



HOMELESS SERVICES UNITED

307 W. 38TH STREET, 3RD FLOOR
NEW YORK, NY 10018
T 212-367-1589
www.HSUnited.org

Testimony before the New York City Council Committees on Contracts and General Welfare Oversight: DHS Homeless Service Provider Contracts December 16, 2019

My name is Catherine Trapani, and I am the Executive Director of Homeless Services United (HSU). HSU is a coalition of approximately 50 non-profit agencies serving homeless and at-risk adults and families in New York City. HSU provides advocacy, information, and training to member agencies to expand their capacity to deliver high-quality services. HSU advocates for expansion of affordable housing and prevention services and for immediate access to safe, decent, emergency and transitional housing, outreach and drop-in services for homeless New Yorkers.

Homeless Service United's member agencies operate hundreds of programs including shelters, drop-in centers, food pantries, HomeBase, and outreach and prevention services. Each day, HSU member programs work with thousands of homeless families and individuals, preventing shelter entry whenever possible, providing quality shelter when prevention isn't an option and, working to end homelessness through counseling, social services, health care, legal services, and public benefits assistance, among many other supports. We are here testifying today about how DHS came to rely on contracting with the nonprofit community to uphold the right to shelter, how those contracts function and what can be done to strengthen the shelter system.

HISTORY: CONTRACTING WITH NONPROFITS TO UPHOLD THE RIGHT TO SHELTER

The right to shelter was codified in NYC 40 years ago and ever since then, the City has grappled with the challenge on how to fulfill the mandate. The courts affirmed that it is our legal and moral obligation to provide shelter services to everyone who needs it yet, it has always been a struggle to get government to invest in the kinds of shelter and housing facilities homeless people need and harder still to convince the public that these facilities should be in their communities. Because of this, the safety net for homeless people that exists today is a result of the work of tenacious advocates and social service organizations who fought for and won the establishment and improvement of the shelter system. Through decades of litigation, ongoing advocacy and pushing for oversight, we have collectively ensured that the right to shelter is not only upheld, but that the quality of our shelter programs is high. As a result of those efforts, shelter is one of the most highly regulated program types in the state.

Politically, it has never been a winning issue to build or invest in shelter even if we should all be able to agree that no one should ever be left out in the cold. "There is enormous community opposition to the placement of these men, now we have a court order telling us we have to do something" Robert Trobe, Deputy Administrator of Family and Adult Services for the City's Department of Social Services said following the Court's order to provide shelter to all homeless men in need in 1979. To help the City meet its burden, the City rented rooms at low cost hotels on the Bowery and, the State allowed the City

to use the Keener building on Ward's Island to "temporarily" house homeless men. Forty years later, Keener is still in use and, we are still forced to rely on hotels to house homeless people when stand alone facilities lack the capacity to meet the need.

Given that much of the shelter capacity we have was never intended to be in use for as long as it has, and, the fact that the City has historically not been keen on investing in preserving or strengthening the shelter system, it has been plagued by maintenance issues that were allowed to get progressively worse as the system aged. While some new shelters were able to open to cope with ever increasing number of families and individuals in need of shelter and were funded at rates in keeping with modern costs, most of the original capacity was still funded at the same levels as when it first opened until just this past year. Meanwhile, New York City's real estate market saw dramatic increases in prices and occupancy costs for shelter climbed with it. As costs were rising without new investments, more and more people found themselves in need of shelter services due to higher real estate prices, loss of benefits associated with welfare reform of 1996, federal disinvestment in housing programs and, the weakening of rent regulations during the Pataki years. All of these factors combined caused the crisis of homelessness to deepen. With a rising shelter census, the City turned to nonprofits to help them meet the demand and the modern shelter system was born.

As the shelter system started to age with no sign of the need for shelter going away, HSU advocated for funding to repair and improve shelters and strengthen services. Sadly, our pleas for resources fell on deaf ears for years. During the great recession of 2008 we saw PEGS erode services like employment specialists in family shelters, recreation staff, aftercare and more. We also saw so called "new needs requests" for repairs languish for months or even years. Overall, spending on homeless shelters climbed higher to meet the demand for new capacity even as the actual rates for shelter services remained stagnant or were cut.

Given the lack of appetite to commit to a robust pipeline of new shelters or invest in shelter infrastructure, the City has been forced to rely on emergency procurement to uphold the right to shelter over the years. During times of increased demand, it is not unusual for a nonprofit leader to get a last minute call from a DHS official asking them to open a planned facility early, procure a few hotel rooms or otherwise make space available for new families and individuals. It is the largest nonprofits in our membership that the City relies upon to expand capacity on a dime – these types of organizations are most able to rise to these challenges and absorb the risk of taking on new sites with little lead time and it is the large organizations that best poised to scale operations quickly. This trend of relying on large "go-to" providers persists with the current administration even as they have worked to cultivate new partners.

Providers do the best they can to accommodate these requests even in circumstances that are less than ideal because we believe it is the right thing to do. Our member agencies organized our Coalition in the early 90s because we believe that homeless people deserve to be treated with dignity and respect. We have shared best practices and innovated to develop programs to meet their needs throughout our history and protested when families were made to sleep overnight in the EAU. Nonprofits have long been partners in the fight for quality services.

Early in the de Blasio administration, a decision was made not to build new shelters to address the rise in homelessness upon the belief that the introduction of a rental assistance program would result in a significant reduction of the shelter census. That reduction did not come to fruition and, because no new shelters were planned for, the City was in a situation where it did not have enough shelter capacity to



HOMELESS SERVICES UNITED

307 W. 38TH STREET, 3RD FLOOR
NEW YORK, NY 10018
T 212-367-1589
www.HSUnited.org

meet the demand nor did they have time to develop traditional congregate shelters to address the need that had become impossible to ignore. Therefore, the City released a large RFP for commercial hotels, a model with high occupancy costs and limited services. Few providers were well positioned to take on such an enormous challenge but a few did come forward to step in and help the City meet the need for significant new capacity. It is thanks to these nonprofits that no family has been forced to sleep overnight in the EAU in decades.

At the same time as the hotel capacity expansion, the City introduced the Turning the Tide plan to address the homeless crisis finally calling for new housing and prevention initiatives, much needed investment in existing shelter stock, the closing of cluster sites and poorly run hotels and, for the first time in years, planning a pipeline of purpose built shelters.

PRESENT DAY CHALLENGES: IMPROVING EXISTING CAPACITY

By 2015 many facilities were at a breaking point due to the long history of disinvestment in shelter and audits at the State and City level as well as the de Blasio administration's own 90-day review of shelter services revealed that serious investment was needed to address decades of stagnant per diems and reduced social services. What followed was an exercise known as "rate rationalization" where DHS partnered with shelter providers to ensure that rates for shelter services were in line with costs regardless of the year the shelter program came into existence. For the first time in decades, shelter was seeing investment and, through what came to be known as the "model budget", rates were made more consistent and, budget authority for repairs was granted as part of the DHS contract for the first time in the agency's history.

While model budget negotiations took two years to conclude, these investments are finally beginning to take hold and we've seen a dramatic reduction in the number of violations in our City's shelters. HSU is grateful for the significant investments that were made to improve shelters but, much more work needs to be done to ensure that these investments are implemented across the portfolio and we remain concerned that serious gaps remain.

Because of the robust oversight system that governs DHS contracts, in order for a contract or an amendment to be registered such that funds are available to nonprofit service providers, the shelter must be in good repair and the provider must be in good standing with the City. Shelters with significant capital needs often struggle to get funding to address those needs because, the City cannot register contracts for those sites because of the violations. Before funding can be released, providers must navigate a byzantine system of often conflicting codes, face multiple inspections and re-inspections, ensure oversight agencies actually clear violations in their systems one repairs are made and, ensure any repairs nonprofits lack the funding to make on their own have a current corrective action plan (known as a CAP) in place. Then and only then can the contract or amendment be registered such that resources

are made available to correct the conditions. This process is complex on its own but can be even more challenging when the property is owned by the City or a private landlord and the nonprofit lacks the legal standing to actually cure the violations on their own. Given these kinds of challenges, there is still a significant number of amendments for model budget dollars still winding their way through the pipeline and some nonprofits have yet to receive the resources they need to address problems in their facilities.

HSU certainly understands the need to hold bad actors accountable by withholding funds from those who refuse to address deficiencies in their programs but, we urge the City to come up with a way to make sure that funding is available to providers who do the right thing and make every effort to ensure their programs are in compliance with regulations. We recommend that, in cases where there are building violations nonprofit vendors are not legally responsible or able to address because of the ownership of the facility, that funding for social services and items other than rent be allowed to flow so programs can continue to operate while landlords, including DHS, are held accountable by withholding occupancy funding alone. We further recommend that the City reimburse nonprofits for fines and other fees associated with clearing regulations that occur as a result of the City's own failure to act on properties that they own and manage. In addition, we urge DHS and DSS to continue to partner with nonprofit providers by giving clear direction and information regarding where their contracts and amendments are in the registration process, what if any information is needed to move things along and, ensure timely registration. We are hopeful that the new Passport system will achieve some of that transparency and look forward to its full implementation.

Setting aside registration issues, it is important to note that despite critical investments (that ultimately will make their way into nonprofit budgets), the model budget focused so much on maintenance that it left many other needs unaddressed. For example, nonprofit employees remain woefully underpaid which impacts the quality of service our clients receive. Nonprofits were told over and over throughout negotiations that this was "not an exercise in salary parity" and that increases to staff wages would not be contemplated except for cases where providers could demonstrate that it was literally impossible to attract or retain staff to fill a line that was vacant. This meant that wage ladders in programs that were compressed due to minimum wage increases were without a mechanism to ensure that employees with progressively responsible duties in programs are compensated for taking on more challenging roles. Providers were also not allowed to increase fringe spending for employee benefits such that any gains employees may have experienced due to modest COLAs are often blunted or eliminated by higher healthcare costs or decreased benefits. In addition to these unmet salary and benefits needs, nonprofits were also not allowed to budget for enhanced clinical supervision or client services to make up for decades of cuts leaving service levels to clients largely unchanged despite demonstrated need. As a result, turnover remains high and recruitment a challenge; staff often leave for better paying positions as soon as they gain enough experience to be competitive in the labor market; clients are the ones who suffer when such disruptions in staffing are routine.

Even those providers who were lucky enough to win modest investments over the years were told that they were already "over the model" when they entered negotiations and would have to forgo new investment in their facilities or find savings elsewhere. One provider who had new spending approved by DHS for enhanced security and engagement specialists following agreements with their local community board to address safety issues was later told that OMB denied the new spending and are now struggling to recover nearly \$2 million in unreimbursed expenses while grappling with how to cope with the deficit left by the broken promise and, how to explain the service cuts to their neighbors who were assured that steps were being taken to enhance community safety. If the City truly wants to invest in high quality shelter services these deficiencies must be addressed, particularly those that risk the



HOMELESS SERVICES UNITED

307 W. 38TH STREET, 3RD FLOOR
NEW YORK, NY 10018
T 212-367-1589
www.HSUnited.org

safety of our clients and our neighbors. We cannot afford to squander good will in communities nor can we afford to lose the good shelter capacity that we have.

CONTINUED RELIANCE ON HOTELS: THE NEED FOR INVESTMENT IN SERVICES AND CAPACITY PLANNING

Given these challenges, coupled with continued opposition by communities to siting new shelters, the capacity crunch continues to persist. We therefore continue to rely on commercial hotels to house homeless families and individuals. The hotel contracts are up for renewal in 2021 but, we still do not have enough purpose built shelter capacity to meet the need. Attempts to create new, purpose built capacity have been thwarted by lawsuits, land use negotiations with the Council and other obstacles. It is therefore likely that these contracts will need to be renewed while the City continues to work on both reducing the need for shelter by linking people to permanent housing and by continuing to try and site new shelters better suited to meet client needs.

As long as families will continue to rely on hotels for shelter, HSU recommends enhancing those contracts to improve services and quality of life for those living in such facilities. We recommend enhancing service budgets to get staff ratios consistent with traditional congregate shelters – for example, while there are the same ratios for case managers and housing specialists, homeless hotels lack MSW Client Care Coordinators and recreation staff; these lines should be added to ensure that regardless of where a family is placed, a high level of social services is available to support them. Spatial constraints also limit programming at hotels given they were never designed to act as shelters– we therefore recommend enhancements to transportation budgets to allow nonprofits to help clients access community supports away from these hotel facilities and also provide allowances for providers to lease nearby commercial space to house programming nearby the hotels.

Finally, HSU recommends that the City redouble its efforts to reduce reliance on shelter overall by improving access to permanent housing for persons experiencing homelessness. That includes enhancing the value of rent subsidies, ensuring a robust pipeline of HPD homeless set aside units, priority access to NYCHA and Section 8 housing as well as an accelerated production of supportive housing.

Still, even with these kinds of efforts, the reality is that shelter is a necessary and important part of our safety net. We cannot turn our back on the immediate needs of homeless people just because we wish we could provide housing to everyone instead. Therefore, we need the partnership of every member of this Council in every neighborhood in the City in ensure that we can site enough shelter capacity to meet the need. We must achieve a vacancy rate high enough to move away from a reliance on emergency procurement which often results in relying on models like hotels and subjects the City to price gouging on occupancy costs. It should never be the case that any Council Member actively blocks a shelter project in their district because of the belief that shelter ought not be necessary. The fact is that the we

do not have a system where we can compel landlords to house everyone without regard to their ability to pay or other qualifications; the only "housing" with that kind of admissions policy is shelter. It is magical thinking to assume that any new housing built in lieu of shelter would actually house persons who would otherwise turn to DHS and an insult to the thousands of New Yorkers with no place to go to say that they should try their luck with the housing lottery instead because a City Council member thinks their district is doing enough even if there are still over 60,000 people without homes.

Shelter is and remains a critical service and I am proud our members are there to help provide it. We thank you for your partnership in addressing the urgent needs of our community and thank you for giving me the opportunity to testify.