (project based or voucher), or through programs like the Our Space Initiative, which provide an up-front operating subsidy to landlords who dedicate their units to extremely low-income or formerly homeless residents.

HPD generally applies subsidies using prescribed programs or "term sheets" that set the terms of its affordable housing programs. For new construction projects, HPD has a limited set of programs that require housing for extremely low-income and homeless households who do not require supportive housing: ELLA (Extremely Low and Low Income Affordability program), Neighborhood Construction Program, Mix and Match, and SARA (Senior Affordable Rental Apartments). Additionally, HPD's Our Space Initiative, which can be paired with programs like ELLA or Mix and Match, provides another layer of subsidy in order to reach formerly homeless households. But these term sheets rarely set aside more than 10% of units as affordable to extremely low-income renters.

With only 10% of units set aside on even the most ambitious term sheets, it is not surprising that HPD has financed very few units for extremely low-income households compared to its overall investment in affordable housing. Since 2014, the administration has financed roughly 4,430 new units of extremely low income housing, much of which is restricted to formerly homeless households eligible for supportive housing. Comparatively, the administration has financed over 14,593 new units of housing for households earning 50-80% AMI, nearly three times as many units.

While affordable housing is needed across all income ranges, it's clear that by failing to invest subsidies in housing for those most at-risk of homelessness, the city inevitably pays the difference towards expanding and operating shelter. The capital investment made by the city in extremely low-income housing is significantly lower than its investment in operating a costly and inefficient shelter system:

- In Fiscal Year 2016 (July 2015-June 2016), the city financed 28 rental housing projects that included units serving residents of extremely low income, containing a total of 3,256 units.

- Of these units, 1,472 units served extremely low income or homeless households

- 1,048 served extremely low-income households who are not eligible for supportive housing.[51]

50 In some cases, ELLA allows units to serve households between 70-100% AMI, and actually provides preference to projects including higher income units (as well as higher levels of subsidies based on the percentage of higher-income units are included in the project—up to 30% of the project).

51 Sarah Stefanski, NYC Independent Budget Office, email correspondence, October 2, 2017.

The city spent, on average, $114,865 per unit on these projects (this does not include contributions by state or federal sources or private financing, which might also be passed through city housing development agencies).[52] Based on these average costs, we can assume a total direct cost to the city of $373 million for all units in projects containing any extremely low income housing.

Comparatively, at an approximate cost of $2.13 million per day on shelter related expenses, the city will spend over $383 million to operate the shelter system in just six months—more than the entire capital investment it made in these 28 buildings.

While it's obvious that the city is investing a significant amount of subsidy in extremely low income and homeless units—anywhere from $75,000-$225,000 per unit—HPD often makes a similar amount of subsidy available to produce higher-rent units (the Mix and Match term sheet is a notable exception).[53] In some cases (such as the city's ELLA program), HPD provides a higher maximum per unit subsidy for units renting to households earning above $50,000 annually (for a household of 3) than it does for units renting to households earning below $20,000 a year.

There are many reasons why the city has chosen to do this, including a desire to create mixed-income buildings in which higher rents can cross-subsidize lower-income rents. But given limited capital funding resources and an ongoing and severe housing crisis, the notion that units renting to moderate or middle income households could receive the same or possibly more subsidy than those renting to New York's most vulnerable rentals raises serious questions about the city's funding priorities and how they address our city's dire affordable housing shortage.

HOW CAN WE FLIP THE EQUATION?

What is clear from our research is that more and more of our city's financial resources are being dedicated to funding and operating a broken shelter system, and not enough are being dedicated to truly addressing the root causes of homelessness. While the city has made some progress in addressing extremely low-income housing, we know that much more can be done to reverse this equation.

Right now, every cent of the city's expense budget for homelessness is wrapped up in funding the shelter system, but it doesn't have to be that way. Picture the Homeless identified three ways that funding could be moved into housing for extremely low-income households who are homeless or at risk of homelessness:

- **From DHS Capital budget to HPD Capital budget:** Rather than investing capital resources in opening 90 new shelters, the city could invest capital funds currently dedicated towards expanding shelter into creating more units of housing affordable to households of extremely low income.
- **From DHS Expense budget to HPD Expense budget:** The money being used currently to pay for shelter stay could be converted into a direct operating subsidy for affordable units, in the form of a rental voucher, or as an up-front operating reserve (as in the city's Our Space Initiative). As the shelter census is reduced, the city could channel savings from reduction in the city's shelter expense funding into an expansion of these efforts in the long-term.
- **From DHS expense budget to HPD Capital budget:** A third option is the use of a "pay as you go" or PAYGO mechanism, which allows the city to move funding from the expense budget into the capital budget. Through a PAYGO initiative, the city could use existing shelter expense funding to support the construction of a greater percentage of extremely low income units in all projects.

52 Ibid.

53 HPD's Mix and Match program is a notable exception, with units affordable to households at or below 30% AMI permitted twice the level of maximum subsidy as those at 80% AMI, and five times the amount of maximum subsidy as those at 120% AMI.

HOW WOULD IT WORK?

As noted above, existing HPD term sheets are not creating enough units that are affordable to the lowest-income households—and while HPD has expanded capital funding for very-low income and extremely low-income households, there are severe limitations in both (1) the number of units created overall and (2) the income levels reached.

Given the severity of the homelessness crisis, there are immediate ways that New York City and state can help shift the paradigm of increasing homelessness and displacement through investment in truly affordable housing. Here are just a few of our ideas:

Reduce debt service in order to reduce rents. The city and state should dedicate a greater share of LIHTC tax credits, HOME funds, HDC and HFA bonds, and Reso A funds to the construction of extremely low-income housing. Because these financing sources do not require debt repayment, they can help reduce the debt-service on projects that serve households of the lowest incomes.

Revise HPD term sheets for more ambitious affordability. The city recently made improvements to its ELLA and Mix and Match term sheets, however, these adjustments did not particularly expand the requirements for the provision of extremely low income and homeless housing. PTH believes that HPD can do better, by creating a term sheet that addresses the city's overall housing needs and the high number of households currently homeless or at risk of shelter entry.

Focus on multi-building, mixed use models, like Mutual Housing Associations on Community Land Trusts. Mutual housing associations and similar multi-building models help to make small buildings economically viable and affordable, by pooling incomes and sharing services/ expenses across many buildings. MHAs can also benefit from income through ground-floor commercial space, particularly in the city's most valuable markets. This creates an internal cross-subsidy which can allow these projects to achieve much lower rents than a standalone rental building. A CLT structure can further support affordable housing by preventing speculation on land and housing, and using lease fees from more profitable retail/ commercial projects to help residential projects reach lower rents.

RECOMMENDATIONS

1. Divert resources away from shelters and into the development and preservation of housing for those most at-risk of shelter entry.

- Shift DHS capital funding away from the expansion of the shelter system, and reinvest these capital funds into subsidies for extremely low income and homeless households. If $80 million in capital funds were shifted each year from DHS to HPD, the city could nearly double the amount currently invested in the Our Space Initiative, which subsidizes up to 30% of units in a new construction project with rents at the current shelter allowance.
- Whenever shelter savings are achieved, divert city expense funds tied to shelter operations into capital investments in housing, through a through a pay-as-you-go (PAYGO) funding mechanism.
- Work with the state to re-invest state and federal funding tied to family shelter into rental assistance and related housing initiatives that support homeless families. The city is presently able to divert savings achieved from a reduction in the family shelter census towards funding the LINC II voucher, and could do so for other re-housing and housing assistance initiatives.[50]

2. Prioritize capital subsidies towards housing for extremely low income households earning below 30% AMI, including households at 20%, 15%, 10% AMI.

- Revise HPD term sheets to subsidize a greater number of units available to the city's most vulnerable households. The rent and income requirements for new units should reflect the actual range of household incomes across New York City, including housing for households at 30% AMI, 20% AMI, 15% AMI, and 10% AMI.
- Provide additional capital subsidies and project-based operating subsidies to projects in neighborhoods with high rates of shelter entry, including a larger share of LIHTC tax credits and bond financing. The goal for each project should be to create a substantial number of units affordable to area households at-risk of shelter entry.
- Council members and Borough Presidents can follow these guidelines as well, by dedicating Resolution A funding to support projects in their district to reach a larger number of households below 30% AMI.
- Prioritize subsidies (including public land, article XI tax abatements, and other forms of public support) for non-profit, mission-driven models that promote permanent and deep affordability, including mutual housing associations and community land trusts.

3. Report semi-annually on DSS shelter spending and provider performance outcomes; establish a corrective action program for providers/contractors who fail to comply with spending/performance requirements.

- When a provider does not meet its quarterly performance targets based on funding provided, the provider should be entered into a corrective action plan with DSS.
- If the issue is not corrected within six months in a Corrective Action Plan, DSS should withhold funding from contractors until the issue is cured.
- Providers subject to a corrective action plan should not be eligible to submit bids for additional contracts from DSS until existing issues are cured.

4. Implement rigorous, effective shelter inspection practices:

- Establish an anonymous tip-line for residents, and publish reports that analyze patterns of complaints. Investigate issues promptly, as they are reported to the tip-line.
- Ensure that surprise inspections are, in fact, a surprise. Presently providers are typically aware of shelter inspections in advance, undermining the efficacy of inspections. This approach could be replaced with truly unannounced site inspections or a "mystery shopping" research approach that allow for a realistic snapshot of shelter conditions and services.

5. Overhaul DSS's approach to rental assistance and housing placement.

- Initiate a universal voucher that is accessible to all households in shelter, rather than a multi-tiered and exclusive system that lets some people fall through the cracks.
- Eliminate the 5-year rental assistance model. Vouchers should remain in place permanently and increase according to rent guidelines board annual rent increases, especially for units that are in regulatory agreements with the city (i.e. 421-A, HPD subsidized affordable housing) or are rent regulated. Additionally, vouchers remain available to households even without an open public assistance case, since many households still require ongoing rental assistance even when they experience a marginal increase in income.
- Provide increased training, support, and resources to housing specialists, as well as greater opportunity for innovation. Use feedback from housing specialists to update and develop resources and best practices for housing assistance.
- Create a shared database of landlords, brokers, and units for all housing specialists and case workers, in order to track issues that could be followed up by requisite city agencies, including

  outstanding repairs/violations issues in units

  source of income discrimination

  evidence of harassment in the building

  This database should also be used to avoid sending DHS residents to apartments that are obviously not suitable for habitation. Apartments should be pre-screened for outstanding violations, repairs, likely signs of illegal subdivision, etc. prior to sending DHS tenants for housing appointments.

ABOUT THE AUTHORS

This report was a product of over a year of hard work by Picture the Homeless's Participatory Action Research Committee, a working group of homeless and formerly homeless researchers. Our core research committee members included: Jermain Abdullah, Llima Berkeley, Cecelia Grant, Arvernetta Henry, Scott Andrew Hutchins, Charmel Lucas, Gordon James Metz, Marcus Moore, Donna Morgan, Jose Rodriguez, and Althea York.

This project has been no small feat! Members of our research committee identified the initial scope of the report, developed research questions, organized interviews, collected budget letters, analyzed agency performance data, HPD term sheets, and DHS contracts, and pored over countless pages of FY2017 and FY2018 homeless and housing budgets.

PTH'S RESEARCH COMMITTEE MEMBERS ON THE EXPERIENCE

Marcus: "It was hard to find out that the city is not really on top of things like they claim to be. You kind of have to research through all the muck to find out why things aren't the way they should be. It's really hard to believe that this stuff is going on, and it makes you mad. You have to take the emotions out of things, because it's business."

Scott: "Reading the budgets was very offensive, just seeing what they feel the need to spend money on, versus what they refuse to spend money on. They could be keeping people in apartments but they don't want to."

Cecelia: "The research was hard. It was hard seeing how the agencies uses the money and didn't improve anything in the lives of homeless people."

Llima: "Research makes things transparent; now there's no more distractions or excuses. It's right here — here are the funds, here is the amount of people without housing, so what are you going to do?"

Jose: "I learned that if you really want to find answers to the question, all you have to do is have the desire to want to know! Once you get the bug, you're willing to do the work."

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Ken Wray of CATCH Mutual Housing Association and the Parodneck Foundation, who helped us drill down into the costs of the current shelter system, and helped us understand the fundamental economics of affordable housing.

Three current and former housing specialists and case workers who provided insights into their experiences working on behalf of DHS clients, and offered many suggestions for this report.

The many thoughtful readers and editors who reviewed our drafts and offered helpful feedback along the way.

Led by homeless people, **Picture the Homeless** was founded on the principle that homeless people have civil and human rights, regardless of race, creed, color, gender identity, sexual orientation, economic, disability, or migration status.

We work to change laws and policies that criminalize homelessness and to challenge the root causes of homelessness. Our strategies include grassroots organizing, direct action, educating homeless people about their rights, public education, challenging media stereotypes and creating relationships with allies.

Learn more at PictureTheHomeless.org

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