

Appendix C

Permanent Housing for Homeless Families: A Review of Opportunities and Impediments

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Introduction

Achieving stability in permanent housing is considered by many to be the overriding goal of the system of services for people who are homeless. Providers of service may have other important objectives tailored to the particular needs of their client population and associated with helping people to become as self-reliant as possible through employment, connection to mainstream services, and addressing medical and other needs associated with disabilities. However, the aspect of self-reliance most central to ending homelessness is moving to permanent housing and not returning to a shelter, transitional housing, or the street.

In addition to being an end in itself, stable, permanent housing is often closely associated with achieving other types of self-reliance. For families with children, in particular, a place to live may make it possible for a child who has become separated from a parent to be reunited with that parent. Such family reunification can enhance the long-term well-being of children, even when the parent or parents are in recovery from behavioral health problems. Family reunification also can serve as an important motivation for the adult experiencing homelessness to try to overcome circumstances that contributed to her becoming homeless, such as unemployment, substance abuse, or failure to comply with a treatment program for mental illness.

This chapter focuses on the role of federally funded rental housing subsidies in helping parents who have become homeless achieve permanent housing. There is strong evidence that families who receive housing assistance are more likely to remain stably housed than those without such assistance (Rog et al., 2005). This is not surprising, given that most adults who become homeless have limited education and earnings potential and, therefore, limited ability to pay market rents (or buy a housing unit) even when they are employed full time.

The purpose of this chapter is to explore the type of permanent housing that homeless families need, the resources potentially available for homeless families from programs that provide housing subsidies to low-income renters, and the barriers that may prevent the use of those housing resources by people attempting to leave homelessness.

This chapter is part of an effort sponsored by the Office of the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services (HHS) to develop a typology of homeless families. Part of that typology might be the type of permanent housing placement suitable for a particular family. Alternatively, the potential availability of suitable permanent housing for families with particular characteristics might be one of the indicators used in a typology of families at risk of becoming homeless or of families attempting to leave homelessness.

The chapter is organized into five sections. Section 1 provides estimates of the number of families with children who are homeless and the number who need three types of permanent housing: unsubsidized mainstream housing, subsidized mainstream rental housing, and permanent supportive housing. Section 2 describes the subsidy programs for mainstream rental housing, estimates the resources available from those programs that might be used by families attempting to leave homelessness, and discusses the barriers to the use of these programs by parents who have become homeless.

Section 3 discusses current and potential resources for permanent supportive housing for formerly homeless families with children. Section 4 evaluates whether current proposals for additional housing subsidies could create additional resources for helping families leave homelessness. Section 5 discusses implications for housing policies at the Federal, state, and local levels, implications for a typology of homeless families, and gaps in knowledge that need to be filled in order to develop a typology.

Section 1: How Many Families with Children are Homeless and What Kind of Permanent Housing Do They Need?

An estimate based on the National Survey of Homeless Assistance Providers and Clients (NSHAPC) is that in 1996 there were 60,860 families with children currently experiencing homelessness.^{1, 2} Another 101,840 homeless adults were parents of children under the age of 18 whose children do not live with them. While it is unrealistic to assume that all of the parents whose children do

¹ The NSHAPC classifies “currently homeless” families as those who reported that, on the day of the survey or during the 7-day period prior to being interviewed, they stayed in an emergency shelter or transitional housing program; or a hotel or motel paid for by a shelter voucher; or an abandoned building, a place of business, a car or other vehicle; or anywhere outside. In addition, families are classified as currently homeless if they report that the last time they had “a place of [their] own for 30 days or more in the same place” was more than 7 days ago; or said their last period of homelessness ended within the last 7 days; or were selected for inclusion in the NSHAPC client survey at an emergency shelter, transitional housing program; or reported getting food from “the shelter where you live” within the last 7 days; or, on the day of the interview, said they stayed in their own or someone else’s place but that they “could not sleep there for the next month without being asked to leave.”

not live with them will be reunited with their children, this is often a basic objective both for the parents themselves and for the service providers that help them to set and achieve goals. Thus, the number of permanent housing units needed for families who are attempting to leave homelessness and become permanently housed is somewhere between 60,900 and 162,700.

This NSHAPC estimate is a point-in-time count of families who were homeless at the time the survey was conducted. The NSHAPC also can provide estimates of the number of parents who have experienced homelessness at some time in their life. Administrative data on homelessness from Homeless Management Information System (HMIS) ultimately will make possible more sophisticated estimates of the number of families who are homeless at some time during a calendar year and the average length of time they are homeless. These analyses of the flow of families in and out of homelessness will be superior for analyzing both the type of permanent housing needed by families who become homeless and the number of permanent housing units needed. For the time being, however, the information from the NSHAPC on parents and children homeless at a point in time in 1996 is the best available for determining the numbers and characteristics of permanent housing units needed by homeless families and for comparing those numbers and characteristics to resources available from housing subsidy programs.

Families who are doubled up but not at imminent risk of homelessness (i.e., did not tell the interviewers that they were about to have to leave) are not included because it is very difficult to determine how many of those families will actually become homeless. Without tools for predicting homelessness superior to those available now, any estimate that included high risk families would merge into estimates of families severe housing needs for housing assistance, such as the Department of Housing and Urban Development's (HUD's) estimates of "worst case needs" among unassisted renters with very low incomes. Similarly, in the following sections, resources or policies for preventing homelessness are not focused on. An updated estimate of the total number of people who are homeless is not used because no one knows whether that number has grown or decreased since 1996.

² The NSHAPC data are available at <http://www.census.gov/prod/www/nshapc/NSHAPC4.html>. NSHAPC data were weighted up to national totals by applying to the "rescaled" weight variable (CLIWGT) in the NSHAPC data set a factor derived by dividing the NSHAPC-based estimate of the total number of currently homeless households by the rescaled weight for these households. Burt, Aron, and Lee (2001), derive from NSHAPC an estimate that there were 346,000 homeless households during an average week in October-November 1996. A slightly different definition is applied to the NSHAPC for parents who are homeless together with their children, by including parents who say their children are living with them even if they were not physically present in a shelter at the time the survey was conducted. These children are highly likely to be reunited with their parents.

What types of housing units do families exiting homelessness need? Exhibit 1 provides estimates of the units of different sizes needed by parents who are homeless, derived from NSHAPC. The standard policy assumption is that all families with children need two sleeping rooms—one for the parent(s) and one for the child or children. A parent or parents with an infant could get along with only one bedroom for a time, but because the interest is in having families become stable in permanent housing, one assumes that children need their own sleeping room. Families with two or more children may need three bedrooms, depending on the numbers and ages of the children and the gender of older children in families with two or more.

Since the NSHAPC has limited information on the gender of children, the estimate in this exhibit is based just on numbers of children under 18, assuming that a parent with one or two children needs two bedrooms, with three or four children needs three bedrooms, and with five or more children needs at least four bedrooms. The exhibit provides two estimates. It shows, first, the number of units with two, three, and more than three bedrooms needed by the family members who are in the homeless services system as a family unit. Thus, if permanent housing were provided for all homeless families counting only the children who are with the homeless parent, the total units of permanent housing needed would be 60,860 and 14,700 of those units would need to have three bedrooms.

Exhibit 1: Permanent housing units needed by parents who have become homeless and their children, by unit size

Category	Number of units needed if 25			
	Number of units needed for family members homeless together	Number of units needed for all family members of homeless parents	percent of parents homeless alone are reunited with their children	Percentage of units needed that have number of bedrooms
Two bedrooms	44,350	108,110	63,040	73
Three bedrooms	14,700	40,670	20,230	23
More than three bedrooms	1,810	13,920	3,050	4
Total	60,860	162,700	86,320	100

The exhibit then shows the number of units of different sizes that would be needed if the exit from homelessness to permanent housing always resulted in all children under the age of 18 becoming part of the household living in the permanent housing unit. The total units needed increases to 162,700, and the total of three bedroom units increases to 40,670.

The reality is that not all children who have become separated from their parents will be reunited with them when the parent leaves homelessness. Some children will have been adopted, and many will continue to live with a custodial parent who is not homeless. Many of the parents who told the NSHAPC interviewers about children who did not live with them were men; and 46 percent of the minor children of homeless parents were reported to be living with the other parent (Burt, Aaron, and Lee, 2001). Other children will continue to live with a grandparent or other relative. In some cases the child protection system will not be willing to return legal or physical custody of the child to a parent leaving homelessness, even if that parent is able to acquire suitable and stable housing. Therefore, in the third column of the table, an intermediate estimate is provided based on the crude assumption that one-fourth of the parents without children present will be reunited with their children.³

The total number of units needed is 86,320, and of those units 73 percent are two-bedroom units, 23 percent are three bedroom units, and 4 percent have more than three bedrooms. These are the numbers that will form the starting point for comparison with available permanent housing units.

Another important aspect of the permanent housing needed by families leaving homelessness is the nature and intensity of supportive services that formerly homeless families will need in permanent housing and whether those services require housing with features not generally provided in private market housing or in subsidized housing developments. How many homeless families need permanent housing with intensive supportive services? The literature suggests that severe mental illness is not common among the adults in families that are homeless (Rog et al., 2005). Depression and post-traumatic stress disorder (PTSD) are common, but do not imply intensive services linked to housing. Substance abuse is common, but recovery based on treatment that is limited in duration may be more than likely for parents

³ The gender distribution of parents in the NSHAPC who are homeless without their children were analyzed and found that 80 percent of these parents are male and 20 percent are female. Assuming that 10 percent of male parents are reunited with their children and 75 percent of female parents are reunited with their children, about 25 percent of all such parents will be reunited with their children. The estimate that 25 percent of homeless parents will be reunited with their children is conservative—that is, more likely results in an overestimate of the need for permanent housing for families who have become homeless than an underestimate.

trying to leave homelessness with children than it is for homeless individuals and thus may not require the ongoing, intensive services associated with permanent supportive housing.

One turns again to the NSHAPC to attempt to estimate the number of families that need permanent supportive housing rather than mainstream rental housing. To estimate the size of the group needing permanent supportive housing, those families were included who met *either* of the following criteria:

- ❑ They reported having a alcohol, drug, or mental health problem in the past month *and*
 - They had been homeless more than once and the current episode lasted more than 6 months, *or*
 - They reported receiving Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) benefits in the past
- ❑ They reported receiving SSI or SSDI benefits in the past and never having owned or rented a place where their name was on the lease.

Based on these assumptions, 22,130 families with children who were homeless at a point in time in 1996 needed permanent supportive housing (Exhibit 2). This is a very crude estimate and clearly is one of the key areas that need more work before a good typology of homeless families can be developed. The ability of parents with long-term disabilities or patterns of chronic homelessness may have been underestimated nonetheless to live in mainstream permanent housing without intensive services.

Among families who are homeless at a point in time, there are some whose homelessness is a single event of short duration and who can return to permanent housing without the help of a rental subsidy. To estimate the size of this group, one assumes that those who told the NSHAPC interviewers that help with their housing was not one of their priority needs were making an accurate assessment of their situation only if, *in addition* to this self-assessment of their housing need, they met *all* of the following three criteria:

- ❑ This was their first episode of homelessness,
- ❑ They had been homeless for 6 months or less, and
- ❑ They did not report receiving SSI or SSDI benefits.

Based on these assumptions, there were 8,740 families who were homeless in 1996 but could have left homelessness for unsubsidized rental housing. After subtracting the group that can use unsubsidized permanent housing and the group that needs permanent supportive housing, consider that the residual group needs subsidized mainstream housing: 55,450 families with children.

Exhibit 2: Permanent housing units needed by parents who have become homeless and their children, by type of permanent housing and unit size

Category	Unsubsidized mainstream housing	Subsidized mainstream housing	Permanent supportive housing
Two bedrooms	6,890	39,430	16,820
Three bedrooms	1,320	14,290	4,190
More than three bedrooms	530	1,730	1,120
Total	8,740	55,450	22,130

These point-in-time estimates do not capture the total number of homeless families who will need subsidized mainstream housing or permanent supportive housing during the course of a year. Between 2½ and 4 times as many adults probably were homeless at some time during 1996 as were during the short period during which NSHAPC data were collected (Burt, Aaron, and Lee, 2001).

On the other hand, multiplying the NSHAPC-based estimates by as large a factor as 4 would overstate the number of parents who need subsidized mainstream housing when leaving homelessness, compared to those who can return to permanent housing without a subsidy. Those who remain homeless for longer periods and, therefore, form a larger fraction of point-in-time estimates are more needy on average than those with single or shorter episodes of homelessness.⁴ Therefore, for comparisons in the next section of the chapter with the number of units of assisted housing that turn over each year, the number of parents needing mainstream subsidized housing shown in Exhibit 2 has been multiplied by 3.

⁴ It also would overstate the number who need permanent supportive housing. For the way in which the profile of those homeless over the course of a year differs from those homeless at a point in time, see Wong et al., (1997) and Culhane and Kuhn (1997). The average number of days homeless is greater for families than for individuals, implying that the multiplier used to go from a 1-week estimate to a 1-year estimate should be lower for families (U.S. Department of Housing and Urban Development, forthcoming 2006). This further supports the use of 3 rather than 4 as the multiplier.

Section 2: Housing Resources for Permanent Housing for Parents Who Have Become Homeless and Their Children: Mainstream Subsidized Rental Housing

What housing resources are available to provide mainstream permanent housing for homeless families? This section discusses the Federal programs that provide subsidized rental housing to low-income families and individuals. To understand the potential of each of these programs for serving families leaving homelessness, it is important to distinguish between two general types of programs: assisted housing programs and affordable housing programs. The key distinction is the system for determining the rent paid by the resident family.

In *assisted housing* programs, the family pays for rent 30 percent of actual income, regardless of how low that income is.⁵ The major assisted housing programs are public housing, project-based Section 8, and Housing Choice Vouchers. The nominal income limits for assisted housing programs are quite high—80 percent of the local median income, which is about twice the Federal poverty level. However, for two reasons, the assisted housing programs heavily serve poor families—those with incomes below 30 percent of area median income, which on average is about at the poverty level. The first reason is that, because the subsidy varies with the actual income of the household, it is most valuable for the poorest households, who are the most likely to get on the waiting lists for the programs and to accept assistance when it is offered. The second reason is that Federal law requires that a certain percentage of the families and individuals chosen from the waiting list for each program have incomes below 30 percent of area median income (also known as “extremely low income.”)

In *affordable housing* programs, all families within an income range (e.g., up to 50 percent of area median income) who occupy a certain size unit pay the same rent for that unit. The rent has been set at an affordable level by the owner of the housing development. The rules of the Federal funding program establish the maximum rent the owner may charge at 30 percent of the income that is the *upper limit* of the income range for the size household expected to occupy the unit—for example, 30 percent of 50 percent of area median income (i.e., 15 percent of area median income) for a 3-person family. The major

⁵ There are minimum rent provisions, but the minimum rents are so low that they do not affect families that have some source of income, even if the amount is small. In addition, families using Housing Choice Vouchers may choose housing units with rents above the program’s subsidy (payment) standard and pay the additional cost without a subsidy, resulting in a rent greater than 30 percent of income. The program rules specify that their total housing cost may not be greater than 40 percent of their income at the time they first use the voucher.

affordable housing programs are the Low Income Housing Tax Credit (LIHTC) program and the HOME Investment Partnerships (HOME) program.

2.1 Assisted Housing Programs

Assisted housing programs are examined first, which, of the two groups of programs, is the more likely to be usable by parents who have become homeless and are seeking permanent housing. Because assisted housing programs charge rent on the basis of actual income, however low, any family exiting homelessness should be able to afford to live in an assisted housing unit.

Administrative data collected by HUD make it possible to know a great deal about the units in the assisted housing programs: how many there are, how many bedrooms they have, whether families with children are living in them, and where they are. In 1998 HUD released a public-use data set called Pictures of Subsidized Housing that contains this information.⁶ The estimates of numbers of units in Exhibit 3 are based on the percentage distributions of different types of assisted housing units as of 1998 but updated to reflect the numbers of public housing, project-based Section 8, and voucher units as of 2004 that are shown in January 2005 HUD budget materials (U.S. Department of Housing and Urban Development [HUD], 2005a).

Of the 4.8 million total units of assisted housing, 2.6 million have two bedrooms or more and potentially could be occupied by families with children. More than half a million of these assisted rental units (511,000) turn over each year and might be used by families exiting homelessness. Exhibit 3 shows how these units are distributed across the three major programs and also shows how many have more than two bedrooms.

⁶ This database can be found at www.huduser.org/data_sets/assthsg/statedata98/index.html.

Exhibit 3: Assisted housing units that could serve families with children

Category	Public housing	Section 8 projects ¹	Housing Choice Vouchers	Total assisted housing units
Two-bedroom units	280,000	408,000	779,000	1,467,000
Annual turnover	50,000	73,000	164,000	287,000
Three or more bedroom units	290,000	201,000	646,000	1,137,000
Annual turnover	52,000	36,000	136,000	224,000
Total units that could serve families with children	570,000	609,000	1,425,000	2,604,000
Annual turnover	103,000	110,000	299,000	512,000

¹ Units produced under the Section 8 Moderate Rehabilitation program are classified as belonging in Section 8 projects. This is the “mainstream” Section 8 Moderate Rehabilitation program, which has many units with multiple bedrooms, as distinct from the “SRO Moderate Rehabilitation” program, which is one of the HUD McKinney-Vento programs for the homeless and has mainly zero or one-bedroom units.

Public Housing. The oldest of the assisted housing programs (created in 1937), public housing now has approximately 1.2 million units. Fewer than half of those units, approximately 570,000, have multiple bedrooms. While the popular image of the public housing program is that of a family program, a large portion of the program consists of developments that have been designated for occupancy by the elderly. In addition, “general occupancy” public housing developments often have some zero or one-bedroom units, as well as units with multiple bedrooms.

The public housing program is not growing. New units of public housing have been produced in the past 2 decades in very small numbers and only when a public housing authority (PHA) has received capital funds that may be used to replace public housing units that have been demolished or otherwise retired from the stock of public housing. The current (as of 2005) scenario is that a few PHAs may be able to amass sufficient “replacement factor” capital funds to undertake the development of new projects. Such developments would not add to the overall stock of public housing that might serve families leaving homelessness. On the other hand, it might be possible to persuade one or more PHAs to agree that some (or all) units in a replacement factor project should be used for parents who are exiting homelessness. The use of replacement factor funds requires approval from HUD.

The number of multiple bedroom public housing units has dropped slightly over the past decade, as distressed public housing developments have been redeveloped under the HOPE VI program or otherwise retired from the public housing stock. The estimates in Exhibit 3 reflect the loss of about 100,000 public housing units since 1998 and are based on an assumption that most of the reduction has been in family units. Many of those units are not lost to the entire system of assisted housing, because demolished public housing units are replaced by Housing Choice Vouchers.

For the public housing program as a whole, recent analysis of administrative data shows that between 10 and 14 percent of all households in the program are newly admitted each year (HUD, 2002). An analysis focusing just on families with children suggests that 18 percent of units occupied by families with children become vacant each year (Lubell, Shroder, and Steffen, 2003).⁷ Applying this 18 percent rate to public housing units with two or more bedrooms, it is estimated that 103,000 units that could be occupied by families turn over each year, including units with two bedrooms and units with three or more bedrooms (Exhibit 3).

Public housing developments are owned and operated by PHAs. Both the capital and the operating costs for public housing are funded by grants from the Federal Government. Waiting lists for the program are maintained by PHAs and, in recent years, Federal law has given PHAs fairly broad discretion for setting priorities for who gets selected from the waiting list to fill vacant units on the basis of income level, household type, and other preferences that could include, for example, work effort or special needs.

Project-based Section 8. Project-based Section 8 is actually a family of programs that produced subsidized rental housing during the 1960s, 1970s, and 1980s. Section 8 projects either were built in the first place with rental subsidies that follow the assisted housing rules (30 percent of actual income is charged for rent) or had such Section 8 subsidies added to them later in order to make them more affordable for current residents or to help maintain the financial viability of the housing developments, or both.

Section 8 projects are privately owned, and the private owner contracts directly with HUD to receive for each occupied unit a subsidy equal to the difference between 30 percent of the household's

⁷ The mean length of stay in public housing for families with children is 5.59 years.

income and a total rent agreed to by HUD as necessary to operate the housing development and pay its debt. Private owners of Section 8 projects have somewhat less discretion than PHAs to set their own priorities for their waiting lists, and many owners take households from their waiting lists on a first come, first served basis. They may—and most do—screen potential tenants for such things as credit ratings, rent payment histories, and criminal records.

As shown by Exhibit 3, there are 609,000 multiple bedroom units that might be occupied by families with children in privately owned Section 8 projects. About 408,000 of these units have two bedrooms, and 201,000 have three or more bedrooms. It is assumed that the annual turnover rate for family units is the same as for public housing, 18 percent. Thus, 110,000 units that could be occupied by families with children become available each year, including units with two bedrooms and units with three or more bedrooms.

Like public housing, the project-based Section 8 program is shrinking at a modest rate, rather than growing. Owners of Section 8 projects have the legal authority to end their contracts with HUD when those contracts come to the end of the term (the number of years) originally agreed to. Many Section 8 projects have reached that “opt out” point, and some owners have chosen to leave the program and convert their property to market rate rental housing or to something else. The numbers in Exhibit 3 reflect a reduction of about 5 percent of the project-based Section 8 units between 1998 and 2004. As is the case for public housing, some of the “lost” units have been replaced by vouchers, and these increases in the size of the voucher program are reflected in Exhibit 3.

Housing Choice Vouchers. Housing Choice Vouchers are tenant-based rather than project-based. Families and individuals use subsidies administered by PHAs (usually, but not always, the same entities that own and operate public housing) to rent private market housing. The housing must pass a housing quality inspection, and the landlord must be willing to participate in the program.

Vouchers do not have a predetermined distribution of unit sizes. As a household comes off a PHA’s waiting list, the PHA issues a voucher for the unit size needed by the household. In the earliest years of the voucher program and its predecessor Section 8 certificate program, PHAs kept separate waiting lists for different unit sizes, but that practice ended many years ago. Over time the voucher program has become a program serving mainly families with children. As shown by Exhibit 3, more than

1.4 million of the approximately 1.9 million vouchers are used to rent units with two or more bedrooms: 779,000 in two-bedroom units and 646,000 in units with three or more bedrooms. The voucher program is by far the largest component of assisted housing for serving families with children. The annual turnover rate for vouchers is 21 percent (Lubell, Shroder, and Steffen, 2003). Assuming that families with children come to the top of waiting lists at the same pace as before, it is estimated that 299,000 vouchers each year become available for use by new households.

The voucher program began in the mid-1970s, grew at a rapid pace during the 1980s, grew at a slower pace during the 1990s, and is now static in size, except for the growth associated with vouchers that are allocated to PHAs to replace public housing units retired from the stock and units in Section 8 projects with owners that opt out of the housing assistance system.⁸

PHAs administering the voucher program have been given increased flexibility to determine their own priorities among the households on the waiting lists for the program. During the 1990s, the funds appropriated by Congress for additional vouchers often included special set-asides of units for the homeless or for people with disabilities, but these set-asides have disappeared and the units have been absorbed into the mainstream voucher program. In addition, housing legislation in the late 1990s eliminated a system of Federal preferences that put at the top of voucher waiting lists households with extreme rent burdens (paying more than 50 percent of their income for housing), households living in substandard housing, and people who were homeless. Instead, an income-based rule applies: at the time vouchers are first used, 75 percent of those using them must have incomes below 30 percent of the local median (“extremely low” incomes). Subject to this constraint, PHAs can set their own preferences for admission to the voucher program.

Exhibit 4 compares the NSHAPC-based number of families with children who need permanent mainstream housing from Exhibit 2, and the unit sizes they need, with the annual turnover of assisted housing units from Exhibit 3. To compare *annual* turnover in assisted housing with a very rough estimate of the number of parents leaving homelessness with children during the course of the year, the point-in-time estimates shown on Exhibit 2 have been multiplied by 3.

⁸ The estimates in Exhibit 3 are based on a voucher program of 1.9 million units. This is 100,000 fewer than the number of vouchers shown in the January 2005 HUD budget estimates and is a more realistic estimate of numbers of vouchers likely to be placed under lease at current budget levels.

Exhibit 4: Comparison of annual turnover of assisted housing units with homeless families that need mainstream permanent housing

Category	Annual turnover in assisted housing				Total mainstream units needed/ratio
	Public housing	Section 8 projects	Vouchers	Total	
Two bedrooms	50,000	73,000	164,000	287,000	118,290 2.4 to 1
Three or more bedrooms	52,000	36,000	136,000	224,000	48,060 4.7 to 1
Total	103,000	110,000	299,000	512,000	166,350 3.1 to 1

There are about three units of assisted housing turning over each year for every homeless parent who needs permanent mainstream housing. Furthermore, for the nation as a whole, there is no relative shortage of units that could serve families who need three or more bedrooms. The ratio of units turning over to needs for such units is almost 5 to 1.

Almost 60 percent of the units potentially available to parents who have become homeless and their children are in the Housing Choice Voucher program, close to 300,000 units. There are slightly more family units in the privately owned Section 8 stock than in the public housing program, although the public housing program has substantially more units turning over each year for families who need three or more bedrooms.

The next two sections (2.2 and 2.3) examine the degree to which the affordable housing programs, HOME and the LIHTC, may provide an additional potential resource for families leaving homelessness. Section 2.4 discusses the barriers that may prevent parents who have become homeless from using assisted or affordable housing and describes some strategies for overcoming those barriers.

2.2 Affordable Housing Programs

Since 1990, most of the *growth* in rental housing subsidy programs has been in affordable housing rather than assisted housing. The LIHTC was enacted in 1987 and, as of 2004, had produced about 1.2 million units of rental housing. In other words, the program is about the same size as the public

housing program, and unlike public housing it continues to grow each year. The HOME program was enacted in 1990 and is a block grant to cities and states that can be used for a variety of purposes, including the production of rental housing and tenant-based rental assistance, as well as subsidies to homebuyers and homeowners.

Each year, authority to allocate LIHTC tax credits to developers of rental housing is issued to the states by the Internal Revenue Service, initially in an amount of \$1.25 per capita, which was increased to \$1.75 per capita in 2002 and indexed to inflation thereafter. The total annual tax credit authority (the equivalent of the program's budget) is about \$5 billion (Climaco et al., 2004). HOME is based on appropriated funds allocated to local governments and states through a needs-based formula. Its annual budget in recent years has been around \$1.9 billion.

HOME. Sixty percent of HOME funds are allocated to local governments, and 40 percent are allocated to states. Only local governments large enough to receive a formula allocation of a certain size receive direct allocations. State funds may be used anywhere in the state, including within local government "participating jurisdictions."

The use of HOME funds is based on a plan that each state or local participating jurisdiction must develop as part of the jurisdiction's Consolidated Plan for using HUD funds. The Consolidated Plan process includes public hearings and other opportunities for input from advocates and provider organizations.

Most jurisdictions use a substantial part of their HOME allocation for the production of rental housing. Information is not available on the number of bedrooms in HOME units, but as of 2002, 48 percent of HOME rental production units served two to four people, and another 7 percent served five or more people (Turnham et al., 2004). Assuming that all of these units have two or more bedrooms, 55 percent of the HOME program may be usable by families with children, about 120,000 units as of early 2005. In addition, there is a "pipeline" of 66,000 HOME units with two or more bedrooms for which funds have been committed but which have not been completed. At current budget levels for the HOME program, funds could be committed for an additional 15,000 units with two or more bedrooms each year (Exhibit 5, based on HUD, 2005b).

As a “flat rent” program (with maximum rents generally 30 percent of 50 percent of area median income), HOME rental production does not necessarily produce housing that families leaving homelessness with limited earnings or benefit income could afford. However, a substantial fraction (42 percent) of units in HOME rental projects does serve households with incomes below 30 percent of area median income (HOME Program National Production Report, June 2005). In many cases, this is because of the families and individuals using Housing Choice Vouchers occupy the HOME units. About one-fifth (22 percent) of HOME rental production units are occupied by households with tenant-based assistance, and another 18 percent have some other type of rental subsidy (Herbert et al., 2001).

Thus, there are only a few HOME rental production units (probably less than 5 percent) that do not also have an assisted housing subsidy but nonetheless have flat rents low enough to be affordable for poor homeless families.

In addition to rental production, state and local participating jurisdictions may use HOME funds for tenant-based rental assistance similar to vouchers. Tenant-based rental assistance is a relatively small use of HOME. About 15,000 units are subsidized each year, typically for 2-year periods, with a total of 123,000 households ever subsidized as of 2005.⁹ Sixty percent of the households using HOME tenant-based rental assistance have two to four members, and another 12 percent have five or more members (Turnham et al., 2004). As of 2004, it is estimated that 22,000 families with two or more members were using HOME tenant-based rental assistance. HOME tenant-based rental assistance it is heavily used for households with extremely low incomes: 81 percent have incomes below 30 percent of area median.

There is anecdotal information that HOME tenant-based rental assistance is often used for special needs housing and that participating jurisdictions’ choice to fund tenant-based assistance results from demand for that use by advocacy and provider groups. It is not known whether this is permanent supportive housing or mainstream permanent housing targeted for use by families and individuals with special needs.

⁹ HOME National Production Report, June 2005; HUD’s Annual Performance Report for FY 2004, p. 2-39.

Exhibit 5: HOME and Low Income Housing Tax Credit units that could serve families with children

Category	HOME Rental Production	HOME Tenant-based Rental Assistance ¹	Low Income Housing Tax Credit ²
Two bedroom or two to four people	105,000	18,000	570,000
Three bedroom or five or more people	15,000	4,000	310,000
Total family 2004	120,000	22,000	880,000
Annual turnover	30,000	Not applicable	220,000
Pipeline as of 2004	66,000	Not applicable	120,000
Annual increments	15,000	Not applicable	60,000

¹Assumes all tenant-based rental assistance used by more than one person serves families. The total two- or more bedroom units is an estimate of the number of units under subsidy at a point in time. HOME tenant-based rental assistance typically is only committed for 2 years, so the total commitments since the beginning of the program, 123,000 as of 2005, do not equate to a current program size. It is assumed that incremental use of HOME for tenant-based rental assistance sustains the current program level by renewing subsidies for current households.

²It is assumed that the size distribution of units placed in service 1987-94 and 2003-2004 is the same as the size distribution of units placed in service 1995-2002.

LIHTC. States use their annual allocations of LIHTC authority on the basis of a Qualified Allocation Plan (QAP) that, like the Consolidated Plan that informs the use of HOME funds, provides an opportunity for public input. There is no national administrative data on LIHTC. HUD conducts each year a survey of the state agencies that administer the LIHTC program, collecting information on some of the characteristics of the rental developments placed in service that year, including the number of bedrooms in each unit in the development and the development's address. A survey conducted in the early 1990s by the General Accounting Office (GAO) provides the only information on the occupants of LIHTC developments, and that information is both limited and dated.

Thus, little information is available on the incomes of the households occupying LIHTC units (other than the presumption that, when they moved in, they had incomes below the program's usual limit of 60 percent of area median income) or on the rents actually charged in LIHTC developments (as distinct from the maximum rents permitted by the program rules, usually 30 percent of 60 percent of area median

income). Approximately 40 percent of all LIHTC developments placed in service between 1995 and 2002 have at least one household using a Housing Choice Voucher (Climaco et al., 2004).

The administration of the LIHTC program on the state level should provide an opportunity to coordinate the development of LIHTC housing with state programs focused on mental health, developmental disabilities, substance abuse, and other special needs. The extent to which LIHTC is used by states for developments targeted for occupancy special population groups is not known, although there is anecdotal evidence that some states create set-asides of this nature.¹⁰ LIHTC developments—or set-asides of units within developments—could be used either for mainstream permanent housing or for permanent supportive housing.

About 30 percent of LIHTC developments have nonprofit sponsors. Developments with nonprofit sponsors may be particularly likely to serve families with vouchers or to set rents lower than the LIHTC maxima on the basis of multiple sources of subsidy, often including HOME funds. Besides HOME, other supplementary subsidies that can make it possible to cover a development's costs at rents that are more affordable for families with extremely low incomes include the Federal Home Loan Bank Board's Affordable Housing Program (AHP) and the Community Development Block Grant (CDBG) program. Nonprofit owners may be especially willing to agree to long-term rental arrangements with providers of services for special needs populations.

The data set based on the annual survey of state agencies provides information on the number of LIHTC units placed in service between 1995 and 2002 that have multiple bedrooms. Based on that information (Climaco et al., 2004), Exhibit 5 provides estimates of the numbers of LIHTC units with two bedrooms and with three or more bedrooms placed in service between the first year of the program and 2004. As of 2004 there were a total of 880,000 units that potentially could be occupied by families with children.

¹⁰ For example, Illinois' new Comprehensive Housing Plan commits 15 percent of capital development resources for multifamily housing targeting families and individuals who are homeless.

2.3 Assisted and Affordable Rental Subsidy Programs as a Resource for Homeless Parents Who Need Mainstream Permanent Affordable Housing

There is less information about the rate at which HOME and LIHTC units turn over than there is about the assisted housing programs. It is likely that affordable housing units turn over at a more rapid rate than assisted housing units because they are less likely to represent a unique opportunity for the households occupying them to live in units they can afford. With flat rents at 15 or 18 percent of area median income, HOME and LIHTC units often are in competition with other moderately rental priced housing in the same area, and residents of housing with flat rents may have incomes at a level that makes it possible for them to buy moderately priced homeownership units. Typical market rate rental housing turns over at about 50 percent per year, but this includes many childless households with very high mobility rates. If it is assumed that a 25-percent turnover rate—higher than assisted housing but substantially lower than for all types of households in market rate rental housing—there are 30,000 multiple bedroom units in HOME rental developments and 220,000 units in LIHTC developments that become available each year for occupancy by new families. In addition, these programs have current pipelines that are likely to include 66,000 units of multiple bedroom rental housing (HOME) and 120,000 units (LIHTC). At current budget levels, there will be further annual increments of 15,000 HOME units and 60,000 LIHTC units (Exhibit 5).

It is not appropriate to add together assisted housing units, HOME rental development units, and LIHTC units, because many HOME and LIHTC units are also assisted housing units (residents use vouchers or the units also have project-based Section 8 subsidies). In addition, HOME and LIHTC often are used for the same developments and units.

Exhibit 6 provides the order-of magnitude estimates of the total units of assisted and affordable rental housing that have multiple bedrooms and that might be available to parents leaving homelessness. The estimates for affordable housing do not include units that have housing assistance, and they do not double count units that have both LIHTC and HOME subsidies.¹¹ Based on turnover of rental units

¹¹ Units that are both assisted and affordable housing are counted as assisted housing in the exhibit. HOME units are reduced by 62 percent: 40 percent because they also have rental assistance and by another 22 percent because, altogether, 62 percent of HOME units use the LIHTC. In effect, it is assumed that all of the HOME units with rental assistance also have LIHTC. It is difficult to tell how many LIHTC units do not have HOME and do have rental assistance. LIHTC units are reduced by 10 percent to reflect this phenomenon. The application of these assumptions probably results in a conservative estimate (the error is in the direction of a slight underestimate) of the net number of affordable housing units that do not have rental assistance.

already placed in service and of current voucher slots, there are 721,000 units each year that might be used by families with children attempting to leave homelessness for mainstream permanent housing.

Exhibit 6: Total units of assisted and affordable housing with two or more bedrooms, 2004

Category	Total units	Annual turnover units
Assisted housing (Exhibit 3)	2,610,000	512,000
Affordable housing		
Total HOME plus LIHTC (Exhibit 5)	1,000,000	
Minus HOME units with LIHTC/rental assistance	(75,000)	
Minus other LIHTC units with rental assistance	(88,000)	
Net affordable housing	837,000	209,000
Total assisted and affordable housing	3,447,000	721,000

2.4 Barriers to the Use of Assisted and Affordable Housing Programs by Parents Leaving Homelessness and Their Children

The assisted and affordable housing programs have almost 3.5 million units of subsidized rental housing large enough for families with children, and it is likely that about 720,000 million of these units turn over each year (Exhibit 6). By comparison, there are only 55,000 parents who are homeless at a point in time who need mainstream subsidized rental housing (Exhibit 2) and perhaps three times (166,000) that number over the course of a year. In theory, then, with a ratio of more than 4 to 1 between units available and units needed, the assisted and affordable housing programs should provide a substantial source of permanent housing for families leaving homelessness.

However, there are also serious barriers to the use of assisted and affordable housing by homeless families:

- Competition from *housed* families who get on waiting lists for assisted housing programs;
- Affordability issues already touched upon in the discussion of HOME and the LIHTC;

- Shifting priorities for assisted and affordable housing programs that may make those programs less available as permanent housing for homeless families;
- Requirements for occupancy of assisted and affordable housing other than rent;
- Discrimination against people who have been homeless and against racial and ethnic minorities; and
- Inappropriate locations of some assisted housing developments.

Competition from Housed Families with Severe Housing Needs. Families living with extreme housing cost burdens or in substandard or overcrowded conditions have a strong incentive to get on waiting lists for vouchers and public and assisted housing projects. HUD's most recent estimates show that, in 1999, there were 1.8 million housed¹² families with children, incomes below 50 percent of area median, and rent burdens greater than 50 percent of income or living in housing with severe physical problems. Most of these families (1.4 million) had incomes below 30 percent of area median, which is about the equivalent of the poverty level. In addition to the 1.8 million families considered by HUD to have "worst case needs" for housing assistance, another 600,000 were in crowded conditions (Nelson et al., 2003)

Thus, more than 2 million housed families are in direct competition for assisted housing with the 50,000 families who are homeless and seeking mainstream assisted housing. Some of these housed families may recently have experienced a drop in income or a change in household composition, or they may expect their poverty to be temporary, or they may have other reasons for not placing themselves on waiting lists for assisted housing. However, at any point in time, many families with severe housing needs will have been on waiting lists for assisted housing for months or for years. Under a first-come-first-served system or a system that provides only an income-based preference for extremely low-income households, these housed families will be selected from waiting lists ahead of homeless families entering the waiting lists more recently.

One approach used by homeless service providers for overcoming this barrier is to help families apply for assisted housing as soon as they have entered a shelter or a transitional housing facility, so that when they are ready to move to permanent housing some months in the future, they will be at the top of the list. How successful this approach can be depends on the length of waiting lists for assisted housing,

¹² These estimates include only housed families, because they are derived from the American Housing Survey, which is a survey of housing units.

which varies a great deal from location to location. It also may not help much for implementing a policy that tries to get families out of shelters or transitional housing facilities and into permanent housing as quickly as possible.

A more direct approach is to persuade PHAs to give people who are homeless a preference for receiving a voucher or a vacant public housing unit. PHA staff (and boards of directors) may be reluctant to establish a general preference for people who are homeless, especially in a jurisdiction where there is a large shelter population, for fear of crowding out other needy families who are precariously housed. In addition, PHAs or private owners of assisted housing developments may be reluctant to add families with histories of special needs to rental developments that already have a concentration of families with challenges.

An alternative is for providers in the homeless service system to negotiate with PHAs, or with owners of Section 8 projects, for a set-aside of vouchers or of units in a development for occupancy as needed by graduates of the provider's program. It is important for advocacy organizations and providers to remember that PHAs are not the only providers of assisted housing and to take the effort required to reach out to private owners of Section 8 projects. The fact that the Section 8 projects in an area have many different owners in a local area may actually have some advantages, because special arrangements may be simpler to achieve than with PHAs. For a PHA such arrangements may imply policy decisions for all of the public housing projects—or vouchers—in a local area and require the approval of the PHA board.

Affordability of HOME and LIHTC Rents. The median income for homeless families is only 41 percent of the poverty income level, and most HOME and LIHTC rents are not affordable even by families with incomes at 100 percent of poverty, unless those families are using a housing voucher. There may be some homeless families that have incomes at a level low enough that they need affordable housing but high enough to afford HOME and LIHTC flat rents. For example, some parents may become homeless because of domestic violence or temporary behavioral health issues but have sufficient human capital to have jobs at which they earn between 40 and 60 percent of area median income at the time they leave homelessness for permanent housing.

For families who are able to obtain Housing Choice Vouchers, HOME and LIHTC developments can serve as available housing in which to use the voucher. This is not always the case for LIHTC developments, which, depending on the part of the country in which they are located, often are permitted to have rents above the voucher program's payment standard. This happens in locations that have relatively low private market rents (on which voucher payment standards are based) compared with local median incomes (on which LIHTC maximum rents are based).

One of the ways to make HOME and LIHTC developments available for families leaving homelessness, with and without vouchers, is for providers to negotiate with owners for a set-aside of units within the development to be made available, as needed, to the provider's clients seeking permanent housing. A good time to do this is when the rental housing developer is applying to the state or locality for an allocation of HOME dollars or LIHTC tax credit authority, because such a commitment may make the proposed development score higher in the competition for these resources. On a system-wide level, advocates can encourage the state and local agencies administering the affordable housing programs to give such arrangements priority in the competitions for HOME and LIHTC.

Shifting Priorities of Housing Programs. The most recent enacted legislation affecting the assisted housing programs, the Quality Housing and Work Responsibility Act (QHWRA) of 1998, accelerated a trend toward giving PHAs more discretion over both the management of their waiting lists and the rents charged for assisted housing. The earlier system of Federal preferences, which included homelessness and otherwise favored the poorest households, was replaced by requirements that 75 percent of the newly issued vouchers go to households with incomes below 30 percent of area median, and that only 40 percent of households newly admitted to public housing or project-based Section 8 have such extremely low incomes.

Because the income-based subsidy formula is such a powerful force in targeting assisted housing to the poorest households and because of decisions made by many PHAs to continue to serve the neediest households, the incomes of families in the assisted housing programs did not change much following the enactment of QHWRA. As of 2001, 71 percent of families and individuals living in public housing had incomes below 30 percent of area median, and 75 percent of families using vouchers had these extremely low incomes (HUD, 2002.) However, there is a parallel and growing trend to move away from 30 percent

of income rents in order to create incentives to work within the assisted housing programs.¹³ A number of PHAs have been given the authority to do this under a demonstration called Moving to Work. In addition, under the basic QHWRA authority, PHAs may establish preferences for families with employment income. Furthermore, current proposals for “rent reform” favored by some PHA interest groups could make alternatives to 30 percent of income rents applicable to the assisted housing programs as a whole (Public Housing Directors Association, 2005).

Meanwhile, the Bush Administration has proposed legislation that would make fundamental changes to the Housing Choice Voucher program, renaming it the Flexible Voucher program and to turning it into a block grant with even broader discretion for PHAs to set priorities for the families and individuals who get vouchers and to alter the subsidy formula (HUD, 2005a). Possibly the most important aspect of this proposal has already been enacted in the most recent appropriation of HUD funds. Unless reversed by later appropriations acts, the voucher program now provides a fixed pot of money to a PHA, rather than the amount needed to maintain the current size of the voucher program regardless of the incomes of the households actually served by the program. This has created powerful incentives for PHAs to avoid serving the neediest families or to shrink the size of the program (the number of vouchers in use) below historical levels. Both possibilities are extremely threatening to the potential use of vouchers for enabling families leaving homelessness to achieve permanent housing.¹⁴

Another shift in the priorities for Federal programs that may affect the availability of subsidized housing for families with children is the increased emphasis on using HOME for homeownership rather than rental activities. However, even though there is now a set-aside of HOME funds that must be used for first-time homebuyer programs, the fundability of HOME funds means that so far there has not been an appreciable drop in the overall percentage of HOME funds used for rental housing production or for tenant-based rental assistance (HUD, 2005b).

Occupancy Requirements. Both PHAs and private owners are permitted by law and regulation to screen tenants for their ability to be lease-compliant tenants before offering them a unit in a public housing or Section 8 project. Screening often includes checks on credit history, on criminal records of

¹³ Rents charged as a percentage of income are often referred to as “Brooke Rents,” after former Senator Edward Brooke. Brooke Rents originally were 25 percent of income. Legislation increased assisted housing rents to 30 percent of income in the early 1980s.

¹⁴ A good source of information on these proposed and actual changes to the voucher program and their potential impact is the web site of the Center on Budget and Policy Priorities, www.cbpp.org.

household members, and on whether the family has a history of eviction from rental housing for nonpayment of rent or for other lease violations. Such screening may be difficult for some parents attempting to move from homelessness to permanent rental housing. Providers in the homeless service system report, in particular, that many of their clients have been evicted from housing in the past. Many have lived in assisted housing at some point in their lives, and some are barred from waiting lists for vouchers and public housing because they have outstanding debts to the PHA.

In the past, PHAs were less rigorous than private owners of Section 8 projects in screening families before admitting them to public housing. That is now changing, as PHAs attempt to create mixed-income communities in public housing developments. In addition, the retirement from the public housing stock of many of the most distressed public housing developments means that PHAs that formerly would take virtually anyone in order to fill vacant units no longer feel that pressure to the same extent.

For the Housing Choice Voucher program, major responsibility for screening prospective tenants rests with the owners of the private market rental housing in which families seek to use the voucher, rather than with the PHA. However, PHAs now screen families for criminal records during the process of qualifying them to receive a voucher, and they also may disqualify households that have violated voucher program rules in the past. Private owners of rental housing may legitimately refuse to rent to voucher holders for any of the same reasons, such as poor credit history, that they may refuse to rent to unsubsidized households.

Occupancy requirements can also present a challenge for retaining formerly homeless families in assisted housing. Anecdotal information from homeless service providers suggests that eviction from public housing or loss of subsidies under the voucher program because of rule violations may be a common path *into* homelessness.

Ways of overcoming these barriers to the use of the assisted housing programs by families attempting to leave homelessness include making payment of outstanding housing debts and repair of other credit problems immediate goals for parents who become homeless. A homeless service provider can also play an active role in the housing search process, making assurances to an owner of rental housing that a family will continue to receive case management and other support during a period of

stabilization in permanent housing. It may even be possible for some providers to guarantee rent payments—for example, based on a revolving fund set up for this purpose.

Overcoming criminal records may be more difficult, and it may be that criminal histories recent enough to bar them from admission to assisted housing may be a characteristic worth including in a typology of homeless families.

Discrimination. In addition to the legitimate reasons owners of rental housing may refuse to accept families, such as a prior history of nonpayment of rent, private owners may discriminate against families simply because they have been in shelters. The owner may believe that becoming homeless is a predictor of disruptive behavior or lease violations. And homelessness may simply bring with it a stigma with which owners do not wish to be associated. There may be a few jurisdictions that include people who have been homeless among those protected by fair housing law.

Another type of discrimination, clearly protected by fair housing law but nonetheless common, is discrimination against racial and ethnic minorities. The most recent study of housing discrimination in U.S. metropolitan housing markets, based on paired testing conducted in 2000, found that, among those seeking rental housing, African Americans received unfavorable treatment compared to Whites 21.6 percent of the time.¹⁵ For renters, the adverse treatment measured included “the availability of advertised and similar units, opportunities to inspect units, housing costs, and the encouragement and assistance from rental agents.” (Turner, Ross, Galster, and Yinger, 2002).

Parents who become homeless are disproportionately members of minority groups and are particularly likely to be African American. Based on the NSHAPC, 37 percent of parents who are homeless together with at least one child are African American, as are 45 percent of homeless parents who do not have their children with them. The proportion of homeless parents who are Hispanic is not high compared to the representation of Hispanics in the overall U.S. population, but a surprising 11 percent of homeless parents who are separated from their children are Native American. Especially in

¹⁵ These are net figures, subtracting from the total cases of unfavorable treatment those cases in which White, non-Hispanic households received less favorable treatment than minorities seeking rental housing. As such, they are considered by the researchers to represent lower bound estimates of discrimination against minorities seeking rental housing.

localities where the homeless population is heavily minority and the rest of the population is not, it may be difficult for parents attempting to use vouchers to rent permanent housing to find willing landlords.¹⁶

Once again, the most effective way of overcoming these barriers may be active participation in the housing search process by homeless service providers. Reaching out to owners of rental housing and informing them about the ongoing support families leaving homelessness will receive in permanent housing can help allay stereotypes associated with minority status, with disabilities, or with homelessness itself.

Inappropriate Locations. A final barrier to the use of the 720,000 units of assisted and affordable housing that turn over each year by parents who have become homeless may be that assisted housing projects and programs are located in the wrong place. This could happen in a number of ways. For example, some public housing and Section 8 developments may be located in neighborhoods where it is hard for people recovering from substance abuse to remain clean and sober, and programs helping homeless people overcome such challenges may not want to encourage their clients to seek housing in those places. Another challenge may be that some public housing or Section 8 developments in metropolitan areas may be in locations from which it is not easy to find jobs or to travel to work. Or they may require a child to leave a school in which he has become stabilized or to move away from a relative who provides important emotional support. The inflexibility of assisted housing with a fixed location also may result in parents living in places that are inconvenient for continuing their treatment programs.

In rural areas, assisted housing may be in locations too far from the locations where parents have become homeless or are receiving services to help them leave homelessness. The NSHAPC suggests that as many as 20 percent of parents who become homeless are in nonmetropolitan areas. A substantially higher proportion of assisted and affordable subsidized housing is in nonmetropolitan areas, but there nonetheless may be a mismatch between the locations of housing subsidies and the locations of homeless families. For project-based assisted housing in particular suburban and rural areas, there may be a mismatch between unit sizes and the numbers of bedrooms needed by families trying to leave homelessness for permanent housing.

¹⁶ While overall the rates of success in using vouchers are as high for members of minority groups as they are for White non-Hispanic households (Finkel and Buron, 2001). Finkel and Kennedy (1992) found that, in the late 1980s, success rates for minorities were higher on average in jurisdictions that had a relatively high minority population, and lower on average in jurisdictions that did not.

Finally, victims of domestic violence may need to find permanent, affordable housing in locations where they will be safe from their abusers. Housing vouchers may be a more appropriate form of permanent housing for victims of domestic violence than public housing or Section 8 projects, especially in cities that are small enough that there are only a small number of easily identifiable public and assisted housing developments.

Section 3: Housing Resources for Permanent Housing for Parents Who Have Become Homeless and Their Children: Permanent Supportive Housing

In Exhibit 2 a very rough estimate was presented that there were 22,000 families with children who need to leave homelessness for permanent supportive housing at a point in time in 1996. This may be an overestimate of the number of permanent supportive housing units needed for families, as it may underestimate the ability of parents to live in mainstream permanent housing despite having experienced multiple or lengthy episodes of homelessness or having the type of disability that qualifies for SSI.

The vehicles for subsidizing permanent supportive housing that are the most well-known are the HUD McKinney-Vento grant programs: Shelter Plus Care and the Supportive Housing Program (SHP). As of the end of 2003, program grantees reported to HUD that there were 7,355 families living in permanent supportive housing subsidized by these two programs.¹⁷ About half of these families, 3,710, were receiving tenant-based rental assistance funded by the Shelter Plus Care program. Assuming there are some vacancies associated with unit turnover and new units of subsidy just coming on line, there may be as many as 8,000 units of permanent supportive housing for families supported by the HUD McKinney-Vento programs.

Some cities and states use the HOME rental production option for permanent supportive housing. Data on HOME rental production as of 2000 showed that 5 percent of all units were in single room occupancy developments or group homes (Herbert et al., 2001). Because of the type of housing, these are likely to be for individuals with special needs rather than for families. It is not known whether there are any HOME rental developments that provide permanent supportive housing for families with children. The HOME tenant-based rental option, on the other hand, includes a substantial fraction of units with two

¹⁷ Based on analysis of HUD's database of Annual Performance Reports (APR) for 2003. Because of the nature of the housing stock, the Section 8 Moderate Rehabilitation Single Room Occupancy program does not serve families.

or more bedrooms, and it is possible that some of them are used for permanent supportive housing for families.

Some states use LIHTC for permanent supportive housing, but there is no estimate of how many of such units there are in total or of how many have two or more bedrooms or are explicitly targeted to families. Another source of funds sometimes used for permanent supportive housing is housing trust funds based on dedicated sources of state revenue. Again, there is no estimate of the number of additional permanent supportive housing units that are created in this way.

HUD's housing assistance production programs for people with disabilities, Section 811 and the older Section 202 program for people with disabilities, have only a tiny number of units with two or more bedrooms,¹⁸ and it is likely that these units serve individuals living as roommates or with caregivers rather than families.

With little information at the present on permanent supportive housing for homeless families subsidized outside the 7,300 to 8,000 units provided by the HUD McKinney-Vento programs, it is not known how large the gap is between the total amount of such housing and the 22,000 families estimated to need such housing.

Section 4: Proposed New Resources for Subsidized Mainstream Rental Housing

Housing assistance is not an entitlement, and there is a very large gap between the number of families who need subsidies for affordable rental housing and the number of available subsidies. This puts families attempting to leave homelessness for mainstream subsidized permanent housing in direct competition with families who are housed but who have severe or worst case needs for housing assistance. This section considers two current proposals for increasing the resources available for housing subsidies: an expansion of the Earned Income Tax Credit (EITC) and enactment of a National Housing Trust (NHT).

Adding a Housing Subsidy to the EITC. Proposals discussed in a recent issue of *Housing Policy Debate* (Stegman, Davis, and Quercia, 2004) would use the EITC as a vehicle for reducing severe

¹⁸ Based on a HUD data set of units under subsidy in the Section 811 and Section 202 programs.

housing cost burdens. These proposals would tie the amount of the EITC explicitly to housing costs either: (1) by providing a supplement to EITC equal to the difference between 50 percent of earnings and actual housing costs or (2) by providing a supplement based on national median housing costs that retains the structure of the EITC subsidy, with families with greater earnings receiving greater subsidies up to the beginning of a phase-out point, after which the subsidy diminishes with increased earnings.

Attaching a housing subsidy to the EITC focuses on families with children, as does the EITC itself. However, the subsidy levels proposed would be too shallow to be used for placing families exiting homelessness in stable, affordable housing. The first approach would be most useful for those who already are housed but need some relief from a severe rent burden. For those attempting to move into a rental unit, a subsidy paying only the difference between rent and 50 percent of earnings would not be large enough to make the rent affordable and the owner of a housing unit willing to accept such a rental agreement.

The second approach would provide higher subsidy amounts. Nonetheless, because it is tied to earnings, it could not help families entirely dependent on benefit income such as SSI. Also, because this approach provides a benefit that increases with earnings (at the lowest levels of earnings), it would also not provide a large enough supplement for families with low wage jobs and less than full time work to be able to afford the rents in unsubsidized housing or in affordable housing with flat rents.

The greatest benefit of an expanded EITC—or of any program or policy that increases substantially the incomes of poor families—is that it would reduce the number of housed families with severe rent burdens, making them less likely to get on waiting lists for housing assistance and thereby taking them out of competition with families attempting to leave homelessness. An expanded EITC might also reduce the number of families who become homeless because they are evicted for failing to pay the rent.

NHT. The proposed NHT would provide a permanent, dedicated source of revenue for the production of affordable housing. The goal of the proponents of this legislation is to provide an amount needed to produce 1.5 million units of affordable housing over a 10-year period. Seventy-five percent of NHT funds would be used for rental housing, and at least 45 percent of NHT funds would be used for

housing affordable to those with incomes at 30 percent of area median income. NHT funds would be allocated (as is the HOME program), 40 percent to states and 60 percent to local governments.

The proposal contemplates the use of NHT funds in mixed-income developments that also have other locally controlled Federal dollars, including HOME and LIHTC. NHT funds would be used to write down the rents of a portion of the units to levels affordable at 30 percent of area median income. Locally controlled Federal dollars could count as a one-to-one match needed to access NHT funds. A state or local government using its own revenue (or private revenue) for the match would need to provide only \$1 for every \$2 of NHT funds.¹⁹

The NHT is, in effect, a supplement to the HOME and LIHTC programs, and it would likely be used for many rental developments that also use one or both of those funding sources. Its relevance for providing mainstream permanent rental housing for homeless families is that, if enacted as intended as a supplement rather than a replacement for HOME and LIHTC funds, it could bring the flat rents of those programs within the reach of families with incomes below the poverty level. In that sense, it would play a role similar to Housing Choice Vouchers when vouchers are used in HOME or LIHTC developments. The difference is that vouchers are portable subsidies that can be used by a formerly homeless family to move among rental housing developments (subsidized or unsubsidized), whereas the deeply subsidized rents enabled by NHT funds would be tied to particular rental housing developments.

When used outside HOME and LIHTC developments, the NHT, like those programs, would be unlikely to provide rents affordable for most families leaving homelessness, unless those families also had vouchers.

Section 5: Implications

This section considers, first, which housing policies controlled at the Federal, state, and local levels would help provide mainstream subsidized rental housing for parents who have become homeless. Then, the implications of the information provided in this chapter for developing a typology of homeless families are discussed.

¹⁹ This description is based on “The National Housing Trust Campaign: Proposal for Legislation,” National Low Income Housing Coalition, February 2, 2005.

5.1 Federal, State, and Local Housing Policies

Federal Policies. The broadest implication of the information reviewed in this chapter and the implication most relevant at the Federal level is that there is a need for more funding for housing subsidies that follow the assisted housing model so that families trying to leave homelessness are not in direct competition with housed families with severe needs for housing assistance. In particular, the Housing Choice Voucher program should be kept as a program targeted to the neediest households with a subsidy formula that can help any family, however low its income, move into permanent housing. The voucher program should be expanding rather than static.

State Policies. In the current housing policy environment, affordable housing programs provide the growth opportunity both for mainstream subsidized rental housing and for permanent supportive housing. The entire LIHTC program is controlled at the state level, and states receive 40 percent of HOME funds. State governments also control many of the funding streams for services needed by homeless parents and, therefore, are in an excellent position to plan and coordinate housing and service resources.

States should provide a competitive advantage to LIHTC and HOME developments that have a preference or set-aside for homeless families needing permanent mainstream housing or that provide permanent supportive housing. Advocates and providers serving homeless families should be active at the state level in working for such choices by state policymakers. States should also be encouraged to create or expand housing trust funds and to dedicate a portion of these funds to mainstream or permanent supportive housing for families attempting to leave homelessness.

Local Policies. Local governments control 60 percent of HOME funds and, like states, should plan for the use of those funds in a way that helps homeless families achieve permanent housing. A particular use of HOME funds that can be chosen, and advocated for, at the local level, is tenant-based rental assistance funded by HOME.

PHAs are local public entities that have increasing discretion over the targeting of two of the three assisted housing programs: public housing and the Housing Choice Voucher program. PHAs should consider ways of reestablishing preferences for families exiting homelessness and they should also work

with providers of services for homeless families on other types of policies that make it easier for families trying to leave homelessness to use PHA-administered programs—for example, policies that help families repay past debts to the PHA.

5.2 Implications for a Typology of Homeless Families

A key distinction made in this chapter and one most relevant to any typology of homeless families is between families who need permanent *mainstream* housing and those who need permanent *supportive* housing. That distinction relates to the intensity of the service needs of parents leaving homelessness, whether those services are so essential to the particular family that they must be packaged along with the housing subsidy, and whether any of those services require staff to be on-site—for example, on-site case managers or mentors.

Another dimension that should be considered is the barriers certain families face when trying to use mainstream programs. The barrier that is the most difficult to overcome and that is a clear distinguishing feature of certain families is having a criminal record.

Another area to consider might be special factors relating to the appropriate location of subsidized mainstream housing. For example, it might make sense to classify homeless families who can use subsidized mainstream housing into those for whom location is not an important factor and those for whom it is. Those for whom it is may include victims of domestic violence who need to be protected from further harm and recovering substance abusers who need to avoid trigger neighborhoods.

An issue that has not been explored in this chapter is the needs of the children who will live in the permanent housing unit. Just as parents may need to avoid trigger neighborhoods so might older children who have exhibited risky behavior or who have been involved with the criminal justice system. Alternatively, there may be some children for whom school stability or the added support of an extended network of family (perhaps including those who have been caregivers during an episode of parental homelessness) means that it is a good thing to remain living near those people, even if that means living in a neighborhood with a high poverty rate or racial concentration.

Yet another issue, relevant to both parents and children, is whether the family has ties to a particular institution—for example, a mental health facility or a religious institution—and whether this is relevant to the location of permanent housing.

5.3 Gaps in the Knowledge Needed to Develop a Typology of Homeless Families

The most important areas on which information is needed are how many homeless families need intensive ongoing supportive services to maintain stable housing and when those services need to be packaged with a housing subsidy or delivered on site. It is estimated that 22,000 families need permanent supportive housing based on some rough and ready decisions on how to use the variables available in the NSHAPC. This is an area that clearly needs more work, including on a clear definition of what supportive housing is. For example, some of the permanent supportive housing funded by Shelter Plus Care and the Supportive Housing Program may be better characterized as transitional housing without a time limit, given the expectation of its sponsors that families living there eventually will graduate to mainstream permanent housing. Does this sort of continuum make sense for a particular type of homeless family, or has it simply grown out of the practice of the homeless services system?

Another area that needs more work is how many families can leave homelessness quickly without needing subsidized housing. Again, a crude estimate has been provided based on NSHAPC, but HMIS data over time will give a much better picture of movement patterns out of homelessness that will make possible a much more definitive assessment. A related question is how many homeless families can afford the flat rents provided by LIHTC and HOME (and potentially the NHT) and do not need a voucher to enable them to live in the growing stock of subsidized housing that follows the affordable housing rather than the assisted housing model.

Other questions have to do with the current use of assisted and affordable housing programs. A substantial gap in the information available for this chapter is the extent to which LIHTC and HOME already are used for housing targeted to homeless families or to families with special needs—clearly an area in which additional information gathering will be important for developing a complete picture both of resources available and of barriers to their use.

A similar question is, without the earlier special set-asides of Federal allocations of vouchers, how extensively do PHAs now make vouchers and public housing available to families leaving homelessness? Much of what has been said in this chapter about barriers to the use of mainstream assisted housing resources as permanent housing for parents who have become homeless has been based on anecdotal information. There is a clear need for more systematic information gathering on this topic as well.

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