

RENTAL HOUSING SUBSIDIES AND HOMELESSNESS

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Evidence that homelessness is fundamentally a housing affordability problem continues to mount. For most individuals and families experiencing homelessness, the pathway out of homelessness is returning to the same type of housing other households occupy in the community. Subsidies that support rent payments and move-in costs can help people leave homelessness quickly, and long-term subsidies can help them avoid returning to homelessness later.

Even for people with high levels of psychological distress and behavioral health problems, the starting point for ending homelessness is an affordable apartment with security of tenure—a place to call home in which the person knows he or she will be able to stay long term. A program model called permanent supportive housing (PSH) has emerged over the past three decades to provide housing directly linked to services available to help formerly homeless people live in community-based housing.

For people who do not need PSH—that is, most of the people who experience homelessness—the homeless services system can provide rapid rehousing. Rapid rehousing is a short-term rent subsidy that gets people out of emergency shelters quickly and puts them in their own housing. At the same time, families and individuals with extremely low or poverty-level incomes, including those who experience homelessness, usually need more than a temporary rent subsidy to gain long-term housing stability. They need the long term assistance that is available with a housing voucher or another type of assisted housing.

“Mainstream” assisted housing programs—that is, programs that are not limited to people experiencing homelessness and, therefore, are not formally part of the homeless services system, are the main source of long-term housing assistance. Mainstream housing assistance programs include the Housing Choice Voucher (HCV) rental subsidy program, public housing, and privately owned assisted housing projects. The resources available from mainstream programs are vital to the effort to reduce the level of homelessness overall and to prevent and homelessness for particular families and individuals.

Local public housing authorities (PHAs) manage a large portion of the mainstream resources for assisted housing through the HCV and public housing programs. PHAs can collaborate with the homeless services system—for example, through participating in the Continuum of Care, by creating preferences that put people experiencing homelessness at or near the top of waiting lists, and by providing set asides of vouchers and public housing units for people experiencing homelessness. Those set-asides can be regular vouchers for people who can leave homelessness without services linked to their housing and for PSH. A few PHAs have also experimented with short-term rental subsidies similar to rapid re-housing, based on demonstration authority called Moving to Work that permits PHAs to use funds outside the statutory and regulatory constraints that generally apply to HUD funding streams.

Some assisted housing is also provided in privately-owned multifamily rental developments that receive direct subsidies from HUD, and that is also a potential source of set-asides for people leaving homelessness.

Even for PSH, many of the resources for rental assistance and capital costs come from outside the homeless services system. Rental assistance is provided by HUD's Shelter Plus Care (S+C) program, and the capital costs of some PSH developments sometimes use federal funds that, like S+C, flow through the Continuums of Care (CoCs) that manage local homeless services systems. At the same time, much of the growth of PSH has depended on rental subsidies provided by mainstream assisted housing programs such as the HCV program and by development support provided by the Low Income Housing Tax Credit.¹

Assisted housing resources are limited, however, and meeting the needs of homeless people competes with serving other people on the long waiting lists for assistance. Across the nation, about 5 million renter households can use assisted housing programs at any one time. This is about a quarter of all the renter households who are eligible (by income) for housing assistance and, by some estimates,² about half of all the households who would participate in housing assistance if it were offered to all renters with poverty-level incomes. While resources for mainstream assisted housing are limited by federal budget constraints, they can play an important role in ending homelessness.

What is the evidence base?

Efficacy of housing assistance for ending homelessness

The increase in homelessness that became evident in the early 1980s may have reflected in part the recession of 1981-1982, especially the increasing numbers of families who were appearing at shelters originally designed to serve men. The growing numbers of people experiencing homelessness as individuals, including a larger visible "street" population, probably was related to the closing of state mental hospitals that had occurred in the previous decade.³ However, a major factor was a change in housing markets that took place in the 1970s. Even though the number of households with very low incomes receiving housing assistance grew substantially between 1974 and 1983, the percentage of family and elderly renters paying more than half their income for housing grew from 25 percent in 1974 to 28 percent in 1978 and 34 percent in 1983.⁴ During the 1970s, the ratio between the number of low-income renters and the number of low-cost housing units changed from a surplus to a shortfall.⁵

Studies in the early 2000s examined the relationship between housing markets and homelessness in different communities, and concluded that subsidies to make housing more affordable for poor individuals and families can play an important role in reducing homelessness in the US. Levels of homelessness were greater in communities with relatively high needs for affordable housing and lower in communities with relatively high levels of housing assistance targeted to poor people. Quigley, Raphael, and Smolensky demonstrated that the rate of homelessness is greater in areas that have low vacancy rates and high rents,

¹ The housing inventory charts submitted to HUD by CoCs responsible for local homeless services systems show that, as of 2016, only 55 percent of PSH beds have HUD McKinney-Vento funding.¹

² Buron, Larry, Bulbul Kaul, and Jill Khadduri. [Estimates of Voucher-Type and Emergency Rental Assistance for Unassisted Households](#). December 2012. Bipartisan Policy Center.

³ Burt, Martha R. "Three Decades of Homelessness," in Donald W. Burnes and David L. DiLeo, eds., *Ending Homelessness: Why We Haven't, How We Can*. 2016. Boulder, London: Lynne Reiner, pp.47-66.

⁴ U.S. Department of Housing and Urban Development, *Priority Housing Problems and 'Worst Case Housing Needs in 1989*. 1991.

⁵ Daskal, Jennifer. *In Search of Shelter: The Growing Shortage of Affordable Housing*. 1998. Center on Budget and Policy Priorities.

based on counts of people experiencing homelessness in different U.S. cities and metropolitan areas and in California counties. They concluded that “...homelessness may be combated by modest supply policies combined with housing assistance directed to those for whom housing costs consume a large share of their low incomes.”⁶

Early and Olsen demonstrated the link between housing prices and the rate of homelessness among the poverty population and showed that the rate of homelessness is lower in geographic areas in which a larger fraction of subsidized rental housing is targeted to very poor households.⁷ Brendan O’Flaherty explains varying results from these and other studies through an econometric model that relates homelessness to the interaction of housing market characteristics and individual characteristics.⁸

Housing assistance also has been shown to prevent and end homelessness for particular families and individuals. A study based on random assignment of welfare-eligible families to experimental and control groups receiving or not receiving housing vouchers found that this form of housing subsidy led to dramatic reductions in both unstable housing situations and literal homelessness among such families.⁹

The most recent evidence on the efficacy of housing assistance for reducing homelessness comes from the Family Options Study. For families who had experienced sheltered homelessness, housing assistance prevented returns to homelessness and had other positive effects on family well-being.¹⁰ The housing assistance to which study families were given priority access was almost always a tenant-based Housing Choice Voucher. A common view is that homeless families cannot navigate the processes involved in using a voucher, including finding a private landlord willing to rent to them. The study found that, despite current and prior experiences of homelessness, limited prior lease-holding experiences, and high rates of psycho-social challenges, families given priority access to housing vouchers used them at remarkably high rates—higher than the “success rates” of using vouchers by broader groups of households found by earlier studies.¹¹

⁶ Quigley, John, Steven Raphael, and Eugene Smolensky. [Homeless in America, Homeless in California](#). *The Review of Economics and Statistics*. 2001; 83(1): 37–51.

⁷ Early, Dirk and Edgar Olsen. [Subsidized Housing, Emergency Shelters, and Homelessness: An Empirical Investigation Using Data from the 1990 Census](#). *Journal of Economic Analysis and Policy*. 2002; 2(1): 1–34.

⁸ O’Flaherty, Brendan. [Wrong Person and Wrong Place: For Homelessness, the Conjunction is What Matters](#). *Journal of Housing Economics*. 2004; 13: 1-15.

⁹ Mills, Gregory, et al. [Effects of Housing Choice Vouchers on Welfare Families: Final Report](#). 2007. U.S. Department of Housing and Urban Development.

¹⁰ Gubits, Daniel et al. [Family Options Study: Short-Term Impacts of Housing and Services Interventions for Homeless Families](#). July 2015. U.S. Department of Housing and Urban Development; Gubits, Daniel et al. [Family Options Study: 3-Year Impacts of Housing and Services interventions for Homeless Families](#). October 2016. U.S. Department of Housing and Urban Development.

¹¹ Gubits, Daniel, Brooke Spellman, Lauren Dunton, Scott Brown, and Michelle Wood. [Family Options Study: Interim Report](#). March 2013. U.S. Department of Housing and Urban Development; Solari, Claudia and Jill Khadduris. *How Homeless Families Use Housing Vouchers: Evidence from the Family Options Study*. *Cityscape*, forthcoming 2017.

The same study showed that a rent subsidy of limited duration combined with case management helped families leave shelter more quickly. Families offered a rapid rehousing subsidy remained in shelter fewer days than the “usual care” control group left to find their own way out of shelter.¹²

Housing assistance can also be used successfully by individuals with high needs, including chronic patterns of homelessness, when it is combined with access to services in a PSH program. Another randomized controlled trial based on early experience with the HUD-VASH program compared outcomes among high-needs homeless veterans who received housing vouchers and intensive case management services with outcomes for control groups who either received intensive case management services only or received standard care (short-term brokered case management). Receipt of a HUD-VASH voucher (case management plus voucher) reduced by 7 days (more than one-third) the amount of time high-needs veteran spent homeless over a three-year period compared with a case-management-only control group.¹³

More recently, the federal government has provided a substantial amount of rental assistance, both short-term and long-term, to homeless veterans through the creation of and substantial investment in the Supportive Services for Veteran Families (SSVF) program (rapid re-housing and homelessness prevention) and through a major expansion of the HUD-VASH program (PSH for veterans). These efforts appear to be associated with a substantial reduction in the national estimates of the numbers of veterans experiencing homelessness. Between 2009 and 2016, while the number of all people experiencing homelessness in the U.S. fell by 15 percent, homelessness among veterans declined by 46 percent (about 34,000 fewer veterans experiencing homelessness on a single night in January 2016 compared to January 2009). In 2016, about 39,000 veterans exited SSVF rapid re-housing to a permanent situation, 16,000 of whom went to a permanent housing program for formerly homeless people.¹⁴

While rental subsidies overall can reduce homelessness, PSH also can reduce costs incurred by other systems when targeted to people who are high users of those services. An observational study in New York City showed that the cost of subsidized permanent housing was almost entirely offset (94%) by reductions in health system and other public costs for a population with severe mental illness (Culhane, Metraux, and Hadley 2002).¹⁵ For people with severe alcohol problems, the literature on cost offsets is particularly promising. In a pre-post study with a control group matched by propensity scoring, Larimer et al. found substantial cost savings, more than offsetting the cost of providing permanent supportive housing, for chronically homeless individuals with prior high-cost use of alcohol-related hospital emergency services, sobering centers, and jail.¹⁶ A study in New York City of a target population that had

¹² Gubits, Daniel, Tom McCall, and Michelle Wood, Family Options Study: Effects on Family Living Situation, *Cityscape*, forthcoming 2017.

¹³ Rosenheck, Robert, Wesley Kaspro, Linda Frisman, and Wen Liu-Mares. [Cost-effectiveness of Supported Housing for Homeless Persons With Mental Illness](#). *Arch Gen Psychiatry*. 2003; 60(9): 940-951,

¹⁴ The 2016 Annual Homeless Assessment Report to Congress. Part 2: Estimates of Homelessness in the United States. U.S. Department of Housing and Urban Development, Office of Community Planning and Development, forthcoming 2017.,

¹⁵ Culhane, Dennis P., Stephen Metraux, and Trevor R. Hadley. [The Impact of Supportive Housing for Homeless People with Severe Mental Illness on the Utilization of the Public Health, Corrections, and Emergency Shelter Systems: The New York-New York Initiative](#). *Housing Policy Debate*, 2002; 13(1), 107-163.

¹⁶ Larimer, Mary E., et al. [Health Care and Public Service Use and Costs Before and After Provision of Housing for Chronically Homeless Persons with Severe Alcohol Problems](#). *Journal of the American Medical Association*. 2009; 301(13): 1349-1357.

at least four shelter and four jail stays over a five-year period used a pre-post design with a matched comparison group and showed reductions in shelter use, some reductions in incarceration, significant reductions in ambulance rides, and mixed results for other use of medical services. The providers of supportive housing were permitted to do some screening for evidence of recovery from substance abuse,¹⁷ and this screening out of some of the neediest may account for the mixed results on use of medical services.

Experience with making housing assistance available for ending homelessness

An often-heard view is that mainstream housing assistance simply is not available for people experiencing homelessness, even though they could use it if it were. There is some evidence to the contrary. The Family Options Study found that, even without priority access, many families experiencing homelessness get on waiting lists and end up with housing assistance. Among the usual care group, for example, which did not receive priority access to any subsidy, more than one-third of families received a permanent housing subsidy during the three-year study period.¹⁸ If housing assistance were available to all families who need it, the rate would almost certainly have been higher.

Another frequently heard view is that, given long waiting lists and other priorities, PHAs are not willing to make serving people experiencing homelessness a priority. While that is the case for some PHAs, many have been willing to create waiting list preferences for people experiencing homelessness or set-asides of a fixed number of units. A study that focused explicitly on PHA efforts to serve homeless people found that policies and practices vary widely, but many PHAs do provide preferences and set-asides—and the more homeless people in an area, the more PHAs are willing to do so. PHAs also have been willing to modify the implementation of program rules such as screening for criminal background when they partner with organizations serving homeless people. It appears to help if the PHA participates formally in the Continuum of Care.¹⁹

Not all subsidized rental housing is managed by PHAs. Some is privately owned with rental subsidies paid directly by HUD. HUD's LIHTC Database indicates that some 70,000 units produced with funding from the Low Income Housing Tax Credit are targeted to people experiencing homelessness. The federal government is now experimenting with a new approach to turning some of the privately-owned, publicly-supported housing into supportive housing for people with disabilities. The Section 811 PRA program focuses on people at risk of institutionalization (or leaving institutionalization), but many states are making this new program part of their effort to end homelessness among high-needs people with disabilities.²⁰

¹⁷ Aidala, Angela, William McAllister, Maiko Yomogida, and Virginia Shubert. Frequent Users Service Enhancement "FUSE" Initiative: New York City FUSE II Evaluation Report. 2013. Columbia University Mailman School of Public Health.

¹⁸ Gubits, Daniel et al. [Family Options Study: 3-Year Impacts of Housing and Services interventions for Homeless Families](#). October 2016. U.S. Department of Housing and Urban Development.

¹⁹ Dunton, Lauren, Meghan Henry, Eliza Kean, and Jill Khadduri. Study of PHAs' Efforts to Serve People Experiencing Homelessness, September 2013. Abt Associates.

²⁰ US Department of Housing and Urban Development, Office of Multifamily Housing Programs, *Section 811 Project Rental Assistance: Bringing Permanent Supportive Housing to Scale: Report to Congress*, January 2014.

Where are the gaps?

While the efficacy of the use of PSH for individuals with behavioral health challenges and chronic patterns of homelessness is well established, we still haven't really figured out which families with children need permanent housing with embedded services—i.e., PSH for families—and which families could exit homelessness with a permanent housing subsidy and no additional services. Subgroup analysis of high vs. low-needs families in the Family Options Study didn't answer the question, and it warrants further study.

Putting homeless people at the head of the line for housing assistance has an obvious drawback—the potential entry (or “magnet”) effect, in which giving people in shelters priority for housing assistance will logically induce people to enter shelters. We have some evidence that the entry effect has been small—for example, from analysis about the effect of policies to place people using shelters into subsidized housing in New York City.²¹ Nonetheless, it seems important to experiment with approaches to providing preferences for homeless that don't have entry effects. For example, preferences might be given to individuals or families who have had multiple episodes of homelessness. At the same time, we need better evidence on how large the “entry effects” really are. Of course, this would not be an issue if all renters in deep poverty had access to housing assistance.

Implications for policy and practice

From what we already know about the relationship between rental housing subsidies and homelessness, some clear lessons emerge for policy-makers and for service providers and system planners working to prevent and end homelessness in their communities:

Policy makers should consider:

- Working at the federal level to support adequate funding for federal housing assistance programs and to maintain or even strengthen targeting to households with extremely low incomes, since virtually all households experiencing or at risk of homelessness have poverty-level incomes.
- Encouraging HUD to provide additional guidance to PHAs on creating preferences and set-asides of vouchers for people experiencing homelessness. This could include bonus allocations of HCV resources for PHAs that meet performance standards for serving people experiencing homelessness.
- Working at the state level with the housing finance agency (or other allocator of LIHTC) to obtain set-asides for permanent supportive housing and the rental assistance needed to make PSH workable. For example, HOME and state trust funds or other funding for affordable housing can be used for the long-term rental assistance needed for PSH.
- Working at the state level to obtain additional resources for both short and long-term rental subsidies to help people leave homelessness.

²¹ Cragg, Michael, and Brendan O'Flaherty. Do Homeless Shelter Conditions Determine Shelter Population? The Case of the Dinkins Deluge. *Journal of Urban Economics*. 1999; 46: 377-415.

Service providers and system planners should consider:

- Bringing the PHA into the CoC.
- Working with both PHAs and owners of already developed privately owned assisted housing projects on targeting Housing Choice Vouchers and assisted housing units to the people they are helping to leave homelessness.
- Targeting PSH to those who need it most—that is, to people with severe behavioral and mental health challenges—and using regular assisted housing units or vouchers for people experiencing homelessness who do not need intensive services linked to their housing.
- Working with PHAs and other providers of rental subsidies to provide “move on” rental subsidies for PSH residents who no longer need service-linked housing, freeing up PSH slots to help additional people with high needs leave homelessness.