



POLICY BRIEF

The Bloomberg Administration's Flawed Homeless Rental Assistance Plan: A Misguided Plan with Opportunities for Effective Change

Breaking with two decades of New York City homeless policy, the Bloomberg Administration has announced dramatic changes in housing assistance for homeless New Yorkers that threaten to increase the size of the homeless shelter population. Under a new plan unveiled in October, the City has sharply curtailed access to Federal housing assistance – including Section 8 vouchers and public housing apartments – for homeless families and survivors of domestic violence. In addition, the City has proposed a new, flawed rental assistance program for homeless families (and some homeless individuals) that includes arbitrary time limits and a substantial annual reduction in rental assistance; the proposed rent supplement plan still awaits State approval.

All in all, the Bloomberg Administration's new homeless re-housing policies are dangerously misguided and threaten to increase the number of homeless families bedding down in municipal shelters. The policies restrict access to vital Federal housing assistance for thousands of homeless families, and – if the proposed new rental assistance plan is ultimately implemented – threaten the housing stability of many vulnerable families, particularly those with disabled and unemployed parents. Moreover, the new policies are based on flawed, ideological assumptions about low-income families and housing assistance, and fail to take into account more than two decades of experience with homelessness.

Nevertheless, if revised substantially, the proposed new rental assistance program could form the foundation for a genuinely effective approach to reducing homelessness. The Bloomberg Administration ought to withdraw the flawed rent supplement plan submitted to the State and revise it to ensure that families in need of housing assistance are not arbitrarily denied adequate levels of rental assistance. An improved rental assistance programs that draws on City, State, and Federal resources could dramatically reduce the homeless population in New York City.

Restricting Access to Federal Housing Assistance

For some two decades, the City has recognized that scarce Federal housing assistance – in particular, Section 8 vouchers and public housing apartments – should be targeted to those households in greatest need. Indeed, Federal housing programs have been the centerpiece of the City's efforts to re-house homeless families, and have successfully helped tens of thousands of families move from shelters to stable, permanent housing. However, last month the Bloomberg Administration announced that, as of October 19th, homeless families and families residing in the City's domestic violence shelter system would no longer have "emergency priority" for Section 8 vouchers or public housing apartments.

The Bloomberg Administration's new policy runs counter to the principle that scarce Federal resources should be targeted to those most in need, and threatens longer shelter stays for homeless families and for domestic violence survivors. Indeed, when a similar policy was enacted nearly a decade ago, under the "Alternative Pathways" program, the consequences were clear: homeless families endured longer waits in shelters, and shelter populations swelled.

There is no question that decades of inadequate funding for Federal housing programs – in particular the Section 8 voucher program – have severely limited the supply of available aid. Moreover, the Bush

Administration has proposed even deeper cutbacks in the Section 8 program which would create additional hardships for homeless and low-income households in large cities like New York. However, there is no such reduction in the supply of public housing apartments and no practical reason to arbitrarily restrict access to Federal housing programs for homeless families. Indeed, in CFY 2004 the City moved more than 1,800 homeless families from shelters to public housing apartments. Under the Bloomberg Administration's new policy, the current City fiscal year is likely to see a significant drop in the number of homeless families who are able to secure public housing.

The Bloomberg Administration's Flawed Rental Assistance Plan

Pursuant to a recently promulgated State regulation, the City has proposed a new "rent supplement plan" – called "Housing StabilityPlus" – that would draw on City, State and Federal funding (including Federal "Temporary Assistance to Needy Families" welfare funds) to provide rental assistance for homeless families and some homeless individuals. The plan, which awaits State approval, is restricted to only five years per family, regardless of the family's circumstances. In addition, the rent supplement would decline in value by 20 percent annually. Thus, a family of three, which could receive a rent subsidy of up to \$925.00 per month in the first year, would lose \$105.00 in rental assistance in the second year and, by the fifth and final year of the subsidy, could receive a maximum of only \$615.04 per month. The declining value of the rent supplement does not account for annual rent increases which would be authorized by the New York City Rent Guidelines Board (for rent stabilized apartments) or could be required by property owners for non-regulated private apartments; under the proposed plan, the value of rent supplements would only be adjusted every two years.

City's Proposed Rental Supplement Plan					
	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Family of three</i>					
Welfare housing allowance	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00
Proposed rent supplement	\$ 525.00	\$ 420.00	\$ 336.00	\$ 268.80	\$ 215.04
Annual percentage decline in value of rent supplement		20%	20%	20%	20%
Annual loss in value		\$ 105.00	\$ 84.00	\$ 67.20	\$ 53.76
Proposed total rent subsidy	\$ 925.00	\$ 820.00	\$ 736.00	\$ 668.80	\$ 615.04
Federal "fair market rent" for two-bedroom apartment	\$ 1,073.00	\$ 1,073.00	\$ 1,073.00	\$ 1,073.00	\$ 1,073.00

The rent supplement plan is flawed in many ways, including the following:

1. **Five-year time limits are arbitrary and impractical:** Receipt of a rent supplement under the proposed program would be restricted to only five years, with no possibility for additional aid regardless of a household's circumstances. The time limits are arbitrary and do not reflect the reality that many households will require rental assistance over the longer term. In fact, research has found that as many as two in five households remain poor five years after leaving welfare, and the vast majority of families still have very low incomes. In addition, as City and State officials have acknowledged, as welfare caseloads decline the share of recipients with health problems and other employment barriers is increasing, raising serious questions regarding these households' ability to afford rent without a supplement after five years.

Given the currently anemic employment market in New York City – where local job growth lags behind that nationwide – even non-disabled families will struggle to find employment that offers wages sufficient to pay a growing rent burden. Indeed, the experience of smaller rent subsidy programs with time limits – such as the "Employment Incentive Housing Program" – indicates that many re-housed

families have failed to secure employment income sufficient to make up for the lost rent subsidy.¹ Ultimately, the proposed time limits threaten to create a costly “revolving door” for many families and individuals who will be forced back into the shelter system due to the loss of rental assistance.

2. **The proposed subsidy harms families making the transition from welfare to work:** Numerous studies have shown that housing stability plays a central role in helping families make the transition from welfare to work. Indeed, families with Section 8 vouchers or residing in public housing – which provide non-time-limited rent subsidies at a stable value – have been shown to have higher rates of success in moving from welfare to work than families without stable housing or housing assistance. A study of Minnesota’s successful welfare-to-work initiative found higher rates of employment and income growth among families receiving Federal housing assistance than among those with no housing aid.² Conversely, households that experience high rent burdens or severely overcrowded conditions tend to move frequently, thereby interrupting work schedules, child care, and transportation arrangements. By threatening loss of housing due to time limits and declining rent payments, the proposed rent subsidy would create serious obstacles for many welfare recipients seeking to move to self-sufficiency.
3. **The declining value of the rent subsidy threatens housing stability:** Many households, especially those with employment barriers, will be unable to enhance their income to offset the annual 20 percent decline in the rent supplement in the proposed plan. In fact, the job placement rate for public assistance recipients in New York City has declined markedly in recent years, and even working families are unlikely to increase their incomes sufficiently to offset the proposed steep annual decline in rent support. Those households that are unable to offset the 20 percent annual rent supplement reduction will be at risk of returning to the homeless shelter system, at additional cost to taxpayers.
4. **The new rent subsidy is poorly suited for “chronically homeless” individuals:** The City’s proposed rent supplement plan would make the new rent subsidy available for homeless individuals defined as “chronically homeless” – that is, having two or more years of shelter stays during the past four year. Numerous studies show that “chronically homeless” individuals have high rates of mental illness and other disabilities and are thus likely to need support services to maintain housing stability. In addition, they are unlikely to obtain employment income sufficient to make up for lost or declining rent payments. Thus, the new rent subsidy seems poorly matched to meet the needs of this vulnerable population.
5. **Landlords will be reluctant to rent to recipients of the new subsidy:** In the highly competitive New York City housing market, most landlords require prospective tenants to demonstrate ability to make ongoing rent payments. Landlords concerned about minimizing costs incurred due to non-payment and eviction are unlikely to rent to homeless families and chronically homeless single adults leaving shelter with a time-limited and declining rent supplement. In the past, the City was forced to create incentives for landlords to rent even to homeless families with Section 8 vouchers – including bonus payments that were increased as recently as the past year – which are both permanent and valued at fair market rents. A subsidy program that is unattractive to landlords will result in longer shelter stays, fewer housing placements, and, ultimately, increased shelter costs.

The City’s Ideological Rationale for the New Policies Ignores the Reality of Homelessness

Mayor Bloomberg and administration officials have justified the new policies by making two assertions, both severely flawed: First, they claim that the availability of Federal housing assistance was attracting families who are not “truly homeless” to the shelter system; and second, they claim that the proposed rent supplement

¹ McMillan, Tracie, “Is Two Years Too Little? Rent Help Ends Abruptly” in *City Limits Weekly* (October 11, 2004), available at <http://www.citylimits.org/content/articles/weeklyView.cfm?articlenumber=1603>.

² Center on Budget and Policy Priorities, “The Value of Housing Subsidies to Welfare Reform Efforts” (February 24, 2000), available at <http://www.cbpp.org/2-24-00hous.htm>.

plan, with its five-year time limit and 20 percent reduction in the rent supplement, will create “incentives” to work for recipients.

The first assertion, linking admissions to shelter with the availability of Federal housing subsidies, is a persistent myth that has been voiced by City officials dating back to the Koch Administration. However, apart from anecdotal accounts, the myth has never been supported by the data or by more nearly two decades of analysis of New York City homelessness. In fact, during the years of the Giuliani Administration, when the number of Section 8 vouchers and public housing apartments “set aside” for homeless families was dramatically cut back, the number of homeless families admitted to shelter remained at significantly high levels. Indeed, the number of families entering the shelter system correlates much more strongly with changes in the local economy – in particular the unemployment rate – than with any other factor, with the highest numbers of shelter admissions occurring during the early 1990s recession and the current economic downturn. In addition, many families entering the shelter system – in particular those fleeing domestic violence or those relocated to the homeless shelter system from the smaller domestic violence shelter system – can hardly be said to be seeking to “game the system,” as many proponents of this myth have asserted. Ultimately, much of this persistent myth is derived from an ideological viewpoint that argues, against the vast array of evidence to the contrary, that most homeless families are not “truly homeless.”

Equally ideological, and illogical, is the City’s claim that the proposed rent supplement plan would create an incentive to work among recipients. This claim relies on the extremist notion that housing assistance somehow creates “dependence” or a disincentive to work, a controversial position that is an attempt to equate housing assistance with welfare and other benefits for poor people. This position, which has its roots in conservative think tanks and their decades-old efforts to dismantle public benefits for low-income Americans, has been articulated by right-wing ideologues like Howard Husock of the conservative Manhattan Institute.³

In fact, numerous studies – such as the analysis cited above of Minnesota’s welfare reform efforts – have concluded that stable housing assistance such as that provided by the Section 8 program and public housing actually assists low-income families in making the transition from welfare to work and helps to enhance their incomes. Indeed, the largest Federal housing benefit – the mortgage interest tax deduction, which costs the United States Treasury more than four times the amount spent on housing aid for low-income households – primarily assists wealthy and middle-income households and has never been accused by conservative critics of fostering “dependency.” Thus, aside from the practical barriers noted above, there is no reason to believe that the City’s proposed rent supplement plan will create any incentives to work, and many reasons to believe it will in fact create obstacles to securing employment by threatening the housing stability of vulnerable families.

How to Create an Effective Rental Assistance Program for Homeless New Yorkers

Despite the many flaws in the City’s proposed rent supplement plan, the City still has the opportunity to craft an improved program that draws on City, State, and Federal resources to provide stable housing assistance. An effective rent subsidy program would have to ensure that re-housed families and individuals receive housing assistance that is secure and sufficient to maintain stable homes. In addition, an effective program

³ See for example Husock, Howard, “Reining in Housing Vouchers,” *City Journal* (October 26, 2004), available at http://www.city-journal.org/html/eon_10_26_04hh.html, and “Let’s End Housing Vouchers,” *City Journal* (Autumn 2000), available at http://www.city-journal.org/html/10_4_lets_end_housing.html. See also MacDonald, George, “Mike’s Tough Love,” *New York Post* (November 13, 2004), available at <http://www.nypost.com/postopinion/opedcolumnists/31938.htm>, in which MacDonald, without citing any evidence or data, claims that “homeless families jumped to the front of the line for scarce and coveted Section 8 vouchers, which can benefit low-wage working individuals, but serve as a disincentive for those who have not yet reached that point, who are unemployed, untrained and mired in substance abuse. Why change your ways if you can live, virtually, rent-free, forever?”

could not include arbitrary time limits and reductions in subsidy value. Finally, such a subsidy ought to be available also to homeless individuals and to households at risk of homelessness – indeed, a similar rent subsidy, provided as emergency relief pursuant to court orders in the *Jiggetts v. Dowling* litigation, has proved enormously successful in preventing homelessness for tens of thousands of welfare households. Finally, the City ought to move immediately to restore emergency priority for Federal housing assistance to homeless families and domestic violence survivors.

Conclusion: The City Needs to Withdraw and Revise its Rent Supplement Plan

All in all, it is clear that the City's new rental assistance plan threatens to increase homelessness among vulnerable families and individuals, and to foster housing *instability* among vulnerable re-housed households. Moreover, the Bloomberg Administration's policy breaks with two decades of City homeless policy that ensured that the neediest New York City households had the highest priority for scarce Federal housing assistance.

But what is perhaps most tragic is that lurking within the Bloomberg Administration's proposal are the outlines of a truly effective rental assistance plan. Indeed, if the City were to partner with the State to develop a well-crafted rent subsidy that did not have arbitrary time limits, and that did not include punitive reductions in the subsidy value, many homeless New Yorkers could be moved successfully from shelters into stable, permanent housing.

Prepared November 2004.

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