

**win**

**BREAKING THE CYCLE OF HOMELESSNESS BRIEFS**

January 2020

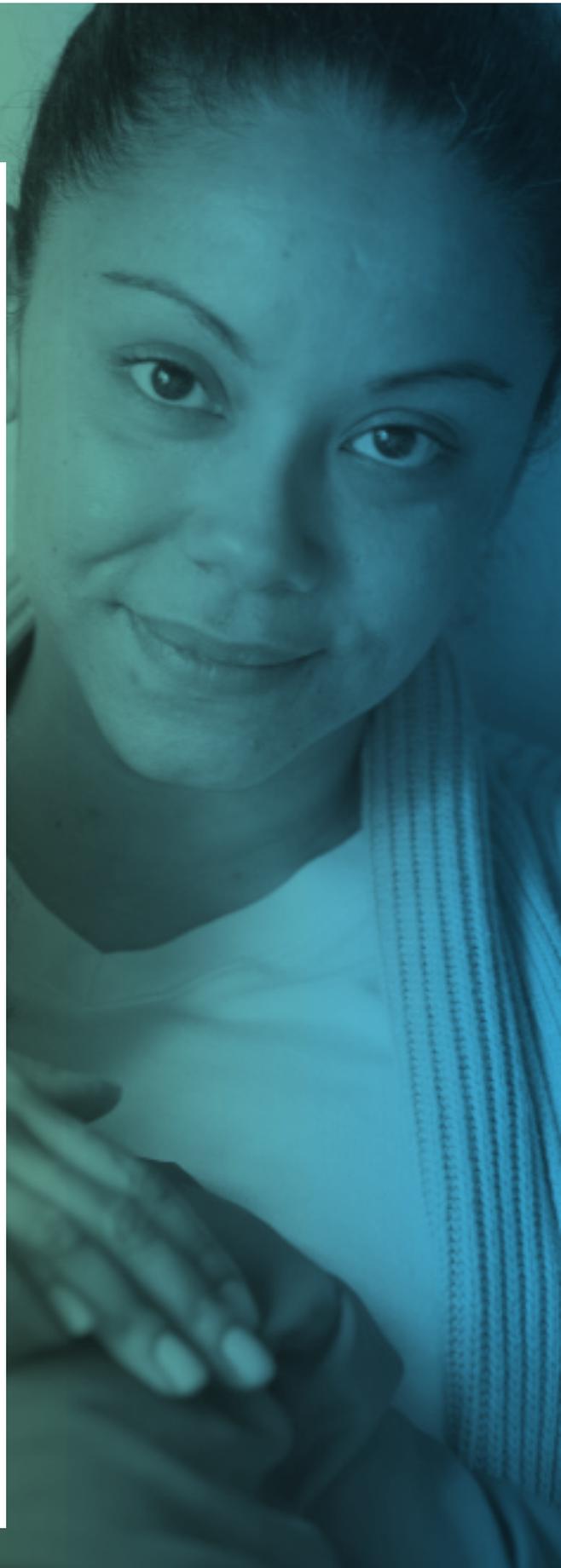
MAKING  
**CityFHEPS**  
A MORE  
EFFECTIVE TOOL

# Summary

**T**oo few homeless families are able to use New York City's rental voucher (CityFHEPS) to leave shelter. And those who use the voucher spend more months than necessary in shelter searching for one of the few apartment vacancies that meet the program's limited rent requirements. Alarming, after months in shelter attempting to move out using their CityFHEPS voucher, some families ultimately choose other options for exiting shelter that leave them at high risk for returning. These circumstances exacerbate the homelessness crisis, increase shelter costs, and exact a toll on the well-being of families.

Win is calling on New York City's elected leaders to support Intro. No. 146, a bill currently pending in the City Council that would increase the CityFHEPS allowable rents to the Fair Market Rent. By increasing the CityFHEPS amount, families with children could leave shelter more quickly, and with a dramatically reduced risk for returning. This reform would result in fewer homeless families and in significant reductions in spending to shelter families in commercial hotels, savings that can instead be used to support stable, permanent housing. The approximately \$8,273 the City spends on one month in a hotel for each homeless family with children would pay for over 22 months of the proposed increase in the voucher amount for a family. Avoiding a return to shelter for the typical family would fund the increase for nearly 28 years.

An increased CityFHEPS amount would more effectively bridge the housing affordability gap for eligible families, addressing one of the primary drivers of New York City's homelessness crisis. A more effective rental voucher program will ultimately reduce the money the City spends on homeless shelter, as families are able to exit shelter more quickly or avoid shelter altogether. Most critically, it can mean the difference between homelessness and a stable home for children and their families.



# Introduction

**T**he shortage of affordable housing is a primary driver of the family homelessness crisis in New York City.<sup>1</sup> Eighteen percent of people in the City—over 1.5 million people—are living in poverty,<sup>2</sup> with incomes below \$1,777 a month for a family of three.<sup>3</sup> For people with an income at the top of this range, rent is only affordable if it is less than \$533/month. As of 2017, only seven percent of rental apartments in the City rented at \$500/month or less.<sup>4</sup> And these apartments rarely become available: the vacancy rate for these lowest rent units was almost non-existent at 1.15 percent.<sup>5</sup> Given the significant mismatch between incomes and available rents for so many New Yorkers, it isn't surprising that more and more families have had to turn to homeless shelters as they struggle to find and sustain permanent housing in New York City.

Rental assistance vouchers help bridge the gap between the cost of available housing and what the lowest income New Yorkers can afford. Vouchers are a proven tool for supporting long-term housing stability, as evidenced by a nearly non-existent one-year return-to-shelter rate among families with rental vouchers.<sup>6</sup> Vouchers also expand the extremely limited pool of apartments that homeless families can access, effectively widening the door out of shelter.

In response to the homelessness crisis, New York City created the LINC rental assistance voucher in 2014. LINC was reformed in 2016 and streamlined into New York City's current rental assistance program, CityFHEPS. CityFHEPS is available to homeless families with children living in shelter whose incomes are below \$42,660 a year for a family of three. CityFHEPS is also available to certain New Yorkers who are at risk for homelessness to help them avoid entering shelter. CityFHEPS pays landlords the difference between what a household can afford and the rent. A household pays 30 percent of their income towards rent, and CityFHEPS pays the difference, up to a maximum rent based on the size of the household (currently, for a 3- or 4-person household, the maximum rent permitted is \$1,580/month).<sup>7</sup>

18%

of New Yorkers are living in poverty, with **income below \$1,777/month** for a family of three.

**Affordable rent** for people living in poverty is

**\$533/month**  
or less.

In 2017 only

7%

of apartments

rented for **\$500/month**  
or less in New York City.

# The Problem

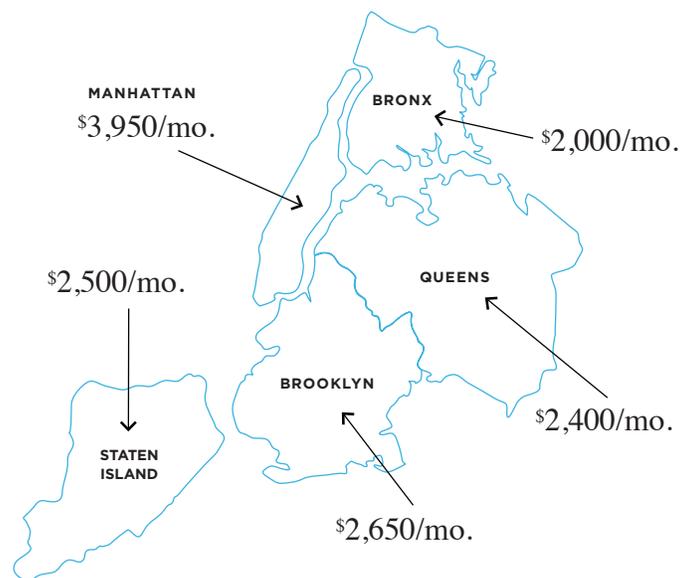
The maximum rent allowed under CityFHEPS is too low to provide substantial opportunities to compete for housing in New York City's rental market. Approximately 12,415 families, including over 21,000 children, sleep in a New York City shelter on any given night.<sup>8</sup> The typical family living in a Win shelter has a monthly income below \$1,700 (below the poverty line). Families seeking to leave shelter face the daunting task of finding an affordable, appropriate apartment in New York City, where the median asking rent for a two bedroom apartment was over \$3,000 a month in August of 2019.<sup>9</sup> Median asking rents vary significantly between boroughs, but all were well above the CityFHEPS cap of \$1,580 a month for a three or four person household. The Bronx had the lowest median asking rent at \$2,000 a month for a two-bedroom, followed by Queens at \$2,400 a month, Staten Island at \$2,500 a month, and Brooklyn at \$2,650. Manhattan was the most expensive borough to move in, with a median asking rent of \$3,950 for a two-bedroom apartment.<sup>10</sup> Perhaps not surprisingly, the majority of Win families who received CityFHEPS last year—nearly 60 percent—were still in shelter at the end of the year, despite having the voucher.

## *Too few families are using CityFHEPS.*

To help bridge the gap between the very low incomes of households in shelter and high New York City rents, the City created CityFHEPS. Yet Win data show too few families are using CityFHEPS to leave shelter. Last year, nearly 550 families in Win shelters received a CityFHEPS shopping letter. The City's Human Resource Administration issues shopping letters to families who apply for CityFHEPS and are found eligible on a preliminary basis. Families provide



**Figure 1:** Median Asking Rents for a Two-Bedroom Apartment, August 2019



Sources: StreetEasy Data Dashboard, Win

the shopping letter to landlords when they apply to rent an apartment. Final CityFHEPS eligibility and voucher issuance occur based on a second application that is submitted upon being offered an apartment lease. The majority of families who received a shopping letter last year—nearly 60 percent—were still in shelter at the end of the year, despite having CityFHEPS. Among families with shopping letters who left Win shelters last year, only 28 percent left using CityFHEPS.

After attempting to use CityFHEPS without success, 32 percent of families turned to shelter exit types that are significantly less stable options in order to exit shelter. Some of these Win families used SOTA<sup>i</sup> outside of New York City, or opted for unsubsidized housing, such as doubling-up with family. Families leaving shelter for these options are much more likely to return to shelter than families who leave with CityFHEPS. Based on city-wide data, families leaving without any subsidy return to shelter at more than 20 times the rate of those who leave with a subsidy. Most alarmingly, instead of using CityFHEPS, 16 percent left shelter for temporary accommodations, such as doubling up with family or friends. These types of accommodations are a continuation of housing instability and are often a precursor to homelessness. In short, a total of 32 percent of Win families with access to CityFHEPS opted instead to use a short-term subsidy, forgo a subsidy, or left for a less stable housing option.

***CityFHEPS is hard to use, which causes the City to spend more than necessary on shelter.***

The experience of Win families suggests that CityFHEPS vouchers are nearly unusable. Win’s Housing Coordinators—specialized staff who work full time to help families in shelter find and secure permanent housing—cite the low rent amount allowed by CityFHEPS as the major impediment to using it. Housing Coordinators report that there are very few vacancies at or below the CityFHEPS cap of \$1,580 a

month for apartments that are appropriately sized for the average Win family of three or four people. This is not surprising given the dearth of units in the City renting at the lowest rent levels, and the exceeding low (1.15%) vacancy rate for the lowest rent units. Low-rent units are disappearing even in the City’s historically affordable neighborhoods, where rents have increased at a faster rate over the last ten years than they have in already higher cost neighborhoods.<sup>12</sup>

By setting the CityFHEPS rent limit so far below the typical rent in the City, New York City is undermining the effectiveness of its own tool and families are spending more time than necessary in homeless shelters. With few apartments becoming available within the CityFHEPS limit, families wait in shelter longer than necessary for scant vacancies in the rental market. On average, Win families who leave shelter using CityFHEPS do so nearly four months from the date of their shopping letter. This is despite the skilled support of Housing Coordinators, who maintain and regularly update rosters of apartments, landlords, and brokers. At an average nightly cost of about \$272 to shelter each family in a hotel,<sup>13</sup> New York City is spending nearly \$33,100 for a family with a shopping letter to search for a CityFHEPS-affordable apartment.

For families who leave for a more immediate, but less stable, housing option, the unnecessary shelter cost may be even higher. Approximately 21.6 percent of families who leave shelter for unsubsidized housing return to shelter within 12 months.<sup>14</sup> At an average length of stay of about 15 months (446 days), the City will spend over \$121,300 on hotels for each family who returns. The financial cost of shelter, as well as the human and social costs of housing instability and repeated homelessness, can be avoided by improving the usability of CityFHEPS.

<sup>i</sup> Prior to February 2020, the Special One Time Assistance (SOTA) program paid one full year of rental assistance to the landlord up front. Assistance ends after one year, and no other housing assistance is available to the family during the SOTA year. SOTA maximum allowable rents are not pre-set, but rather are based on each family’s income. It can be used for an apartment with a rent that does not exceed 50% of income, and can be used for an apartment outside of New York.

# The Solution

**B**ased on the experience of Win staff and families, increasing the CityFHEPS allowable rent would permit families to move out of shelter more quickly, and would likely increase the number of families who use CityFHEPS and benefit from its stabilizing effects. **Win is calling for increasing the CityFHEPS maximum rents to the Fair Market Rent for New York City**, the federally determined cost of housing for the area (Table 1). The Fair Market Rent (FMR) is determined annually by the U.S. Department of Housing and Urban Development. By linking the CityFHEPS maximum rent to the FMR, rent levels will be based on a data-informed assessment of rents in the City. Intro. No. 146, currently pending in the City Council, would effectuate this change.

Matching FMR would make it possible for the typical homeless family of three or four people to rent a two-bedroom apartment for \$1,951/month in 2020, with the household paying 30 percent of their income and the voucher paying the rest of the rent. While this

is still less than the City's median asking rent for a two-bedroom apartment, it would make many more apartments in the City accessible for families.

According to the New York City Housing and Vacancy Survey (HVS), in 2017 (the most recent data), there were approximately 68,000 two or more bedroom, recently available units that rented at levels between \$1,580 and \$1,951<sup>17</sup> (the difference between the existing level for 3 or 4 person household and the FMR level for this same household).

The HVS shows that not only are there more apartments renting at higher rent levels, there are also more vacant apartments. For example, the vacancy rate for apartments with asking rents between \$1,000 and \$1,499/month was only 2.52 percent in 2017. That same year, the vacancy rate for units renting between \$1,500 and \$1,999/month was 4.11 percent.<sup>18</sup>

Win analysis of 2019 StreetEasy data, which provides

TABLE 1

Current & Proposed CityFHEPS Maximum Rents by Household Size

Household Size	Current CityFHEPS Maximum Rent	Equivalent Fair Market Rent (FY2020)*	Monthly increase
1	\$1,265	\$1,665 (0 bedroom)	\$400
2	\$1,323	\$1,714 (1 bedroom)	\$391
3 or 4	\$1,580	\$1,951 (2 bedroom)	\$371
5 or 6	\$2,040	\$2,472 (3 bedroom)	\$432
7 or 8	\$2,291	\$2,643 (4 bedroom)	\$352
9 or 10	\$ 2,639	\$3,039 (5 bedroom)	\$400

listings of hundreds of New York City real estate brokerages, finds that there was no neighborhood in the City in August of 2019 where the median-asking rent for a two-bedroom unit was affordable at the current CityFHEPS voucher amount for a three or four person household. The same data show that by increasing CityFHEPS to FMR, the typical two-bedroom apartment for rent in eight neighborhoods would come within reach of families working to leave shelter.

Finally, by increasing the allowable rents, the CityFHEPS program will save money by allowing the City to decrease its spending on using commercial hotels for shelter, which is estimated at \$376 million this year.<sup>20</sup> The City will save money for each month sooner a family can leave for a permanent home. An increased CityFHEPS voucher will also generate savings by increasing the number of families who use it instead of leaving for options that would have put them at a high risk of returning to shelter. In the first five years, Win estimates that an increased CityFHEPS

voucher will help an average of 2,650 families leave homeless services for a permanent, stable home each year. In fiscal year 2019, New York City spent \$272/night for each homeless family sheltered in a hotel;<sup>21</sup> increasing the voucher to FMR for the typical family will only cost the City \$371/ month. The one month cost of \$8,270 to shelter a family in a hotel would pay for increasing the CityFHEPS amount for a family for over 22 months (Table 2).

**TABLE 2**  
**Estimated Cost Savings from Increasing CityFHEPS Voucher Amount, 3 or 4 Person Household**

Time Sheltered	Hotel Cost Saved	Months of \$371 Increase Funded
<b>1 month</b>	<b>\$8,273</b>	<b>Over 22 months</b>
<b>2 months</b>	<b>\$16,547</b>	<b>Over 44 months</b>
<b>15 months</b>	<b>\$124,100</b>	<b>Over 334 months (nearly 28 years)</b>

# Conclusion

**N**ew York City's elected leaders have the opportunity to meaningfully address the homelessness crisis by passing Intro No. 146. This bill would increase the amount the City's rental voucher pays, providing homeless families with a usable tool for accessing safe, stable, permanent housing. With this tool, homeless families are able to avoid unsafe and unstable housing, and leave shelter more quickly.

Increasing the CityFHEPS maximum rents to the Fair Market Rent in New York City would more reasonably reflect the cost of housing, reducing length of stay in shelter and reducing returns to shelter. Increasing the CityFHEPS amount not only addresses a major social need, it also reduces money spent on homeless shelter. The cost of one month of shelter in a hotel would pay for over 16 months of the proposed increase in CityFHEPS for the typical family.

Increasing the CityFHEPS amount makes financial sense and has the potential to reduce the number of families in shelter. Most importantly, it can mean the difference between a stable home and homelessness for families with children.



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## ABOUT WIN

Win is New York City's largest provider of shelter and services for homeless families with children. Win serves over 1,200 families, including over 2,300 children, each night in its ten family shelters located across New York City. In addition, Win provides permanent supportive housing for more than 330 formerly homeless families with complex needs. Across its shelters and supportive housing, Win transforms the lives of New York City's homeless women and their children by providing a holistic solution of safe housing, critical services and ground-breaking programs they need to succeed on their own—so the women can regain their independence and their children can look forward to a brighter future.

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