New York City Scattered Site Housing:

Policy Brief

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Introduction

This paper seeks to inform our government partners about the current state of the scattered site model of supportive housing in New York City (NYC) and make recommendations for improvement. Responding to members' growing concerns, the Network convened a roundtable in September 2015 to discuss the sustainability of the scattered site model as it exists today. There are many different initiatives that have provided supportive housing in New York City over the last thirty years, including New York State Office of Mental Health (OMH) Supported Housing Programs, NYC HIV/AIDS Services Administration (HASA), Housing Opportunities for Persons with AIDS (HOPWA), Housing & Urban Development (HUD) and the three NY/NY agreements negotiated between the city and the state. This paper limits the analysis to scattered site housing provided under the NY/NY III agreement over the last decade. During this time, the housing market in New York City has grown increasingly more competitive and expensive while contracts and rates have remained virtually unchanged. As we move forward in designing the future scattered site model, advocates and government partners have the opportunity to work together to design a more robust and responsive model.

Within the current program design, the Network has identified three primary issues driving the multiple challenges to the model: 1) baseline low rates with no regular increases for rent or cost of living; 2) lack of flexibility in the contracts; and 3) the tight rental market in NYC. For a future scattered site program, the Network recommends: higher rates with regular increases for rent and cost of living; greater flexibility in contracts to allow providers to better serve their clients and achieve desired outcomes in a cost effective manner; and strategic work with both landlords and city agencies to access existing NYC housing resources.

Methodology

Currently there are 12,155 units of scattered site housing in NYC operated by over 100 different nonprofit providers. Responding to growing concerns from our members about the challenges of operating scattered site housing, the Network planned a roundtable on September 11th, 2015. In advance of the event, the Network distributed a survey to twenty five nonprofit scattered site providers. They were selected to represent the diversity of scattered site providers with both large and small portfolios, serving families, singles and youth, and holding either single or multiple contracts. The survey primarily focused on questions about the rental market: actual rents paid by borough and apartment size, leases not renewed by landlords and how long it was taking providers to rent apartments now compared to two years ago. Twenty out of the twenty five survey recipients participated, a response rate of 80%. Responses to the first survey represented almost 9,000 units, or 73% of all scattered site units in New York City.

Twenty five nonprofit providers attended the roundtable, collectively holding contracts for more than 75% of all scattered site units in New York City. The Network presented the data and analysis from the first survey at the September 11th meeting, and heard from members that an additional survey targeted towards the impact of low contract rates on providers and tenants would be useful. The second survey was administered after the event to the same twenty five organizations. Ten responded, representing over 3,000 units in New York City, or 25% of all units in New York City. The second survey contained questions about average caseloads for case managers, staff turnover, and competitive staff salary rates.

The data was analyzed by issue areas and by contract, to look at general trends across the model as well as trends within specific contracts. The survey included the following contracting agencies: NYS Office of Mental Health (OMH), NYS Office of Alcoholism and Substance Abuse Services (OASAS), NYC HIV/AIDS Services Administration (HASA) and NYC Department of Health and Mental Hygiene (DOHMH). While other city, state and federal organizations fund scattered site supportive housing, the Network focused on only those that funded NY/NY III for the purpose of this report.

Contract Rates

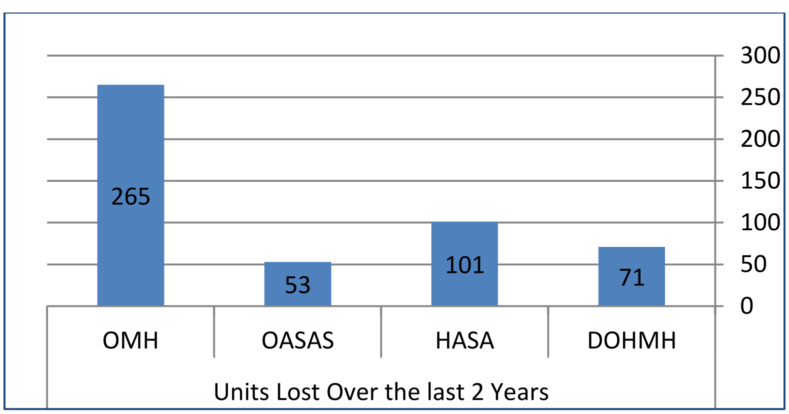
The rates for NY/NY III were negotiated in 2005 at the beginning of the agreement. Since then, the only rates that have changed are those from OMH, which increased by degrees from $12,143 to the recently approved rate of 15,874. As of this date, only one contract has received a cost of living adjustment: HASA in 2007. Yet, providers have faced continuous rent increases over the last decade, and with no corresponding increase in rates, they have been struggling to cover those costs.

Rates by Population in NY/NY III as of September 2015

NY/NY III Scattered Site Population	Agency	Current Contract Rate
A - SPMI/Homeless	OMH	$15,874
B - SPMI/PC	OMH	$15,874
D - SPMI/Family	DOHMH	$25,000
H - HIV/AIDS	DOH/HASA	$24,000
G - Medical Family	DOHMH/OASAS	$25,000
E - SA/Recovery	DOHMH/OASAS	$16,000
F - SA/Active	DOHMH/OASAS	$18,000
I - Youth	DOHMH	$22,000

- Contract rates were intended to provide half the rate for rent of a studio or efficiency apartment and half to cover the cost of running the program and providing onsite services. Providers report that with increased costs in all areas, 65% of contract rates are being spent for rent alone, although respondents reported a range of 47% - 96% going to rent.
- Providers are increasingly unable to compete in the rental market and have reported losing leases on more than 500 scattered site apartments over the last two years due to rising rents that they are unable to afford with their current fixed contract rates.
- Many providers with the lowest scattered site contract rates are no longer providing clients with their own apartments due to low rates and are now offering clients shared living arrangements.
- While shared living can reduce costs among a general population and may work for specific sub-populations, the track record of providers who have attempted pairing two special needs individuals, particularly with severe and persistent mental illness, is very poor. What appears to be a cost savings becomes more costly when considerable staff time is devoted to mediating roommate conflicts (which can lead to safety concerns), legal fees or 'half vacancies' when it proves impossible to find a new roommate for a person who has failed with multiple other roommates.
- Landlords are reluctant to rent to nonprofit programs when they can get a higher rent in the private market. Providers reported losing almost 500 units over the last two years due to landlords not renewing leases; providers then had to find 500 new apartments for their tenants. This has a negative impact on clients, who are forced to leave their homes and neighborhood where they have made their lives.

Number of Leases Not Renewed Over Last Two Years, By Procurement Agency



- Low rates mean high staff turnover leading to even more compromised client outcomes. Providers report that two years ago, case manager positions were vacant on average for three months; whereas now positions remain unfilled for six months or more. Providers also report higher levels of turnover, which, in turn impacts clients whose recovery is tied to trusting relationships.

- The average salary for a scattered site case manager is $37,675, but providers report they need to pay a competitive salary of $42,000 to retain skilled staff.

Recommendations

To provide the level of service clients need and deserve, rates should be sufficient to cover both rent and services in full, with annual inflationary increases to adjust for the cost of living. Based on an analysis of actual providers' budgets, the Network recommends a contract rate of $25,000 - $30,000 per year, depending on the population served, for scattered site contracts in New York City. An appropriate rate will allow for one person per apartment, reducing legal fees for providers and improving tenant outcomes. Existing NY/NY III scattered site contract rates should be adjusted to fully fund actual rents paid and services provided.

This increased rate will enable providers to:

- Be competitive in the rental market and secure enough apartments to serve their clients.
- Fully fund services at the level intended in the contract for all clients.
- Pay case managers a living wage, reducing staff turnover and improving client outcomes. Ensure providers can afford to rent a single (studio or one-bedroom) apartment for their clients.

Contract Flexibility

Funding agencies design contracts to ensure providers meet certain benchmarks and stay within specific guidelines, yet operating supportive housing requires some flexibility to be successful from both a fiscal and clinical perspective. For example, allowing providers to consolidate all of their contracts from one funding agency into one master contract would give providers more flexibility to manage contracts with varying rates. Prescriptive contracts shift the clinical decision-making from the providers to the contracting agency, impacting the way they serve their clients. For instance, contracts for families primarily serve the head of household; if the head of household dies or leaves, everyone in the family is at risk of homelessness. Currently, funding agencies do not have a mechanism to transfer the apartment to another family member, so all household members, including children, are at risk of being evicted. Family size composition changes also pose challenges for providers as children age or move out.

- Providers are forced to serve clients in a scattered site setting who would potentially be better served in a congregate building with more support. For example, people exiting state psychiatric institutions, medically frail individuals and those coming out of jail or prison would often be better served in a congregate setting versus scattered site.

- Losing a unit due to either tenant behavior or landlord rent demands puts providers in violation of their contracts due to circumstances beyond their control. Having to maintain separate contracts at different rates prevents providers from achieving efficiencies in operations that would help streamline case management and free up more money for critical services.

The pool of high-quality available units within the contract rent range is shrinking each year, making it harder to find apartments that pass inspection the first time. Landlords often will rent to someone else rather than wait for the new inspection to be completed.

Recommendations

Building more flexibility within the contracts will allow providers to make the best decisions for their clients and create a continuum of housing options based on the clients needs. As the localities and state look to use the scattered site model for higher need populations, providers need the flexibility to move them into more congregate settings if need be.

- Have the flexibility to serve a range of units/clients, for example between 22 and 25, to allow providers to adjust for cost increases and external forces such as the real estate market.
- Allow providers to move clients who are willing from congregate to scattered site and vice versa based on clinical needs.
- Allow providers the flexibility to serve families as they grow and change by adjusting the contract rate accordingly.
- Allow providers to consolidate multiple contracts from the same funding agency into one scattered site contract.

Housing Market

While nationwide the rental market for households earning less than 30% Area Median Income (AMI) is extremely limited, in New York City it is almost nonexistent. In New York City, the vacancy rate for apartments less than $800 month is 1.8%, far below the threshold of 5% which qualifies as a housing emergency.[1] Where there are vacancies, many landlords refuse to rent to 'programs' or accept vouchers, even though this is illegal due to the source of income discrimination local law.[2] Scattered site providers have to compete with many new voucher programs, such as LINC, S/FEPS and the HRA TBRA. Many of these new vouchers offer higher rents than providers can pay within their scattered site contract. The table below shows the actual rents providers are paying in the open market, approximately 120% of Fair Market Rent (FMR).

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1 NYC HPD, *Selected Initial Findings of the 2014 New York City Housing and Vacancy Survey,* February 9, 2015, p.3.
2 *Fair Housing Justice Center v Spring Creek Towers*, August 31, 2015.

Actual Rent Ranges Paid by Providers, By Bedroom Type & by Borough

FMR	Studio $1,196	1 Bedroom $1,249	2 Bedroom $1,481	3 Bedroom $1,904	Average by Borough
Brooklyn	$1,000 - $1,300	$1,400 - $1,700	$1,600 - $1,800	$1,800 - $2,200	**$1,700**
Bronx	$900 - $1,100	$1,200 - $1,400	$1,400 - $1,700	$1,800 - $2,000	**$1,500**
Manhattan	$1,200 - $1,300	$1,400 - $1,700	$1,800 - $2,500	$2,000 - $3,000	**$2,000**
Queens	$1,100 - $1,400	$1,500 - $1,700	$1,700 - $2,000	$2,000 - $2,400	**$1,800**
Average by Bedroom Type	**$ 1,175**	**$1,500**	**$1,800**	**$2,150**	

- In FY 2015, there were over 7,000 rental assistance vouchers issued in New York City for the LINC, S/FEPS, HRA TBRA and HUD VASH programs. These numbers do not include Section 8 from HPD, NYCHA or HRA.

The units that do exist are not appropriately sized for the New York City population. Approximately 50% of the population is single, but only 7% of units are studios and 35% one-bedrooms.[3] Recent changes to HPD term sheets cap studios at 15% of the total in affordable developments. The lack of studio apartments results in providers having to rent 2-bedroom apartments, leading to roommate conflicts, rising legal expenses and more staff time allotted to roommate mediation.

[3] Joe Anuta and Peter D'Amato, "Making room for singles with new rules for builders," *Crain's New York Business*, 10/25/15.

Recommendations

Even while operating in an affordable housing crisis, there are policy changes at the city and state level that can improve the scattered site model.

The city and state can:

- Build in regular rate increases to keep pace with the higher cost of rent in New York City.
- Leverage existing inventory of designated homeless units to ensure a percentage of re-rentals are going to supportive housing.
- Provide capital for nonprofits to purchase and renovate existing buildings. This will enable the nonprofits to compete with for-profit landlords to purchase buildings, and creates housing opportunities far faster than new construction.
- Allow a percentage of new homeless set-aside units in new construction projects to be used for supportive housing.
- Begin conversation with housing court judges regarding squatters taking over scattered site apartments and the lengthy and expensive process of evicting them. Providers can work with the judges to develop guidelines that protect the nonprofit from unnecessary and expensive process to reclaim their apartment.

Conclusion

While the scattered site model continues to be an important component of the supportive housing portfolio, it is critical to address the serious challenges faced by providers under the current structure. To ensure the viability and the sustainability of this model moving forward, funding agencies should make the necessary adjustments to contract rates to ensure that supportive housing providers can remain competitive in the rental market. Greater flexibility within scattered site contracts can help providers deal with the fiscal and clinical issues presented by fixed contract rates. The Network's recommendations reflect the numerous discussions and survey responses from our providers over the past several months as these issues have reached a critical point. The Network looks forward to working closely with our government partners, providers and other key stakeholders to tackle this important issue.