



**Testimony to the New York City Council
Committee on Contracts**

**Submitted by Rebecca Sauer, Director of Policy and Planning, Supportive Housing Network of NY
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The Supportive Housing Network of New York is a membership organization representing approximately 200 nonprofit developers and operators of supportive housing statewide, as well as other professionals who contribute to the advancement of this important model. Supportive housing is permanent affordable housing with embedded social services for vulnerable individuals and families, people who are homeless and living with disabilities and/or other barriers to maintaining stable housing. We appreciate the opportunity to submit testimony regarding the impact of human services contracting on supportive housing providers and the development of supportive housing in New York City.

The City is putting unprecedented resources into homeless services and permanent housing for people experiencing homelessness, including supportive housing. It is critical to acknowledge that not-for-profit organizations are at the heart of the response. Because housing is the natural answer to the problem of homelessness, the model of supportive housing was created in the nineteen eighties by homeless service providers who understood firsthand the needs of their clients. As the years went on, many of these not-for-profit organizations became expert developers of supportive housing.

The Supportive Housing Network of New York is grateful to the City for the NYC 15/15 initiative to create 15,000 units of supportive housing in fifteen years, as well as for the \$100 million in capital approved in the FY 19 budget to accelerate the construction of new units from the original pace of 500 per year to 700. As the City recognizes the necessity of speeding up the production of supportive housing, we believe it is important to emphasize the financial realities that our nonprofit members experience, which in many cases impede their ability to take on new development. Many of our members operate both supportive housing and homeless services and make their budgets out of a patchwork of State and City government contracts, with emphasis on those from DHS and DOHMH. While much attention has been paid to DHS contracts, 100% of which are registered past their start date, it is also important to note that 84% of DOHMH contracts are registered late.¹

We hear serious concerns from nonprofit members who have millions of dollars of outstanding receivables on their books and fiscally unhealthy reliance on lines of credit due to late contract registration and delayed payments. Outstanding receivables can lead to audit findings. Nonprofits can spend tens or hundreds of thousands of dollars on interest on lines of credit, which is not reimbursable. The negative financial impact left by late payments can make nonprofits appear to be a risky investment partner or borrower, hindering their ability to access the financing required to develop permanent supportive housing. In their fiduciary capacity, nonprofit boards of directors are also increasingly and

¹ Sea Change Capital Partners. *New York City Contract Delays: The Facts*. August 2018. <http://seachangecap.org/wp-content/uploads/2018/08/NYC-Contract-Delays-The-Facts.pdf>. Accessed 13 November 2018.

understandably reluctant to approve new real estate development while their organizations are supporting structural deficits and bridging late payments from existing human service contracts.

The contracting backlogs have a human impact in terms of delivery of services and may also start to impede the timely leasing and operation of new supportive housing residences. One of our nonprofit members partnered with a developer to create 95 supportive apartments for individuals and families within a larger affordable development. While the building is currently one month from completion, the supportive services contract is still not registered and there is little information about its status. While many nonprofits have historically commenced services prior to contract registration or payment, out of a cooperative spirit and desire to serve their clients, the scale of the problem is making that strategy increasingly unworkable. After previous debts incurred on late DHS contracts, this nonprofit's board of directors has decided they can not take the risk of hiring staff on this supportive housing contract until it is registered. Meanwhile, homeless individuals and families will be waiting in shelters. If these problems are not addressed expeditiously, empty units could also generate financial consequences that reverberate out to lenders and investors, whose partnership is absolutely fundamental to developing the permanent housing we need to curb homelessness.

Nonprofit organizations are on the front lines of the homelessness crisis, providing a continuum of services from street outreach, drop-in centers, safe havens, and shelters, to permanent supportive housing. The City will not turn the tide of the crisis without the dedicated work of these organizations. Fair contract rates, timely contract registration and payment are crucial to the fiscal health of these organizations, as well as to the pipeline of permanent supportive housing that the City so desperately needs.

The Network supports efforts to create more transparency and efficiency in the contracting process and we look forward to working with City Council and the Administration toward that goal. Thank you for the opportunity to testify. I can be reached at rsauer@shnny.org or 646-619-9642 with any further questions.