U.S. Department of Housing and Urban Development
Office of Policy Development and Research

PD&R

Review of Stewart B. McKinney Homeless Programs Administered by HUD

Report to Congress

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Prepared for the U.S. Department of Housing and Urban Development

Prepared by the Office of Policy Development and Research

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Acknowledgments

This report was made possible by the extraordinary commitment to the needs of America's homeless by hundreds of nonprofit organizations and general units of government. Furthermore, no evaluation findings would be possible without the full cooperation and candid sharing of experiences by the HUD-assisted providers of homeless shelters and services.

The conceptualization and oversight of this report, including preparation of the executive summary, were the responsibility of James Hoben of the HUD Office of Policy Development and Research. Mr. Hoben also supervised or performed four of the six homeless evaluations reported upon. The body of this report, including the synthesis of all six evaluations of HUD-administered homeless programs, was ably performed by Michelle Bussard, a consultant to HUD.

Table of Contents

FOREWORD

The array of programs administered by HUD under the McKinney Act have made important contributions to the fight against homelessness, assisting homeless individuals and families and helping build and support a nationwide network of private and public shelter and service providers. Today, as we stand at a turning point in homeless assistance policy, I am pleased to offer this *Review of Stewart B. McKinney Homeless Programs Administered by HUD*, which draws lessons that can help further increase the effectiveness of HUD's efforts.

Collectively, these programs have targeted resources to many types of homeless assistance, including emergency shelter, transitional and permanent housing, and homeless prevention, as well as a wide range of supportive services. Some programs, such as Emergency Shelter Grants (ESG), have enabled many types of assistance providers to offer basic services across a broad spectrum of homeless populations; other programs have focused on providing limited types of assistance or on serving clienteles with special housing needs.

However, the sheer number and variety of HUD's McKinney Act programs have sometimes created barriers to their efficient use. Differences among the target populations, eligible activities, application requirements, and selection criteria for the various programs have made this assistance difficult to obtain and coordinate. Overlapping sets of regulations and reporting requirements have further complicated grant administration. Moreover, the unpredictability of competitive grants, appropriation levels, and the varying lengths of grant awards have frustrated attempts to implement longer term, comprehensive strategies for eliminating homelessness.

The challenge now facing HUD is clear-to forge an approach that will empower local communities with the flexibility to develop comprehensive, integrated homeless assistance strategies that are responsive to their needs and resources. The experience of the McKinney Act programs offers crucial insights into how HUD can foster this continuum of care. For example, recent evaluations of HUD's McKinney Act programs have shown that block grant funding works well and that local grantees have been able to make excellent use of program flexibility, demonstrating judgment and creativity in developing comprehensive asssistance strategies.

These and other lessons from the first generation of McKinney Act programs have helped guide President Clinton and the Congress in forging a bipartisan approach to reforming Federal homeless assistance programs. By building on the successes of the past with programs that are more flexible, consistent, and responsive, HUD can help local communities provide the multifaceted, long-term assistance needed to finally break the cycle of homelessness.

Michael A. Stegman
Assistant Secretary for
Policy Development and Research

Executive Summary

This report synthesizes the findings of six evaluations of homeless programs administered by the U.S. Department of Housing and Urban Development (HUD). The report responds to a congressional mandate that HUD "conduct a comprehensive review and evaluation of each program [it administers] under Title IV of the Stewart B. McKinney Homeless Assistance Act." The principal conclusion of the report is that the time is right to consolidate and simplify the McKinney programs.

Background

The Stewart B. McKinney Homeless Act of 1987 (P.L. 100–77) was the Nation's first attempt at a comprehensive response to homelessness among individuals and families with children. The Act originally created 20 programs for the homeless that were administered by 9 Federal agencies. Appropriations, which in FY89 were $0.5 billion, have been increased each year. Appropriations totaled $1.35 billion in FY94. HUD is responsible for directing six major programs that together expend nearly 70 percent of all appropriations.

Five years after passage of the McKinney Act, Congress requested, in the Housing and Community Development Act of 1992, Section 1409, that the Secretary of HUD report in 1994 on the results of the McKinney programs administered by HUD. This report responds to that request by summarizing the findings contained in evaluations of the following six programs administered by HUD:

(1) Emergency Shelter Grants Program (ESG).
(2) Supportive Housing Demonstration Program (SHDP).
(3) Section 8 Moderate Rehabilitation Assistance for Single-Room Occupancy Dwellings (SROs).
(4) Shelter Plus Care (S+C).
(5) Supplemental Assistance to Facilities to Assist the Homeless (SAFAH).
(6) Single Family Property Disposition Initiative (SFPDI).

The evaluations were funded and directed by the HUD Office of Policy Development and Research (PD&R). They were initiated prior to the 1992 congressional request, in response to earlier requests for specific program evaluations by Congress in the cases of SRO and SHDP; the President's Office of Management and Budget (OMB) for ESG, S+C, and SAFAH; and the HUD assistant secretary responsible for each program.

Evaluation Findings

■ **The McKinney Programs are an array of distinct programs that are challenging to use in a coordinated, comprehensive manner.**

In 1987, Congress created a set of programs for the homeless that addressed the needs of several different homeless populations and supported a variety of program responses, among them:

——*Different client populations.* The SAFAH and SHDP Transitional Housing programs supported all homeless persons, but gave special preference to families. The SRO program focused on the single homeless. The S+C and SHDP Permanent Housing programs served homeless persons with disabilities mainly those with severe mental illness, chronic substance abuse, and/or AIDS.

—*Different applicants.* States and local governments, Indian Tribes, Public Housing Authorities, and nonprofits could apply for SHDP Transitional Housing, and SAFAH. Only States could apply for SHDP Permanent Housing. Public housing authorities (PHAs) often with nonprofit or for-profit partners were permitted to apply for SROs. States and local governments, and Public Housing Authorities with nonprofit sponsors could apply for S+C. General units of government or nonprofits were eligible for surplus property for the homeless.

—*Different eligible activities.* The ESG, SHDP, and SAFAH programs supported acquisition and rehabilitation of shelters or housing, funded supportive services, and paid operating costs. In addition, ESG funds could be used for homeless prevention. S+C and SROs provided rental assistance only. Neither program funded supportive services, although S+C required a match of locally provided supportive services for each dollar of rental assistance provided and SRO encouraged the a provision of services. The SFPDI program provided properties at subsidized lease rates or discounted purchase prices, but no funds for operations or services.

Types of homeless programs supported also varied. ESG provided emergency shelter, services and prevention; SHDP Transitional Housing was for transitional housing and services; and SHDP Permanent Housing, S+C, and SROs supported permanent housing for the homeless.

—*Different funding systems and varying criteria.* One program, ESG, was an entitlement and was awarded as a block grant using a formula. Four programs, SHDP, S+C, SRO, and SAFAH, were competitively awarded, each in accordance with its own selection criteria. The SFPDI relied on requests and negotiated agreements.

—*Confusing timeframes and regulations.* The duration of grant awards differed among programs from 1 or 2 years under SAFAH, to 5 years for SHDP, and to 10 years for SRO and elements of the S+C program. The timing of grant awards differed for each program from year to year. A major frustration for governments planning comprehensive homeless strategies was the unpredictability of competitive awards. Once as few as 3 percent of applicants (42 in 1,400) were funded because of large needs and limited appropriations.

Some of the complexities listed above were addressed by Congress in the FY92 consolidation of SAFAH and SHDP programs into the Supportive Housing Program (now a permanent, rather than a demonstration, program).

- **McKinney programs have had measurable impacts.**

In spite of challenges and complexities, McKinney grantees have achieved measurable results toward ending or preventing homelessness. Most emergency shelters have gone from shelter only to include supportive services. As points of first care, ESG grantees have helped approximately 7 percent of all assisted households find permanent housing and referred others to transitional housing.

Transitional housing sites supported under the SHDP and SAFAH programs reported that approximately 70 percent of the households that complete the transitional program go on to permanent housing within an average of 9 months. Half of permanent housing was unsubsidized and half was subsidized. Grantees using SHDP Permanent Housing funds for the disabled homeless reported that 85 percent of households were still in the SHDP residence after 1 year or were living in an equivalent permanent housing setting. SRO grantees reported positive results in providing permanent, affordable (average monthly rent of $300) housing for the single homeless, though there was significant turnover. SHDP Transitional Housing grantees reported a doubling of households employed or in training from 18 percent at entrance to 38 percent at exit, and a doubling of households earning $900 per month from 6 percent to 11 percent. Costs for providing the assistance were reasonable. The average cost of transitional housing, with support services, was $30 per person per day. The average cost for permanent housing including support services was $45 per person per day.

- **McKinney funds supported comprehensive programs and were well leveraged.**

Sponsors of homeless programs that used McKinney funds created comprehensive programs for their specific populations and provided a diverse array of needed support services. For example, SHDP Transitional Housing projects provided most of 28 important supportive services. Because far more money is needed than is provided under McKinney, project sponsors exceeded the maximum McKinney dollar to local funding matches of 1:1. On average, ESG dollars were matched 1:10, SHDP dollars were matched 1:3, and S+C grantees pledged to match rental assistance by in-kind supportive services at 1:2. Sixty percent of SRO development costs came from community sources. Matching resources were obtained from State and local governments, foundations, businesses, churches, and individual donations. The ESG, SHDP, and SAFAH McKinney funds, though often a modest portion of an organization's homeless budget, were critical because they could be used to leverage other funds or, as a last resort, could finance otherwise unavailable services or housing.

- **McKinney flexibility was used responsively and effectively.**

SAFAH, and to a lesser extent ESG and SHDP, demonstrated the importance of permitting project sponsors to use McKinney funds where most needed. SAFAH grantees took advantage of the flexibility of that program to fund gaps in homeless programs. In addition, one-third of the SAFAH projects were considered innovative.

ESG grantees initially used funding to expand and improve shelter, but once done, they shifted funding to supportive services and operations. When homeless prevention activities became eligible for funding, ESG grantees used the maximum allowable amounts for preventive programs. In contrast, grantees of the less flexible S+C and SRO programs complained that the limitation of those funds to rental assistance meant they sometimes could not obtain vitally needed supportive services, such as case management.

- **A homeless formula grant will work, and nonprofit homeless providers will continue to play a role in shelter and service provision.**

The ESG program is a formula grant program, and it has worked well. States and local governments have praised the predictability of funding, though they have been frustrated by the uncertainty of annual appropriations. They appreciated that they need not waste time writing competitive grant applications, and that they did not face the uncertainty of winning or losing. States and local governments were prompt in reallocating ESG funds to homeless providers.

Though State and local governments and PHAs are eligible grantees and could directly operate homeless facilities and services, most of them passed McKinney funding through to nonprofit organizations. Nonprofit organizations provided 80 percent of homeless housing and services. There were several reasons for reliance on nonprofits. First, they could more readily integrate housing and services because they were unencumbered by a government bureaucracy and could draw on a wide variety of other community resources. Second, local governments that relied on nonprofits could avoid increasing government staffing and the burdens that implied.

- **Successful programs focused on the individual's specific needs, required individual responsibility, and were comprehensive.**

The four characteristics that stood out in every successful homeless assistance program, regardless of the cause of homelessness, were: (1) treatment of each person as unique and valued; (2) an operating principle that respects individual rights and requires individual responsibility; (3) availability of stable housing and existence of a comprehensive set of assistance services; and (4) a continuing challenge to each individual to be as independent as possible.

- **McKinney administrative funds for grantees need to be increased.**

Virtually all project sponsors said that McKinney expenditures permitted for administrative activities were inadequate. Sponsors said that considerable uncompensated time and cost were expended creating and maintaining comprehensive housing and services because most funding and services came from multiple local sources. Coordination costs were considerable, and costs for outreach and intake of the homeless were substantial. Recordkeeping on household progress was time consuming, and many reported that preparing the required reports for multiple funders, including HUD, was a major undertaking.

Because of tight administrative budgets, most sponsors admitted that, although they should have, they did not track homeless households once the households left a program. S+C represented an extreme case of inadequate administrative funding. Because S+C grantees had to obtain all supportive services from local providers, they were forced to spend substantial amounts of time locating, coordinating, and overseeing the services and yet were not allowed to use S+C funds for that critical function.

- **HUD staff need to provide more technical assistance and monitor programs more closely.**

Grantees praised HUD staff efforts to help them with applications and project implementation, but said they still needed more help. HUD staff were limited in both the amount of technical assistance they could provide and in the amount of time available to monitor projects. All grantees were eager to learn what their peers were doing and to hear about alternative program approaches.

As Congress and HUD move toward a consolidated and more flexible McKinney program, there will be an even greater need for both HUD-provided and other technical assistance to ensure effective program administration and results.

Conclusion

The programs evaluated in this report demonstrate that immense capacity exists at the local level for going beyond present efforts, if a better Federal system of assistance is put in place. The McKinney-supported projects that have demonstrated the most positive client outcomes have succeeded by building comprehensive community care systems—a continuum of care—that includes outreach systems, prevention programs, emergency shelter with strong service components, transitional supportive housing, and permanent housing placement.

The time has come to advance the opportunity for similar successes in all parts of the Nation. A consolidated approach to homeless assistance that improves coordination and eliminates fragmentation simply makes sense. That approach will place a high priority on helping people to "help themselves in a relationship of mutual rights and responsibilities." (*Priority Home! The Federal Plan to Break the Cycle of Homelessness*, U.S. Department of Housing and Urban Development, March 1994, p. 51.)

Introduction

Report Objective

This report responds to Congress' request that the Secretary of Housing and Urban Development (HUD) "conduct a comprehensive review and evaluation of each program under Title IV of the Stewart B. McKinney Homeless Assistance Act," as specified in the Housing and Community Development Act of 1992, Section 1409. It describes the findings contained in studies of the six homeless programs administered by HUD.

The findings contained in the six program evaluations support the Administration's recommendations as presented in the publication *Priority Home! The Federal Plan to Break the Cycle of Homelessness*, U.S. Department of Housing and Urban Development, March 1994. The findings also support the Department's proposal to consolidate the various McKinney Act homeless programs and help State and local governments develop a continuum of care that can assist homeless persons achieve maximum independence in permanent housing with services, as needed.

The six programs reported on are:

(1) Emergency Shelter Grants Program (ESG).
(2) Supportive Housing Demonstration Program (SHDP).
(3) Section 8 Moderate Rehabilitation for Single-Room Occupancy Dwellings (SROs).
(4) Shelter Plus Care (S+C).
(5) Supplemental Assistance to Facilities to Assist the Homeless (SAFAH).
(6) Single Family Property Disposition Initiative (SFPDI).

HUD commissioned evaluations for all programs except SFPDI, which was examined by a HUD Task Force and reported on by the Government Accounting Office (GAO).

Although the congressional directive also called for a survey of "homeless individuals and families assisted under each program in various jurisdictions," insufficient staff and resources prevented timely and meaningful completion of that task for inclusion in this report. There is, however, sufficient participant information within the reports that cover the Title IV McKinney Act programs to support the preliminary findings on the homeless individuals and families who have been assisted.

Legislative History and Synopsis of McKinney Programs and HUD Administration

In July 1987, Congress enacted the Stewart B. McKinney Homeless Assistance Act (P.L. 100–77) to establish distinct assistance programs for the growing numbers of homeless persons. Recognizing the variety of causes of homelessness, the original McKinney Act authorized 20 programs offering a multitude of services, including emergency food and shelter, transitional and permanent housing, education, job training, mental health care, primary health care services, substance abuse treatment, and veterans' assistance services.

Between fiscal years 1987 and 1994, Congress appropriated $5.1 billion to implement McKinney Act programs, according to the Interagency Council on the Homeless, and 9 Federal agencies were asked to implement the 20 authorized programs.

Funding was offered through a variety of mechanisms: 6 programs provided funds through a formula or block grant process, 10 used a competitive process, and 3 received no funds to distribute until after FY89. HUD had direct responsibility for administering five of the programs and nearly 70 percent of the 1994 budget authorizations. Specific appropriations for five McKinney Act programs reviewed in this report follow:

Table 1.1

McKinney Act Appropriations
Year of Appropriation
(dollars in millions)

	1987	1988	1989	1990	1991	1992	1993	1994
ESG	60.0	8.0	46.5	73.2	73.2	73.2	50.0	115.0
SAFAH	15.0	0	0	10.8	11.2	11.3	--	--
SRO	35.0	0	45.0	73.2	105.0	105.0	105.0	150.0
SHDP[1]	85.0	64.3	80.0	126.8	150.0	150.0	150.0	334.0
(TH)	(70.0)	(50.0)	(65.0)	(111.8)	(100.0)	(100.0)	n/a	n/a
(PH)	(15.0)	(15.0)	(15.0)	(15.0)	(50.0)	(50.0)	n/a	n/a
S+C	--	--	--	--	--	110.0	266.6	123.7

Source: Interagency Task Force on Homelessness

[1]. SHDP consisted of two programs—the Transitional Housing (TH) and the Permanent Housing (PH) programs until 1992. In 1992, SHDP and SAFAH were merged into the Supportive Housing Program.

Between 1987 and 1994 Congress appropriated approximately $3.1 billion for five of the McKinney Act programs reviewed in this report. The sixth HUD program, SFPDI, was not a McKinney program. In 1983 a program for disposing of HUD-owned single-family properties was created. It was broadened in 1985 to permit homeless providers to purchase or lease HUD homes at discounts. No appropriations were necessary for program operation. A brief description of the six HUD-administered programs follows.

- **Emergency Shelter Grants Program.** This program provides formula (block grant) funding for emergency shelter and essential services.

- **Supportive Housing Demonstration Program.** This competitive program funds a variety of grantees to provide transitional and permanent housing, particularly for homeless families and persons with special needs or handicaps. Initially funded as a demonstration, the program was renamed the Supportive Housing Program and made permanent in the Housing and Community Development Act of 1992. The program was also expanded to fund services only, Safe Havens, and Rural Homeless Housing.

- **Section 8 Moderate Rehabilitation for Single-Room Occupancy Dwellings.** This competitively awarded program provides funding to owners of SRO housing in the form of rental assistance payments on behalf of homeless individuals, in conjunction with the rehabilitation of the facility. The program provides permanent housing for previously homeless tenants.

- **Shelter Plus Care.** Congress added this program to HUD's repertoire in FY90, and provided the first funding in FY92. Funds are competitively awarded for rental assistance. Grantees must match the value of rental assistance with an equal value of supportive services. The target population is homeless persons living on the streets or in emergency shelters with severe mental illness, chronic substance abuse problems, or AIDs.

- **Supplemental Assistance for Facilities to Assist the Homeless.** This competitive program funded innovative projects that met the immediate and long-term needs of the homeless, as well as projects already receiving funds under ESG and SHDP. The broad and flexible range of assistance permitted program expansion, capital improvement, and startup of new, needed supportive services. In 1992, SAFAH was incorporated into the Supportive Housing Program.

- **Single Family Property Disposition Initiative.** Originally, this program was not a McKinney program. It was created in 1983 under the HUD Secretary's broad legislative authority to dispose of single-family properties. In 1985, it was broadened to allow HUD to sell or lease foreclosed single-family properties to nonprofit organizations, or to State or local governments to provide temporary shelter for homeless persons. In 1992, the Housing and Community Development Act recognized it as a McKinney initiative.

Overview of Homelessness

The Federal definition of a homeless person is:

> An individual who (1) lacks a fixed, regular, and adequate nighttime residence and (2) has a primary nighttime residence that is (a) a supervised, publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill), (b) an institution that provides a temporary residence for individuals intended to be institutionalized, or (c) a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings. (McKinney Act (P.L. 100-77, sec 103(2)(1), 101 sat. 485 (1987))

Homelessness is more than being without a home; it represents the most extreme breakdown of our housing and social service system. The homeless can be broadly classified as those who have suffered a crisis of poverty or those afflicted with chronic disabilities. As a result of abject poverty and emotional, physical, and family difficulties, the homeless generally have low self-esteem, feel little sense of accountability, and suffer from hopelessness. Homelessness means that an individual is separated from the community and its family, social, and institutional networks.

Priority Home! The Federal Plan to Break the Cycle of Homelessness, U.S. Department of Housing and Urban Development, March 1994, offered the following observations in its profile of homeless persons:

- Single unattached adults, unaccompanied by children, make up about three-quarters of homeless persons. Men outnumber women by a factor of five.
- The average age of a homeless person is the late 30s; that of mothers with children is the early 30s.
- Minorities are disproportionately represented among the homeless population, especially among homeless families.
- Seventy-five percent of all homeless persons have been in an institutional setting for some period of time; this includes prison, inpatient chemical dependency treatment centers, and hospitals for mental disorders.
- At least half of the adult homeless population has an ongoing or past alcohol- or drug-related problem.
- Homeless persons are poor, having a spending income averaging less than $200 a month, regardless of household composition.

- As many as one-third of homeless children may not be attending school regularly.

- Of the entire male homeless population, approximately 30 to 45 percent are veterans.

The *1990 Annual Report of the Interagency Council on the Homeless* contained these facts about the homeless:

- More than 80 percent of all homeless families are headed by single women. Children under the age of 18 years account for 15 percent of the homeless population.

- Not all homeless individuals are unemployed. Approximately 20 to 25 percent of all homeless persons receive some wage income although, on average, that income is insufficient to live upon. As many as 25 percent of all homeless individuals are unemployable because of severe mental illness or physical disability.

- The duration of homelessness varies. Homeless families with children usually spend the least amount of time homeless, while well more than half of all homeless adults remain homeless for 1 year or longer.

The U.S. Conference of Mayors, in its latest survey of homelessness in the Nation's cities, *A Status Report on Hunger and Homelessness in America's Cities: 1993*, presented the following conclusions about the demographic characteristics of America's homeless:

- Single men and families each comprised an estimated 43 percent of the homeless population in 1993, which represents a significant 11-percent increase in the number of homeless families since 1992.

- The percentage of single youth increased from 2 percent to 4 percent between 1992 and 1993.

- Fifty-six percent of the homeless were African American, 27 percent white, 13 percent Hispanic, 3 percent Native American, and 1 percent Asian.

- Twenty-seven percent of the homeless were considered mentally ill, 48 percent were substance abusers, and 9 percent had AIDS or HIV-related illnesses.

When Congress created the McKinney Act, it set into motion the beginnings of a multifaceted response that utilizes and seeks more efficient coordination of Federal, State, local, private, and voluntary efforts and resources. The intended goal of this approach was to create a catalyst for increasing the resources and responses necessary to alleviate homelessness. The objectives included raising levels of self-sufficiency, self-determination, work force preparedness, life skills, income, and education among the homeless so they may achieve independent living in permanent housing. While each of the authorized McKinney

Act programs plus the SFPDI contributes toward achieving the congressional intent, only the six programs that are the subject of this report and are within HUD's purview are described in the following pages.

HUD's Homeless Programs: Elements of a Support Continuum

The McKinney Act programs for which HUD has responsibility contain the elements of the newly proposed continuum of care for the homeless population but they fall short. A The continuum of care concept is a response to the fact that homelessness involves a variety of unmet needs—physical, economic, social, and medical. An effective response requires a locally designed comprehensive, flexible, coordinated system of homeless assistance. Fundamental components consist of prevention strategies; an emergency shelter and assessment effort, transitional housing and necessary social services, and permanent housing or permanent supportive housing arrangements.

The following synopses of existing programs shows how the programs relate to the continuum of care concept. A limitation of the programs and an obstacle to an effective local homeless support continuum is that, while programs cover every type of homelessness, they do so through different and largely uncoordinated initiatives.

Emergency shelter is often a homeless individual's or family's first encounter with a system intended to assist, however briefly, individuals who for any reason find themselves dispossessed and alone on the Nation's streets. ESG supports provision of the most basic shelter, service, and assessment efforts. Funding can be used to improve the quality and quantity of shelter facilities, to meet the costs of operating the shelters, to provide assessment and transitional services to homeless persons, or to prevent homelessness. Administered as a block grant program, ESG has been used to expand shelter capacity and enhance the availability of services for homeless individuals and families. It has provided financial assistance to help pay utility services, security deposits, or back rent. Requiring a dollar-for-dollar match of the Federal share, ESG funds are available to States, metropolitan cities, urban counties, and territories.

SHDP provides transitional housing for individuals and families and permanent housing for handicapped homeless persons. The transitional program enables homeless individuals who previously resided in shelters or other temporary residential settings to achieve independent living.

The Transitional Housing (TH) component of SHDP provides clients with up to, but no more than, 24 months in a transitional housing facility, during which time they are encouraged and supported in their efforts to regain permanent housing. Recipients of TH grants receive advances for housing acquisition, rehabilitation, and, in limited instances, new construction, and/or may receive 5-year grant awards for program operations and supportive services. Both types of assistance are subject to matching fund requirements and stipulate that grant recipients must provide housing and support services for a minimum of 10 years (20 years for the earliest projects).

The Permanent Housing (PH) component of SHDP has provided independent living for homeless individuals with a chronic disability. Often an alternative to institutionalization, the

PH program has funded projects to provide community-based, long-term housing and supportive services. Recipients of SHDP PH grants were required to integrate the housing into a neighborhood setting and to operate a project for at least 10 years (20 years for the earliest projects). Like TH projects, PH projects have been subject to matching fund requirements.

SRO is designed to allow homeless individuals to obtain permanent housing in a setting that combines communal living with a modicum of privacy. Section 8 subsidy payments fund a project for a period of 10 years in the form of rental assistance in amounts equal to the rent, including utilities, minus the portion of rent payable by the tenants. The rental assistance funds the repayment of acquisition and rehabilitation costs necessary to create safe and decent housing.

The program targeted homeless persons capable of independent living, including those afflicted by mental illness, physical handicaps, or substance abuse. Awarded as a competitive grant, the SRO program's selection criteria encouraged, but did not require, that recipients integrate supportive services into the housing package.

S+C targets the hardest to serve homeless: those with mental and physical disabilities who are living on the street or in shelters. S+C is a competitive grant program that provides rental assistance funded by HUD that is to be matched with an equal or greater dollar value of supportive services from other Federal, State, local, or private funding sources. Four different delivery mechanisms include sponsor-, project-, and tenant-based assistance, in addition to support for Section 8 SRO facilities in the form of an operating expense subsidy. Assistance provided to projects is available for 10 years; assistance to sponsors and directly to tenants is available for 5 years. Three rounds of S+C grants have been awarded by HUD.

SAFAH assistance was available as a supplement to other McKinney programs and to support innovative homeless initiatives. Competitively awarded, assistance was available for creating new facilities and upgrading existing facilities, including emergency, transitional and permanent housing, supportive services and for operating expenses. Depending on its type, assistance remained available for 1 to 3 years.

Evaluations of Homeless Programs

HUD's Office of Policy Development and Research (PD&R) commissioned five of the evaluations upon which this report focuses. The evaluations were initiated prior to 1992 in response to requests by HUD assistant secretaries responsible for program administration, the Office of Management and Budget, and Congress. The amount spent on the evaluations was approximately $2.5 million. Evaluation of the sixth program, Single Family Property Disposition Initiative, was the focus of a HUD Task Force and GAO evaluation. Each evaluation was conducted using different research and evaluation methods, employing different contractors, and occurring at separate times.

In spite of the varying origins and timing of the McKinney and SFPDI program evaluations, the emerging reports resulted in a balanced and comprehensive set of findings with which to evaluate HUD's implementation of homeless programs. The individual evaluations that serve as the base for this report are:

- *Evaluation of the Emergency Shelter Grants Program Final Report*, August 1994, Abt Associates.

- *National Evaluation of the Supportive Housing Demonstration Program: Final Report*, forthcoming, Westat, Inc.

- *Report to Congress on SROs for the Homeless Section 8 Moderate Rehabilitation Program*, March 1990, Office of Policy Development and Research, U.S. Department of Housing and Urban Development.

- *Evaluation of the Shelter Plus Care Program: Interim Report, Implementation Assessment for Round 1 of Shelter Plus Care*, Vol. 1, May 1994, Abt Associates.

- *Evaluation of the Supplemental Assistance for Facilities to Assist Homeless Program*, September 1993, Center for Public Finance and Housing, The Urban Institute.

- *Homelessness. Information on and Barriers to Assistance Programs Providing Foreclosed Property*, September 1993, U.S. General Accounting Office.

Report Organization

The following section consists of summaries of the evaluation findings of the six HUD-administered homeless programs. Each program is described using the following framework:

- **Program Description and Administration.** An overview of each program, its goals, authorization levels, and assistance mechanisms.

- **Program Implementation, Funding, Costs, and Activities.** Funding levels, impact of Federal funds on the project or providers' budgets, and the nature and use of funding assistance.

- **Impacts on Populations Served.** Describes the homeless population that each program was intended to serve, how individuals or families have been served, and the means by which they were served.

A conclusion addresses common themes among the programs.

Program Evaluations

Emergency Shelter Grant Program

Abt Associates evaluated the Emergency Shelter Grant Program by examining the organizations involved in the program, how program activities were implemented, and their impacts. The study's findings are based on the activities of 382 grantees and the 3,000 to 3,500 service providers who received ESG funds between 1987 and 1991. Of 382 grantees surveyed, 234 responses were received. Of 3,000 to 3,500 service providers surveyed, 651 responses were received. Indepth information was gained from respondees, including both shelter and nonshelter providers, through study visits to 15 sites.

Program Description and Administration

Created in 1986, ESG provides formula funding to entitlement jurisdictions for a broad range of eligible activities. These activities include conversion, renovation, and rehabilitation of facilities; operation of facilities; delivery of essential services; and homelessness prevention. ESG funding has enabled service providers to expand available emergency shelter capacity to broaden the range of services available to clients.

Those eligible to receive funding are States, Territories, metropolitan cities and urban counties, and Indian tribes. These grantees are in turn authorized to reallocate funds to either government or nonprofit agencies that may deliver services directly. While States are required to distribute their entire allotment to local government, local governments receiving entitlement funds may distribute all or a portion of their ESG funds to nonprofit homeless provider organizations.

From FY87 through FY91, nearly 400 grantees received ESG funding. Most awards went to metropolitan central cities (50 percent), followed by urban counties (28 percent). An estimated 3,000 to 3,500 providers are funded by grantees. A wide variety of agencies and organizations may receive ESG funding to support delivery of services for clients who are either homeless or at risk of losing their permanent housing. Among all ESG-funded providers, the majority (89 percent) are private, nonprofit entities, generally well-established organizations that average 17 years' experience.

ESG-funded entities may be either shelter or nonshelter providers. In FY91, 82 percent of ESG-funded service providers were shelters. ESG-funded providers that offered nonshelter facilities sponsored health care and substance abuse treatment centers, served meals, and provided counseling. While some of these grantees and providers have access to substantial non-Federal resources for their programs, most rely heavily on ESG and other Federal initiatives such as those established by the McKinney Act.

Program Implementation, Funding, Costs, and Activities

From FY87 to FY91, the ESG program distributed $277.8 million to nearly 400 grantee jurisdictions that was distributed as follows: $99.1 million (36 percent) for conversion, renovation, and rehabilitation of facilities; $129.9 million (47 percent) for shelter operation; $37 million (13 percent) for services; and $9.8 million (4 percent) for homelessness prevention.

The average ESG award in FY91 to a provider agency was $20,592, which represented, on average, 5 to 10 percent of a provider's operating budget. The requirement for a dollar-for-dollar match enabled many ESG providers to aggressively leverage other funding to produce a 1:10 match. This they did by tapping a combination of other Federal funding, State and local government sources, and private and foundation support. The total Federal contribution to an ESG-provider's budget, including ESG, averaged 30 percent, making Federal support one of the more significant factors influencing the emergency amelioration of homelessness. In the 26 States where State appropriations were available, State funding averaged approximately 20 percent; local county or city funding averaged 10 percent; and private funding from corporations, foundations, and religious organizations averaged approximately 30 percent.

Providers implemented their programs following ESG-eligible activity guidelines as follows:

Capital Improvements

- One-fifth of all ESG-funded providers (21 percent), used their funds for physical improvements. Improvements included interior remodeling, plumbing, structural and electrical work, building and health code work, HVAC, painting, and improved safety for children.

- Among providers using ESG funding for physical improvements, ESG funds accounted for roughly 50 percent of the cumulative spending for capital investment and made available an estimated 7,700 additional beds nationwide. By FY91, spending for capital improvements had diminished to 20 percent of all ESG funds.

- Physical improvements were generally completed within the 2-year draw-down period allowed by ESG guidelines. Projects that did experience delays, however, identified the causes as contractor-related procurement and bidding delays, a lengthy environmental review process, or excessive documentation.

Essential Services

- ESG funding supported expansion of supportive services at emergency shelters. Ninety-one percent of the grantees reported that they had expanded social services to their clients, and 63 percent reported a reduction in the number of underserved or unserved homeless individuals and families. In addition, numerous providers indicated that the flexibility of ESG funding was an excellent source of leverage and an advantage in meeting the needs of their local homeless populations.

- More than 80 percent of all providers that received ESG funds required case management of their clients as a condition for permitting individuals and families to remain within a shelter.

- The most common form of assistance, offered by more than 90 percent of the providers, was help in obtaining benefits and permanent housing. This was closely followed by assistance in daily living skills, such as money management (86.2 percent), transportation (79.1 percent), support groups (78.6 percent), and job referrals (69.8 percent). Providers also offered assistance designed to help homeless individuals and families move from a shelter environment into transitional and permanent housing.

- Nearly 60 percent of providers reported that as a result of ESG support, they were able to increase service capacity and expand and intensify their intervention services. Added services have included education and training, child-related and housing-related services, and expansion of case management and coordination strategies. Other commonly offered services included child care, GED preparation, vocational counseling, intervention and treatment services for substance abuse, medical care, and psychological counseling.

Homelessness Prevention

- After homeless prevention was added as an eligible activity in 1989, 82.4 percent of providers surveyed by Abt Associates in 1991 were using ESG funds to forestall or eliminate the loss of permanent housing. Concomitantly, 77.5 percent of providers surveyed were using prevention grants to resettle homeless persons into permanent housing.

- Specific preventive assistance included delinquent rental and utility payment assistance, security deposit payments, and landlord/tenant mediation.

- Homelessness prevention efforts tended to be carried out by the larger social service agencies or community action organizations.

Operations

- ESG funding for day-to-day operations has remained relatively constant since the program was initiated, with between 47 and 52 percent of the total ESG allotment going to operations each year.

- Staff costs were a substantial portion of operating costs. Two trends that accounted for increased staff costs were the emerging emphasis on case management and the expanding range and intensity of services being offered to clients, with the expectation that the effects of these services would provide positive and long-lasting effects for clients.

Although the ESG contribution to a provider's budget is modest, if it is used in combination with other Federal funding, including Community Development Block Grants and Supportive Housing Demonstration Program funds, the impact can be appreciable. Because $99 million of capital investment between FY87 and FY91 represented roughly 50 percent of the cumulative capital investment of providers surveyed for the Abt Associates study, the ESG program has been particularly instrumental in increasing shelter capacity. Ninety-one percent of grantees reported an increase in the number of shelter beds in their localities since FY87.

In less tangible ways, ESG funding has also enhanced the quality of the shelter space by allowing the addition of children's safety features, play yards, common rooms, handicapped accessibility features, and security provisions. Between 70 and 90 percent of all grantees indicated qualitative improvements related to specific quality improvements such as improved habitability, increased security, and other benefits.

Providers' use of ESG funding has shifted over time, however. Whereas funding for capital improvements amounted to more than half the total in each of the first 3 years, by FY91 it accounted for only 20 percent. Funding for essential services increased from 11 percent in FY87 to 21 percent in FY91. Among the types of services showing the greatest growth have been child care; support groups; basic skills development, such as budget management; and counseling and treatment for medical or psychological conditions or substance abuse. Moreover, after FY89, when homelessness prevention became an allowable activity, prevention programs for individuals and families at risk of losing their housing accounted for nearly 10 percent of the total spending of ESG funding in FY89. By FY91 providers were allowed to use up to 30 percent of their ESG grant money to prevent homelessness.

Changes in funding allocated to different activities occur where sponsors recognize the need for more than "two hots and a cot." Other critical factors include changes in spending ceilings and the expansion of eligible categories to reflect an emerging emphasis on supporting the range of interventions necessary to resolve homelessness.

Impact on Populations Served

Estimates indicate that ESG-funded shelter providers and nonshelter services providers served 2.8 million individuals and 1.1 million families in 1 year. The populations include the homeless and nonhomeless persons threatened with becoming homeless and in need of prevention or other emergency assistance. Services included providing nighttime shelter or, in nonshelter instances, helping in the form of a meal, counseling, or assisting with enrolling for entitlements. Of these, some 205,000 individuals and 65,000 families were placed or kept in permanent housing with the help of ESG-supported services.

Shelters and other homeless service providers that received ESG funds in FY91, served a broad range of the homeless population. The ESG program was not designed to target particular groups of homeless individuals or families. One of its strengths lay in its flexibility, which allowed it to serve a broad range of the homeless population.

ESG-funded providers constitute a mix of shelters and other service agencies. About 82 percent of ESG-funded providers are shelters, and of those more than three-quarters are 24-hour shelters combining overnight facilities with day programs. ESG-funded shelter and nonshelter providers targeted and served homeless individuals and families in somewhat different ways, with homeless-service agencies tending to serve a more diverse population. Shelter providers focused on providing bed space and meals with a secondary, but not necessarily less important, emphasis on provision of comprehensive onsite services. Nonshelter providers did not offer any form of housing, but instead provided a range of support services that often included housing information and referrals to health care facilities, counseling agencies, residential treatment facilities, and child care centers.

Some ESG-supported providers did tailor their programs to specific populations. Homeless families were the most frequently accepted. Eighty-five percent of the programs accepted families in FY91, and approximately half of all providers reported that they also offered services to battered women and drug- and alcohol-dependent clients. The elderly, physically disabled, veterans, and HIV-positive clients were also relatively well served, with between 37 and 42 percent of all providers offering assistance. Only 31 percent of all shelters and 34 percent of nonshelter providers accepted single young men under the age of 18. Many in this group were restricted to day-only shelters and were forced back onto the streets at night.

After homelessness prevention became an eligible ESG activity in 1989, grantees who employed homelessness prevention strategies reported they were able to assist nearly 35,000 households at an average cost per case of $196.33 in FY91.

Of most importance is whether ESG program funds are making a difference. The answer is yes. From initial intervention to helping individuals and families move into transitional or permanent housing, ESG program funds are helping to lift people out of the abyss of homelessness.

Supportive Housing Demonstration Program

The evaluation of SHDP performed by Westat, Inc., Rockville, Maryland, examined projects funded from 1987 through 1990. Data were gathered through a 1992 survey of 732 active projects, to which 623 projects (85 percent) responded; from case studies of 45 projects; and from participants in several focus groups that met in 1993. Publication is pending.

SHDP was created to develop and support innovative approaches to combining housing and supportive services for homeless individuals and families, with an emphasis on those with special needs. The program was authorized by the Stewart B. McKinney Homeless Assistance Act of 1987 (P.L. 100–7). The program was renamed the Supportive Housing Program, and became permanent upon enactment of the Housing and Community Development Act of 1992.

SHDP consisted of two separate programs, the Transitional Housing Program and the Permanent Housing for Handicapped Homeless Program. Each was designed to serve distinct homeless populations, and each had different objectives.

Transitional Housing aimed to help homeless individuals and families make the transition from homelessness to more independent living, and its residents were limited to a maximum stay of 24 months. By contrast, the PH program sought to provide a long-term stable housing option and supportive services to homeless individuals with disabilities or to homeless families that included a disabled adult member. It imposed no time limit on residency. Funds for both programs were awarded through a competitive grant program.

During the evaluation period, 1987 through 1990, the SHDP program provided $372 million for both programs, with $340 million going to the TH component for 496 projects, while $32 million paid for 236 projects under the PH component. These programs are described individually in the following sections.

Transitional Housing Program: Program Description and Administration

Funding was available to State and local governments, Indian tribes, private nonprofit organizations, and community health organizations. The majority of grantees were nonprofit sponsors (84 percent) whose primary mission was to provide housing for homeless persons (71 percent). More than half of the grantees had been providing such service for more than 5 years. The 1987 and 1990 grantees were responsible for 496 active TH projects by 1992, containing 8,600 housing units.

The SHDP TH program's transitional housing options varied. Dwelling types were somewhat associated with the type of homeless persons being served. In many instances, projects serving substance abusers relied on SRO units; the use of apartments was predominant among projects serving primarily families and victims of domestic violence. Sponsors that served a variety of client types often employed a mix of building types within the same TH project. In some instances these included nonresidential buildings converted for residential use. Of all transitional housing projects reviewed, 38 percent were apartment buildings with four or more units, 24 percent were SRO dwellings, 19 percent used mobile homes or motels, 17 percent were single-family houses, 15 percent were clusters of two- and three-unit townhouses, and 7 percent were in rowhouse or townhouse configurations. The majority of project sponsors (65 percent) owned their project sites; the balance entered into lease arrangements. The average length of stay in a TH project was 9 months, with a maximum of 24 months allowed.

Transitional Housing Program: Program Implementation, Funding, Costs, and Activities

During the period studied, HUD awarded 535 TH grants totaling $340 million. The average grant was approximately $636,000. During the 1987 to 1990 operating year, SHDP furnished 15 percent of rehabilitation costs for TH projects and 28 percent of total operations and services costs.

Additional sources of funding typically came from the same three funding sources, which in descending order of magnitude, were State funds, local funds, and sponsor contributions. TH project sponsors also relied on an array of other funding sources, including Community Development Block Grants, 4 to 5 percent; bank loans, 3 to 15 percent, depending on the activity receiving the loan; and higher figures, generally supporting acquisition. Individual contributions amounted to 3 to 5 percent, and foundations contributed 4 to 5 percent.

TH project sponsors were able to leverage significant amounts of local resources:

- The $37 million in SHDP grants in 1987 to 1990 that TH sponsors used for facility acquisition or rehabilitation leveraged about $202 million.

- The $35 million in SHDP funds in 1991 to 1992 that TH sponsors used for services and other operating costs leveraged about $89 million in funds from other sources.

The ability to create leveraging ratios of nearly 6:1 and 3:1 satisfied a major SHDP program objective: leveraging substantial local resources.

Sponsors were also able to provide housing and deliver services at a reasonable cost. Estimates that include the cost of supportive services, operations, and the amortized cost of acquisition and rehabilitation result in a cost per person of *$30/day* and per household of *$53/day*. Because the average stay in a TH project was 9 months, the average total cost for a resident served by the program was $8,100 and, for a household, $14,310.

Most TH projects were successfully implemented in a timely manner. By fall of 1992, 94 percent of all projects supported by TH grants were operational. Figures indicate how effectively the vast majority of TH projects achieved important milestones. From the signing of their agreement with HUD, sponsors took an average of 4 to 5 months to acquire a suitable property, 9 to 11 months to complete a project, 8 months to achieve initial occupancy, and 10 months to achieve full occupancy.

To facilitate the transition into independent living, project sponsors generally provided a full range of supportive services. Services provided by TH sponsors were comprehensive, flexible, and tailored to meet the special needs of differing homeless populations—a key program objective.

Case management was offered by virtually every TH project (98 percent). The basic elements of case management include needs assessment upon entry, periodic reassessment and progress monitoring, group meetings, and resident enrollment in community-based service programs.

More than 90 percent of 1987 to 1990 TH projects also provided housing location services, money and household management, prevocational training, and vocational counseling. Services offered by fewer than half the projects were prenatal care (48 percent), medication monitoring (48 percent), detoxification (34 percent), English as a second language (30 percent), physical therapy (28 percent), shelter workshops (25 percent), and Parents Anonymous (22 percent). In most projects (93 percent), the cluster of household management services were offered onsite. The most frequently unmet need, according to project sponsors, was for employment-related services.

Transitional Housing: Impacts on Populations Served

By fall of 1992, the 1987 to 1990 TH projects were annually serving an estimated 6,960 family units and 12,672 individuals. The most commonly served type of household was that of unaccompanied adults without children (54 percent). Women accounted for the majority (60 percent) of adults served by the program, and children under 18 years of age accounted for the largest single age group (41 percent). Although most households in TH projects were composed of single adults with no children, families with children (43 percent) made up a higher percentage of TH projects than are proportionately represented in the national homeless population (10 percent). African Americans constituted the largest ethnic group (47 percent).

Half of the individuals in TH households had come directly from emergency shelters or from the streets. The rest arrived from relatives' homes, drug or psychiatric treatment facilities, hospitals, or even from their own residences. Unlike many programs that require extensive screening, many TH sponsors accepted clients immediately after an eviction or other major residential disruption.

The TH program achieved its goal of helping residents achieve self-sufficiency and find independent living situations. This conclusion was based on analysis of three measures of success: (1) increased residential stability, (2) improved employment status, and (3) increased income. Substantial numbers of residents who were TH program clients eventually entered stable housing (56 percent) and gained employment (38 percent).

Rates of success in achieving residential stability were higher for those who completed a prescribed transitional program; 70 percent graduated to stable housing arrangements. Among the populations served by TH projects, this trend held with the exception of projects serving battered women, among whom improved employment status remained unchanged even though 61 percent who voluntarily left found stable housing. Families with children were the most successful in securing permanent housing (90 percent of those that completed their transitional program), followed by the severely mentally ill (74 percent), and substance abusers (67 percent). Generally, those who achieved success in independent living were residents who had completed TH programs.

Permanent Housing: Program Description and Administration

In contrast with the TH program, PH grants were made only to States, and they were required to use nonprofit organizations or public housing authorities as project sponsors. From 1987 to 1990, 248 PH grants were awarded. Only 16 percent of all PH sponsors were public housing authorities. The majority (84 percent) were nonprofit organizations, most (67 percent) with more than 5 years' experience in serving and sheltering homeless persons. Many (48 percent) of these community-based sponsors described their primary mission as providing housing for the homeless, while a sizeable number (43 percent) indicated that their primary mission was providing mental health services. Nearly 90 percent of all project sponsors owned their own buildings and land.

The majority of PH residents (54 percent) came directly from either a transitional housing facility, a relative's home, or a psychiatric facility. Unlike the TH program, PH projects imposed no time limits on residency for their clients. Innovative approaches were encouraged in provision of permanent housing and supportive services for the long-term needs of disabled homeless persons.

Permanent Housing Program: Program Implementation, Funding, Costs, and Activities

From 1987 to 1990, HUD invested $32 million in the SHDP PH program, accounting for approximately 38 percent of all funding for PH projects. During that period, PH projects required $29 million for acquisition and $28 million for rehabilitation, a total of $57 million. In addition to PH grants, sources of funding included State and local funds (34 percent), bank loans (10.7 percent), sponsor contributions (5.3 percent), and Community Development Block Grants (3.0), among others.

Of the total SHDP funding available, $11 million was used to acquire property and facilities, and $6 million went for rehabilitation and program expansion. In a mail survey of 181 PH projects that were asked for figures on their most recently completed fiscal year, 1-year operating and services costs totaled more than $22 million, with SHDP grants providing 18 percent, or $4 million, in total support. The PH program was able to achieve good leveraging ratios of 3:1 for acquisition funding and 4:1 for housing rehabilitation and expansion.

By 1992, 94 percent of the 1987 to 1990 PH projects were providing housing and services to homeless clients. Most (58 percent) PH projects were in single-family home configurations of one, two, or three bedrooms but other dwelling types were also common. A typical project offered 9 to 10 permanent housing units. Fully 30 percent of all permanent housing units were SRO facilities. The majority (89 percent) of PH project sponsors owned their sites. By the fall of 1992, the 1987 to 1990 projects operated 1,616 dwelling units.

The average cost for acquisition of a PH project was $139,000. Average per-unit acquisition cost was $76,000 for single-family units, $22,000 for apartment units, and $20,000 for SROs. Most properties (95 percent) required some rehabilitation or physical expansion. Costs averaged $123,000 per project but varied by type of dwelling unit: $84,000 for single-family-only projects, $25,000 for apartment-only projects, and $21,000 for SRO-only projects.

The average daily cost to provide permanent housing and services to a disabled homeless client through the PH program was $45 per person and $51 per household, and the average yearly cost was $16,537 per individual and $18,475 per household. These figures compare favorably with an analysis completed in the Seattle metropolitan area, where it was found that the average cost was $292 per day for a skilled nursing residential treatment program for an individual with AIDS, or $1,000 per day for hospital treatment.

PH project sponsors provided an array of services to meet the special needs of their disabled homeless residents. In 90 percent of all projects, supportive services that included household management, money management, and medication monitoring were provided onsite. More than 60 percent of mental health services were provided onsite whereas most physical health, alcohol, and substance abuse treatment services were provided offsite by outside organizations. Services needed, but sometimes unavailable, included education, employment training, mental health services, followup support, and legal assistance.

Permanent Housing Program: Impacts on Populations Served

The PH program was expressly designed to provide independent living arrangements for homeless individuals who were mentally or physically disabled. The program annually served an estimated 1,515 persons in 1,356 households. The largest single group served by PH programs were white, non-Hispanics (73 percent) who were single adult males (60 percent) between 31 to 50 years of age (51 percent). Eighty-three percent of all households were unaccompanied adults without children. The largest group of PH projects served persons with severe mental illness (56 percent) or developmental disabilities (31 percent). In most PH arrangements, however, residents were characterized by multiple disabilities, deficits, and disorders that might include alcohol and substance abuse, AIDS or HIV infection, or victimization of domestic violence.

An important PH program goal was to provide long-term stable housing and supportive services to residents. The majority (69 percent) of PH residents remained in their housing arrangements for at least 1 year. In addition, nearly one-half (48 percent) of the residents who left a PH project were able to secure stable housing arrangements. There were variations among PH projects serving different primary populations. One year later for example, among the severely mentally ill (SMI), 68 percent of residents remained in their PH housing units. Of residents who were developmentally disabled, approximately 78 percent remained in their units.

The employment and income patterns of PH project residents did not seem to relate to achievement of stable housing. Of residents who had been in a PH project for at least 1 year, employment increased by only 5 percent, from 24 percent at entry to 29 percent.

PH projects did not provide significant followup for residents that either left voluntarily or were dismissed. The followup services that were provided were usually through phone calls and continued meetings with case managers. In most cases, however, project sponsors reported that they lacked the funds to provide long-term, meaningful followup.

The success of PH projects was commonly attributed to the case management that provided effective shelter and service linkages, along with interagency collaboration and the availability of supportive services. PH sponsors identified a need to involve and educate the community, to build linkages, and to garner relationships with community institutions and support among local businesses and civic groups.

Section 8 Moderate Rehabilitation for Single-Room Occupancy Dwellings

In March 1990, PD&R completed a review of the results of the first grants made in 1988 under Section 8 Moderate Rehabilitation Program for Single-Room Occupancy Dwellings for Homeless Individuals (Section 8 SRO program). The report summarized uses of $35 million in SRO grants as reported by the 21 PHA grantees and the sponsors of 30 projects (some PHAs had more than one SRO project) funded in the first round of the program in FY88. PD&R monitored the program and, through calls to PHAs and project sponsors, collected information on tenant and project characteristics, developmental and operational costs, and support services.

Program Description and Administration

The Section 8 SRO program was created under the Stewart B. McKinney Homeless Assistance Act and was signed into law on July 22, 1987. The purpose of the program was to provide funding to rehabilitate existing structures to create SRO housing for homeless individuals of very low income. The initial authorizations were $35 million for FY88 and $45 million for FY89 (see Table 1, page 4 for later appropriations). Funds were made available through a national competition.

An SRO is a residential building that provides a small (on average 140 square feet) private room for one individual. Each room is usually furnished with a bed, chair, and space for clothing storage. Sometimes, a desk, sink, small refrigerator and/or microwave may also be provided. Common or shared spaces are usually bathrooms, living rooms, kitchens, laundry facilities, and at times, meeting rooms. Although once a common form of housing, SROs have largely disappeared—casualties of urban renewal. Recognizing that the need for affordable, basic housing was increasing, particularly for single, very low-income individuals, Congress, as part of the McKinney Act, moved to reinvigorate the provision of SROs as one viable alternative to homelessness.

Funding was limited to applicants who could demonstrate the need for and capacity to create SRO housing efficiently. Initial applicants for the FY88 funding were limited to PHAs that had experience with the parent Section 8 Moderate Rehabilitation Program. Demonstrated capacity to undertake SRO projects included the existence of candidate structures, site control, and commitments of additional funding needed to complete the project. Although provision of supportive services was not a requirement of the SRO program, the availability of such services to clients was a factor in project selection. An additional provision was that rehabilitation activities could not permanently displace existing tenants, and this provision put a premium on vacant or partially vacant buildings.

In the first round of funding, 21 PHAs received funding for 30 projects that created 1,024 SRO units. PHAs contracted with nonprofits or for-profit organizations to develop and operate the SROs. Seventy-three percent of project sponsors were nonprofits, and 27 percent were for-profits. More than half the organizations, (60 percent) had 6 or more years of experience in homeless or elderly housing programs.

Although most projects (66 percent) were located in what were considered economically depressed areas, they were evenly distributed among residential, commercial, and mixed-use neighborhoods. Most (53 percent) of the buildings designated for use as an SRO under the program were considered by the PHAs to be in "bad" or "poor" condition, which, given the program's nondisplacement requirement, is not surprising, because many were either vacant or partially so.

A typical SRO structure was three stories tall and contained just under 20,000 gross square feet. In many instances, a sponsor acquired a building through either a local government donation or via tax delinquencies or condemnation. Most structures used for the SRO program were former residential hotels, although prior uses included a dry cleaning establishment, YWCA/YMCAs, a school, a nursing home, and a mortuary. In most cases, 90 percent of the building was used for Section 8 SROs, with the remaining area consisting of market-rate SROs, social service offices, and commercial uses such as a grocery or laundry. Seventy-one percent of the SRO projects were managed by the sponsor agency, and the remaining 29 percent were contracted to another entity.

Program Implementation, Funding, Costs, and Activities

The 30 projects provided a total of 1,024 units, of which 92 percent, or 940 units, were completed by the time of the HUD study. The original target of 6 months for completion of the rehabilitation was achieved by only about half (47 percent) of the project sponsors. Within 1 year, 84 percent had completed rehabilitation. Notwithstanding apparently successful rates of completion, project sponsors declared the 6-month deadline unrealistic, given the complexities of the development and financing processes.

The cost of developing an SRO project includes the acquisition of land and building, rehabilitation, and purchase of furnishings. The acquisition, rehabilitation, and development costs for a typical SRO unit averaged approximately $23,000; $6,900 for acquisition and $16,100 for rehabilitation. The statutory limitation on rehabilitation costs was $14,700, which was exceeded in slightly more than 25 percent, or eight, of the projects. Private and local subsidies were used to defray some rehabilitation costs, keeping projects within statutory limits. In approximately one-third of all cases (27 percent), cities or sponsors contributed the SRO land and buildings, significantly reducing the overall costs of acquisition. The average cost of furnishing an SRO unit was $1,000, however, many items were donated by businesses and churches. Furnishings were not covered by Section 8 SRO assistance.

In addition to contributing approximately 14 percent of the development funding themselves, SRO project sponsors drew on several funding sources. Local governments (34 percent), State governments (18 percent), and private lenders (30 percent) furnished the greatest proportion of development funds. In 24 percent of all projects, foundations contributed a loan or grant subsidy. SRO projects also received a variety of other forms of assistance. Local governments gave tax credit or abatement subsidies to 60 percent of all projects.

The average operating cost for an SRO was $9.78 daily, $298 monthly, and $3,570 yearly. Included in the cost were debt service, management, utilities, maintenance and replacement, insurance, property taxes, and "other." Although debt service was proportionately the single greatest operating cost (38 percent), management costs, which averaged 25 percent, were also significant. In contrast, management costs for a typical apartment complex are in the 5 to 10 percent range. The higher management costs for SROs arose largely because of the unique problems the homeless pose—high rates of unemployment, mental illness, and substance abuse, among other problems. Management services, including security, were required at many facilities around the clock. Alternatively, development costs for a typical SRO are approximately 40 percent of the cost of constructing and managing a medium-quality motel or hotel room, and far less than half the cost of an efficiency/studio apartment.

SROs are an affordable form of housing. Under program rules, Section 8 SRO contract rents are to be equal to or lower than 75 percent of the fair market rent (FMR) of an efficiency unit. A comparison of SRO FMR showed 36 percent of all rents to be below the SRO FMR, and 57 percent were at the SRO FMR. In FY 1988, the average unit contract rent was $299 per month, and the average Section 8 payment was $232 per month.

Although it was not required by the SRO Section 8 program, approximately half (47 percent) of all the sponsors provided some support services. All sponsors that furnished supportive services onsite were nonprofits. Those services ranged from household management skills to health exams, from substance abuse counseling to job counseling and literacy training. SROs also gave residents a fixed address to which essential income benefits such as pension checks, social security, and other general assistance materials could be sent.

Impacts on Populations Served

The typical Section 8 SRO resident was a low-income, middle-aged, unemployed or unemployable male who had formerly lived on the streets or in a shelter. Seventy percent of all Section 8 SRO residents were men. The male/female ratio of 70/30 is fairly representative of national estimates of male/female ratios among the single homeless.

Section 8 SROs had a significantly larger white population (54 percent) than was represented in the national sheltered population (42 percent), while 34 percent of the SRO population was African American, compared with a national estimate of single African American homeless of 44 percent. The SRO program and national estimates of homeless Hispanic individuals was identical, at 10 percent.

Most Section 8 SRO residents were between 26 and 45 years of age (49 percent), followed by those in the 46- to 62-year-old age bracket (32 percent). Only 9 percent were 63 or older, and only 10 percent were under 25 years of age. About two-thirds of the program's residents were either unemployed (35 percent) or unable to work because of a disability (35 percent). Not surprisingly, SRO residents were extremely poor individuals and had an average income of no more than $222 per month or $2,664 per year. Consequently, program residents paid a modest $2.20 per day, or $67 per month of the average contract rent, because regulations decreed that tenants would pay up to 30 percent of contract rents, and these averaged $299 a month.

Section 8 SROs were serving the population they were created to serve, which was homeless individuals who came directly from the streets or from emergency and transitional shelters. Seventy-four percent of all SRO residents fit this profile. It was frequently found that SRO residents with common characteristics shared an SRO facility. Many sponsors observed that mixtures of homeless persons with widely varying problems made it difficult to establish a cohesive SRO resident community. Residents were often involved in maintenance of their Section 8 SRO projects, performing such tasks as cleaning, painting, and gardening.

Among project sponsors, there was near-universal agreement that as an alternative to the streets or emergency and transitional shelters, the Section 8 SRO was effective. It provided affordable, secure housing on a relatively permanent basis. A drawback that most directly affected SRO populations was the resident selection process. Although designed to be efficient, it was lengthy and often resulted in homeless individuals again becoming lost to the streets and to emergency shelters. A second major issue mentioned by project sponsors was the importance of support services, which they believe are often critical to successful functioning of a Section 8 SRO resident group.

Many project sponsors responded that lack of preservation policies will make the SRO an endangered form of affordable housing in many communities. And, yet, it provides an effective housing alternative for many homeless individuals. A resident of a Section 8 SRO in Brooklyn, New York, testified:

> "Today we are living in a residential neighborhood, sharing and caring for each other. It's a start to getting one's life back together again...."

Shelter Plus Care Program

S+C was to be evaluated in two phases by Abt Associates—first an implementation assessment and second an impacts study. The first phase implementation assessment was completed in 1994, was titled *Evaluation of the Shelter Plus Care Program: Interim Report, Implementation Assessment for Round 1 of Shelter Plus Care.* The Phase I report collected baseline information and summarized the characteristics and early implementation experience of the 34 1992 S+C grantees and their programs.

Program Description and Administration

Signed into law under Title VII of the Cranston-Gonzalez National Affordable Housing Act in November 1990, S+C was created to promote permanent housing and services to the hardest to serve homeless, persons with disabilities, especially those individuals living in the streets or in emergency shelters. The program's delivery mechanism provides rental assistance, much like the Section 8 SRO program, but it requires a local match of an equal or greater amount of supportive services. S+C targets homeless persons who have serious mental illness, are substance abusers, suffer from AIDS, or manifest a combination of these disabilities.

Three rounds of S+C grants have been awarded by HUD to date. Round 1 was announced in June 1992; Round 2 in December 1993, and Round 3 in September 1994. Under Round 1, proposed assistance was to be delivered in two ways:

- Through Sponsor-Based Rental Assistance (SRA), where state and local government grantees provide rental assistance funds to nonprofit sponsors that that provide housing for 5 years.

- Through the Section 8 Moderate Rehabilitation for Single-Room Occupancy Dwellings, whereby grantees first fund rehabilitation of an SRO from sources other than S+C and then use S+C funds to cover operating expenses, including debt services, for 10 years.

Under Round 2 and 3, two additional means of providing rental assistance were allowed. In addition to SRA and SRO, grantees could provide:

- Project-Based Rental Assistance (PRA), whereby grantees furnished rental assistance through a contract with a rental property owner who has agreed to accept S+C participants for a period of 5 to 10 years. To receive 10 years of rental assistance, the owner would have to complete at least $3,000 worth of rehabilitation per unit.

- Tenant-Based Rental Assistance (TRA), whereby grantees would provide program participants with 5 years of rental assistance. Participants would choose their own housing units, and could take their assistance with them when they move.

HUD made rental assistance awards in June 1992 to 30 communities to develop 18 SRA programs worth $40.4 million and 16 SRO programs worth $40.5 million. The SRA programs were funded for 5 years, and SRO programs would receive rental assistance for 10 years. The 18 SRA programs proposed would develop 75 projects and would serve 1,500 disabled homeless persons at a proposed monthly cost of $434, which would be reflected in a 5-year estimated cost of $26,065 per person.

The 16 SRO programs proposed developing a total of 35 projects to serve an estimated 782 participants for a monthly cost of approximately $431. The 10-year estimated cost of $51,796 per person was attributable to the use of S+C funds to retire most of the debt of completed SRO projects.

Grantees' administration of S+C programs has varied greatly, ranging from a single sponsor that provided both shelter and the majority of services, to a plan whereby several sponsors coordinated many service providers. Some unique responses to creating a coordinated delivery process evolved. For example, many grantees created special oversight committees made up of unique combinations of representatives from the grantee agency, its sponsors, and supportive services providers. These groups also assumed several other functions, such as coordinating rental assistance and services, reviewing new applications, and selecting program participants.

Program Implementation, Funding, Costs, and Activities

Approximately 18 months after the award announcement was made for Round 1 of the S+C program, 17 of the 18 SRA programs (94 percent) had begun housing participants, whereas only 6 of the 16 SRO programs (38 percent) had done so. A total of 13 local programs were not operational by December 1993, while 8 (2 SRA and 6 SRO) were scheduled to begin housing participants by the end of 1994. Five SRO programs have start dates after 1994.

Factors responsible for delays have included difficulties in securing upfront financing for rehabilitation, administrative needs, site control questions, and requirements for more extensive rehabilitation than initially foreseen by grantees and program sponsors. The average rental assistance request from SRA grantees was $457 per month, and $410 per month from SRO grantees. Actual average per-month costs for both programs compared favorably with the proposed costs.

Grantees were required to match the dollar value of HUD rental assistance with an equal or greater amount of funding for supportive services for S+C participants. SRA programs proposed supportive services valued at an average of 2.3 times the HUD rental assistance, and SRO grantees pledged supportive service commitments that averaged nearly three times the rental assistance dollar value offered by HUD.

Supportive services varied depending on the nature of a homeless person's disability, but usually included both case management and outreach. Wide variations were reported, however, in the amount of funding committed to either case management or outreach initiatives. As noted earlier, coordination of the vast number of supportive services required by the hardest to serve of the homeless population triggered a number of unique administrative responses. Grantees stated that administrative costs were high, and expressed concern that the expenses were not allowable under S+C.

Impacts on Populations Served

The SRA and SRO programs that were evaluated differed in population and scope. Round 1 grantees proposed to serve approximately 2,300 of the hardest to serve homeless, with average programs serving 86 homeless. The average SRA program served 86 participants, with some serving as few as 25, and others serving as many as 200 throughout the State. The average SRO program served 49 participants, from 7 participants in a single residential facility to 139 dispersed among several residential SRO settings.

The slow project startups were reflected by a low rate of initial occupancy. Within 18 months after the Round 1 grant announcements, only 700 (30 percent) of the target SRA and SRO participants were receiving housing and services under the S+C program. Eighty-two percent of all Round 1 programs intended to accept severely mental ill individuals, 71 percent would take chronic substance abusers, and 71 percent accepted individuals with a primary diagnosis of AIDS. Several programs (76 percent) indicated they would serve persons with multiple diagnoses such as serious mental illness and chronic substance abuse. This established a requirement for extensive case management services that usually were made available. Some services not available that S+C participants would like include recreational, occupational, and vocational services and child care.

Because the S+C program concentrates on bringing in the hardest to serve, it draws most program participants from the streets or shelters, and most programs indicated they would actively seek participants from these places. Challenges arose when recruiting homeless disabled persons from the street, providers reported. "Human factor" issues such as distrust and unwillingness to commit to an individual rehabilitation plan were often cited as reasons for an individual's reluctance to participate in a S+C program. A second set of challenges occurred between the time a unit became available and when a homeless person from the street was ready to move in. Nevertheless, most grantees demonstrated resourcefulness in addressing these challenges.

Program sponsors also encountered difficulties helping program participants when unforeseen needs such as child care arose, or when individuals had great difficulty overcoming chronic substance abuse. Overall, case management at all program sites proved to be inadequate because some individuals, though housed, languished in isolation and remained bereft of social networks. Still, it appears that S+C has succeeded in creating new community networks among service providers; among different disability groups and housing management organizations; and in State, city, and county governments, even though it has not produced an entirely new model for coping with homelessness.

Supplemental Assistance for Facilities to Assist the Homeless Program

Evaluation of SAFAH was completed in September 1993 by the Urban Institute's Center for Public Finance and Housing. Information used in the analysis was drawn from grant applications, discussions with grantee staff, and onsite interviews at 21 SAFAH-funded projects. The analysis covered only the first two funding rounds of FY87 and FY90; Congress did not appropriate funds for FY88 or FY89. Grants from subsequent rounds in FY91 and FY92 were not included for review. After the fourth funding round in 1993, the program was incorporated into the Supportive Housing Program.

Program Description and Administration

Authorized by the McKinney Act of 1987, SAFAH was intended to supplement assistance provided under other Federal homeless programs and to support innovative local assistance initiatives. In its first two funding rounds, FY87 and FY90, HUD awarded 65 grants, totaling $25.8 million.

Two of SAFAH's distinguishing characteristics were flexibility and innovation. Its flexibility allowed program funds to be used for a full array of homeless initiatives, including emergency shelter, transitional and permanent housing, and supportive services, whether or not participants were in a residential facility. It also supported property acquisition, rehabilitation, and operating expenses. SAFAH encouraged innovative projects that were defined as those that forged linkages, integrated services, improved service delivery, facilitated outreach and followup, and built a sense of community within homeless facilities. The Urban Institute deemed 54 percent of grantees' projects innovative and 35 percent potentially innovative.

By far, nonprofits constituted the majority of grantees (70 percent), while public agencies accounted for the second largest group. Most nonprofits possessed considerable capacity and were clearly adept at needed skills, nearly 85 percent had some experience with homeless residential facilities, and 62 percent had provided homeless shelter or services for more than 5 years.

More than one-third (38 percent) of all SAFAH grantees operated facilities that included combinations of emergency shelters, day shelters, child care centers, and transitional and permanent housing. Besides providing shelter alternatives, all SAFAH grantees furnished or arranged supportive services for their clients.

During the first two funding rounds, SAFAH grantees usually sponsored transitional or permanent housing projects. Adaptive reuse of formerly nonresidential buildings was most often the method used to bring housing alternatives into being; they included converted convents, schools, unused public buildings, and warehouses. Rehabilitated buildings comprised 44 percent of the emergency shelters and 38 percent of transitional and permanent housing projects. Half of service-center-only projects with no residential capacity were also established in old buildings. Few impediments to successful completion of projects were reported. Of problems grantees did cite, the most frequently mentioned were delays in site acquisition or building rehabilitation, staff turnover problems, and difficulty in raising matching fund commitments.

SAFAH was a model for a block grant program in that, although funds were competitively awarded, it allowed grantees wide flexibility in the use of funds and emphasized local innovation in meeting the many shelter and service needs of the homeless. Grantee uses of SAFAH were evidence of the potentially positive aspects of employing block grants for homeless shelter and service needs.

Program Implementation, Funding, Costs, and Activities

The average grant size in FY87 was $172,000, compared with $472,000 in FY90. The average grant size in FY90 was considerably larger than in FY87 because there were a larger number of multiyear grants made in FY90.

Although a matching grant was not required, 20 percent of project selection points were awarded if applicants had secured local matching fund commitments, and significant leveraging ratios were thereby achieved. Grantees raised roughly $2 for every SAFAH dollar awarded. Overall, SAFAH funds represented 33 percent of all project costs, while the balance was comprised of other Federal funds (15 percent), State funds (24 percent), local funds (32 percent), private funds (26 percent), and other sources.

SAFAH program applicants were able to seek funding for a variety of homeless activities and services: (1) acquisition or rehabilitation of property; (2) project operations, including operating and staff expenses; and (3) supportive services. Two-thirds of the SAFAH funds supported transitional or permanent housing projects.

In the first two funding rounds, most project sponsors, whether providing emergency shelter beds or transitional or permanent housing, were able to allocate funds primarily for "soft" costs. Forty-three percent of SAFAH grant funds were used to pay for supportive services, another 23 percent for operating costs. Overall, only about one-third of SAFAH funding supported capital costs. Interestingly, several grantees noted that because of SAFAH's funding flexibility, funds were effectively used to provide support for the often difficult-to-cover expenses that freed matching funds to be used for capital costs often favored by corporate and foundation donors.

The most frequently offered services by grantees were housing referral (98 percent), food assistance (65 percent), case management (58 percent), life skills (49 percent), child care (40 percent), and health services (40 percent). In addition, between 28 percent and 37 percent of all grantees also offered mental health and substance abuse treatment, English as a second language, and vocational training. In nearly 55 percent of all projects, services were provided onsite.

Most grantees reported they were able to implement their projects efficiently and without major delays. The two most common implementation problems reported by grantees, however, were site acquisition or rehabilitation and difficulties created by high staff turnover and replacement. Each of these problems was encountered by 20 percent of SAFAH-funded grantees.

A primary objective of the SAFAH program was to support local innovation in management of homeless shelters and service delivery. A review of the projects sponsored by the 65 SAFAH grantees identified 35 SAFAH-funded projects as having "potential innovative significance." More than half (54 percent) of all grantees funded by SAFAH in FY87 and FY90 sponsored a project considered potentially innovative.

Impacts on Populations Served

Annually, SAFAH-funded projects served an estimated 11,500 homeless individuals and 10,200 homeless families. Disaggregated by project type and expressed as actually reported numbers, emergency residential facilities reported serving 2,700 individuals and 2,800 households; transitional and permanent housing reported serving 2,400 individuals and 5,100 households; and nonresidential centers reported serving 6,400 individuals and 2,300 households.

Families headed by a single woman represented 51 percent of all clients served by SAFAH-funded projects. Most female-headed families were helped through either emergency shelter or transitional housing, while single men, who represented 20 percent of total clients, were primarily served by service-only centers. Sixty-one percent of all persons assisted through projects receiving SAFAH funds were given both shelter and supportive services.

In terms of race and age, non-Hispanic whites accounted for nearly half of all individuals and family members served. In numbers that corresponded closely to national homeless surveys, African Americans represented nearly 39 percent of all served, and Hispanics, 10 percent. Most clients in SAFAH projects were under 30 years of age—younger on average than the national homeless adult population.

SAFAH clients presented disparate needs. Project sponsors reported that 43 percent of their clients had experienced domestic violence, with as many as 66 percent having experienced spousal or child abuse. Other noteworthy characteristics included a number of clients found suffering from mental illness (25 percent), drug abuse (18 percent), and those with a dual diagnosis of mental illness and substance abuse (14 percent).

An important, overriding goal of McKinney Act programs is to help homeless persons achieve stable, independent living within and as part of a community. Just over half of all SAFAH clients in residential projects obtained stable, permanent housing after leaving an emergency shelter or other TH facility. Nineteen percent moved in with family or friends. Of all families assisted through SAFAH-supported projects, 59 percent were able to find their own permanent housing after leaving a SAFAH-funded facility. Individuals did so at the slightly lower rate of 42 percent. For families in transitional housing projects, 71 percent were able to move into their own permanent housing unit. Overall, project sponsors reported that families that had completed an emergency shelter or TH program were able to find permanent housing 60 percent of the time.

Single Family Property Disposition Initiative

The SFPDI program was studied by a HUD Task Force, and the GAO prepared a report in September 1993. The purpose of the report was to identify actions that might help reduce financial barriers to nonprofits in acquiring HUD properties, and to recommend how to better disseminate information about the program. Information was gathered by surveying 600 homeless assistance organizations that had purchased or leased property by April 1992. Responses were returned by 223 survey participants in HUD's homeless assistance disposition program.

The HUD Task Force examined the program's current approach to implementation to determine whether changes were needed.

Program Description and Administration

HUD established the program, known as the Single Family Property Disposition Initiative, in 1983 under HUD's broad legislative authority to dispose of single-family properties. In 1985, homeless assistance organizations were offered the opportunity to participate. Under the program, HUD may sell or lease foreclosed single-family properties to nonprofit organizations or to State and local governments for the purpose of providing temporary shelter and supportive services to homeless persons to help them move toward independent living. If, however, a home is found to contain lead-based paint, families with children under the age of 7 remain ineligible unless and until a lead paint abatement program has been completed.

Although slightly different versions of the SFPDI program have been created at the Farmers Home Administration (FmHA), Veterans Administration (VA), and the Resolution Trust Corporation (RTC), HUD's program is by far the most extensive. Each of the four agencies developed its own program and procedures under which nonprofit homelessness assistance organizations may obtain property. HUD both sells and leases single-family properties (defined as four or fewer dwelling units in a structure) through its program.

Any nonprofit organization or government entity is eligible to participate in HUD's program, but must first be approved by HUD to participate in the program. To be granted approval, an organization must have nonprofit status under section 501(c)(3) of the Internal Revenue Service Code and possess what HUD determines to be sufficient managerial and financial capacity. The HUD Task Force estimated that approximately 900 organizations were approved to either lease or purchase property, and of those, 400 to 450 organizations actually have participated in the program.

Program Implementation, Funding, Costs, and Activities

Once a nonprofit organization had received approval to participate, it was given the exclusive right to lease or purchase any available single-family property during a period of 10 days before it was put on the market to the general public. Property is sold to nonprofit homeless assistance organizations at a 10-percent discount (90 percent of the appraised value), or is leased for $1 per year for periods of up to 5 years. Some organizations participating in the program had received grants through the SHDP program to purchase properties, but HUD does not provide financing assistance to organizations purchasing property through the Single Family Property Disposition Initiative. The average purchase price was almost $35,000, and rehabilitation costs were approximately another $19,000. Annual mortgage payments averaged about $5,650.

Organizations that lease the properties pay for utilities, physical repairs and maintenance, real estate taxes, and general liability insurance. The GAO Task Force reported that nonprofit homelessness assistance organizations that participated in HUD's program said the major barrier to acquiring additional property was related to difficulties paying the associated operating costs. Specific costs identified as significant barriers included rehabilitation, purchase price, and routine operating costs. For an organization participating in HUD's program, the annual rental income averaged $2,450, compared with average annual expenses of about $5,700—a maximum average net loss of roughly $3,250 per year that had to be financed from other sources. The HUD Task Force noted concern about the cost of the SFPDI program to the Federal Government, particularly if houses were leased from HUD instead of sold. Leases were established at a token amount of $1 per year, far below the unit cost to HUD.

HUD is required to monitor each leasing property at least annually and to visit organizations having problems, but may monitor others by telephone and ask organizations for needed information. Information obtained through monitoring also verifies that appropriate supportive services are being provided, that operating costs are reasonable and documented, that rents are within allowable limits, and that the leasing organization is providing housing to the targeted group.

Most property being used by homelessness assistance organizations as of September 30, 1992, was leased or purchased through the HUD SFPDI program through which it had 32,590 properties for sale and 3,250 available for lease. Based on HUD SFPDI statistics for July 1994, the HUD Task Force had determined that since 1990, 2,221 properties had been leased, and 884 properties had been sold.

Constraints to greater success of the SFPDI program appear to be primarily caused by two factors: insufficient information about available properties, and lack of knowledge by nonprofits about the procedures for acquiring the Federal foreclosed property. Other major barriers to participation cited by survey respondents included lack of quantity and quality of available properties and lack of personnel within the nonprofit organizations to manage them.

In response to the 1993 GAO findings, HUD's outreach was increased. Field Offices developed contact lists of nonprofit homelessness assistance organizations, assessed the organizations' demand for property, and employed workshops and mailings to promote the program. HUD established a toll-free number through which nonprofi' organizations could obtain program information.

Impact on Populations Served

Based on field responses from homeless assistance organizations, the HUD Task Force estimated that between 18,000 and 25,000 individuals may have benefited from the SFPDI program. The estimate was not based on a systematic data collection and evaluation effort, but was developed from homeless assistance organizations' periodic reports. The survey completed by GAO did not directly address clients or client outcomes. It did find, however, that the program appeared to be creating transitional shelter for the intended homeless population.

In 1992 legislative changes to HUD's program eliminated the priority that allowed homelessness assistance organizations to lease or purchase property before it was offered for sale to the general public. This change may limit the availability of single-family transitional shelter options for homeless persons. Alternatively, administrative changes to FmHA's, RTC's, and VA sales and leasing programs appear to have made several thousand more properties available to homelessness assistance organizations.

Conclusions

Overview

The Stewart B. McKinney Homeless Assistance Act of 1987 has been the primary Federal response targetted to assisting homeless individuals and families. Its range and reach is broad, and its many programs support outreach, emergency food and shelter, transitional and permanent housing, primary health care services, mental health, alcohol and drug abuse treatment, education, job training, and child care.

The McKinney Act programs were designed to encourage partnerships, coordination, and collaborative mechanisms within States, communities, and nonprofit organizations. The six McKinney Act programs reviewed in this report make available a bundle of shelter options and supportive services to homeless individuals and families. Each program embodies its own unique, distinguishable mission within the larger context of the broad intent of the McKinney Act. This section of the report is intended to identify common themes among the McKinney programs reviewed in this report in order to move toward a better understanding of Federal homeless assistance strategies.

Individuals and families become homeless for reasons over which they may have little or no control. While poverty is generally a common denominator, other unfortunate circumstances increase the likelihood of homelessness for many individuals and families. Circumstances or factors that contribute to the risk of homelessness include an increase in the depth of poverty in society at large, lack of affordable housing options, health crises, divorce and separation, domestic violence, single parenthood among women, leaving home or "aging out" of foster care for unattached youth, and the deinstitutionalization of the mentally ill without preparing them for adequate living arrangements. (*Priority Home! The Federal Plan to Break the Cycle of Homelessness*, U.S. Department of Housing and Urban Development, March 1994, p. 25.)

The McKinney Act programs administered by HUD seek to respond to the range of situations evident among the homeless. In doing so, a spectrum of shared characteristics emerge that typify grantee responses:

- Diversity of flexible responses.
- Flexible, community-based efforts as the focus for resolving homelessness.
- Leadership by secular, nonprofit providers.
- Shifts in emphasis from shelter capacity to shelter and service quality.
- Linkage between shelter assistance and supportive services.

- Excellent leveraging ratios.

- Positive client outcomes.

Programs also share negative administrative characteristics in their approach to their missions. These include:

- Large administrative burdens, and poor coordination among programs and different administrative entities.

- Incremental as opposed to comprehensive decisionmaking.

- Limited funding and high demand.

- Inconsistent program requirements, eligible applicants, and matching fund requirements.

Characteristics that typify grantee uses of the McKinney programs are discussed at greater length below.

Grantee Program Characteristics

Diversity of flexible responses: Taken individually, each of the five evaluated McKinney Act programs and SFPDI approaches homelessness from a different perspective; has different target populations; and employs different methods of assistance that vary in nature and in the length of time it is offered. There are also marked variations among program award cycles and reporting requirements. Taken as a set, they reflect a range of responses to the special situations of homeless persons that establish an understanding, growing in sophistication and depth, that concedes that homeless individuals are not a homogenous group, but in fact that they may have little in common with each other. The five evaluated McKinney Act programs and the SFPDI program offer flexible responses that range from providing emergency shelter and assistance, to permanent housing for target populations such as families, the elderly, persons with chronic disabilities, and veterans.

Flexible, community-based efforts as the focus for resolving homelessness: Each of the five McKinney Act programs places great emphasis on flexible, community-based solutions. This is true whether the emphasis is directed from the Federal level in terms of a particular program's set of rules and funding criteria, or allowed to evolve from the local level.

Of the four programs awarding funds on a competitive basis, SAFAH and SHDP allowed grantees the most flexibility and free choice in how they could apply funding within the parameters of eligible activities. The flexibility was creatively and responsibly used.

Examples of more restrictive competitive programs are the Section 8 SRO program and S+C. The Section 8 SRO program is a federally directed initiative that emphasizes community-based solutions to homelessness through creation of permanent housing alternatives by providing payments to property owners who create SRO units by rehabilitating existing community structures. The S+C program provides just rental assistance and requires local matches in supportive services of an equal or greater value.

The Emergency Shelter Grant Program is an example of a block grant program with flexibility. The block grant provides assured funding, though amounts will vary with appropriations that allow communities immense flexibility within an established framework of eligible activities to respond to requirements presented by the local homeless population.

Leadership by nonprofit providers: There is considerable consistency among project sponsors. A common characteristic of each program is that a preponderance of homeless providers are nonprofit organizations with upwards of 5 years of experience in providing service and shelter options to the homeless. In most cases, project sponsors provide shelter and services at several geographic locations. Most also had experience operating other types of facilities, such as day shelters, senior drop-in centers, child care centers, emergency shelters, youth centers, or counseling and health service centers.

This local capacity and leadership has given rise to policy and programmatic innovations that directly respond to specific homeless needs. This local response suggests there is a reservoir of local flexibility, dedication, innovation, and opportunity for coordination in meeting the needs of homeless persons. The demonstration of commitment and competence also suggests that the capacity exists to consolidate and simplify the McKinney programs.

Shifts in emphasis from shelter capacity to shelter and service quality: Recipients of SAFAH and ESG funds shifted their focus over time from adding shelter capacity to improving shelter and service quality, designing programs to promote recovery, and expanding shelters' repertoires of skill training, counseling, and other critical supports such as child care. The shift is particularly evident within the ESG program where the proportion of ESG funding used for capital projects dropped from a high of 53 percent in 1987 to a low of 20 percent in 1991. The dramatic shift included allowing a change in the amount of funding that could be applied to essential services and homelessness prevention.

Local grantees also suggested that ESG funds are initially needed to ensure that there were sufficient emergency shelter spaces available for various types of homeless individuals in a community. Once the facilities were in place and sufficient funds were available to ensure their operation, then the provision of services to meet the current and future needs of the homeless became paramount.

Funding priorities also showed a shift within the SAFAH program, with capital to noncapital expenses declining as grant periods lengthened. In projects awarded a 1-year grant, rehabilitation and acquisition costs amounted to as much as 78 percent of all costs. By contrast, where projects were funded for 5 years or more, similar capital costs accounted for no more than 25 percent of the total.

Linkage between shelter assistance and supportive services: All of the programs encouraged, if they did not require, provision of and access to supportive services. In addition, factors evaluated for competitive awards included the applicants' ability and commitment to service delivery.

The SHDP program, for instance, stressed integrating comprehensive services with transitional housing as a means to surmount problems facing many homeless individuals and families. Toward that end, sponsors of transitional and permanent housing provided flexible specific packages of services to meet individual needs of various homeless populations.

SAFAH, which did not earmark funds for particular homeless assistance, e.g., shelter acquisition or services, was used by grantees to provide a shelter/service continuum. For example, in addition to shelter, 87 percent of all SAFAH projects provided case management services. Well over half offered individual and family support that included housing location assistance, child care, job placement, and health services such as primary care, prenatal care, and substance abuse counseling.

Evaluations of the five McKinney Act programs indicate that local sponsors have achieved considerable success in creating partnerships to support shelter and service linkages and to enhance program flexibility.

Excellent leveraging ratios: Among shared characteristics to emerge from the evaluated McKinney Act programs has been the ability of local sponsors to effectively leverage community resources with available Federal assistance. This has meant that while the Federal Government's contribution to a project sponsor's budget may be as little as 5 percent, as is the case with the ESG program, the value and power of that contribution is realized many times over in the ability of a project sponsor to secure sizeable funding commitments from corporations, foundations, or other State, city, and county sources.

For example, each SHDP Transitional Housing dollar received for acquisition and rehabilitation was expanded by an additional $5.50 from other sources; each SHDP permanent housing dollar received for services and other operating costs leveraged $4.50. Although grantees were not required to match funding received from SAFAH, they raised approximately $2 for every SAFAH dollar received. Shelter Plus Care also achieved high leveraging outcomes, with resource pledges ranging from 1 to 6.5 times the HUD rental assistance. This Federal financial partnership has been essential to the success of homeless assistance organizations. The Federal contribution to a homeless shelter and service provider's budget often fills the critical gap in funding that allows a program's various components to mesh effectively.

Positive client outcomes: For each program, positive client outcomes have been documented. To varying degrees, depending on the characteristics of both the program and population(s) served, persons once counted as homeless are making a transition to independent living in permanent housing. The following findings illustrate positive client outcomes being registered by the five McKinney Act programs and SFPDI:

- ESG grantees who funded homelessness prevention activities in FY 1991 reported helping 17,330 families to secure permanent housing.

- Seventy percent of residents who graduated from SHDP TH projects at the conclusion of their assisted treatment program entered into stable housing arrangements.

- Of residents of SHDP permanent housing programs, 69 percent retained stable housing arrangements for at least 1 year by remaining in a PH project. Approximately half of the PH residents who left the project entered alternative permanent housing situations.

- SAFAH was successful in helping transitional housing clients obtain their own permanent housing in 63 percent of all cases.

- Of the SROs created by the Federal program, more than half were 95-percent occupied within 1 year of completion. These units provide a form of affordable, permanent housing for homeless individuals.

These client outcomes suggest that the homeless programs are achieving their objectives. In addition, these outcomes help define how a continuum of care can encompass the three components of outreach and emergency shelter; transitional housing; and supportive, permanent housing within a community.

Administrative Issues

Individual McKinney Act programs have greatly enhanced State and local governments and nonprofit responses to homelessness. However, grantees feel that the variations in purposes, methods of award, types of Federal assistance, timeframes, and reporting requirements have posed major obstacles to effective use of Federal assistance.

The shared negative administrative characteristics associated with award decisionmaking that emerged from evaluation of the McKinney Act programs created barriers to a more comprehensive and effective effort to end homelessness. Grantees were frustrated with what they perceived as categorical, discrete funding sources that appeared to require maximum effort for minimum funding. In addition, grantees expressed concern about time-consuming application procedures, confusion among multiple programs with differing purposes, and different award criteria. These negative issues center on how program and funding decisions are made at the Federal rather than local level.

Lack of information: Lack of information as a barrier was most clearly expressed in GAO's review of the Single Family Property Disposition Initiative. In spite of their interest in and recognizing the need for obtaining federally held properties, the Nation's nonprofit organizations involved in assisting the homeless have participated minimally in any of the programs that would provide them such property. This situation is attributed to a lack of the necessary information that would allow them to make informed decisions about participation: knowledge about existence of programs, how the programs operate, and availability of specific local properties.

The ESG grantees expressed a need for greater coordination between HUD and other Federal agencies; HUD and the States; the different State agencies involved in administering homeless programs; and the States, counties, and cities with overlapping ESG jurisdictions.

SHDP Transitional Housing grantees complained of cumbersome application procedures and complex, redundant reporting requirements. (Since these observations the HUD administrative office has simplified applications and reporting requirements.)

Decisionmaking: Grantees expressed concerns that the multiple McKinney programs made it difficult to develop comprehensive local homeless programs. Decisionmaking was difficult due to the uncertainty of competitive awards and categorical redundancies. Grantees stated a need for a broader block grant as a vehicle to streamline the process of obtaining Federal funds or reducing reporting requirements seen as excessive, as well as reducing administrative fragmentation and operations overhead.

ESG homeless providers often expressed frustration with problems associated with assisting their clients in accessing permanent housing or housing subsidies. They viewed broadening the block grant as a way for the agencies to advance in the direction of transitional and permanent housing for homeless clients.

Limited funding and high demand: Across all programs, lack of sufficient funding was cited as an overarching issue.

The Shelter Plus Care evaluation found that the high administrative costs of implementing the program were not reimbursable by the S+C grant or authorized support services. The evaluation also noted the amount of time incurred in developing and negotiating agreements and operational procedures with sponsors and supportive service providers.

For the homelessness assistance organizations participating in the Single Family Property Disposition program, the issue was expressed as follows: once homelessness assistance organizations learn how HUD's disposition program works, they have found a major constraint to be that of finding the financial resources necessary to acquire more property in the program; participating organizations have been relatively unsuccessful in using Federal funding assistance to help defray foreclosed property costs; and the organizations reliance on Federal assistance will most likely require additional Federal financial help in reducing those financial barriers.

Matching fund requirements: Although most project sponsors were able to achieve significant leveraging ratios of Federal to local funds, the requirement of a match in most programs was met only with some difficulty. ESG providers found that "they are able to raise funds from private sources for special services and programs but find it difficult to 'sell' these supporters on paying the rent or the utilities." In practice this meant that private sponsors were not always actively willing to support the same set of activities that were eligible for Federal funding under one of the McKinney Act programs.

Summary

The McKinney Act programs administered by HUD have assisted significant numbers of homeless persons to regain independence and permanent housing and at reasonable costs. Even with the successes, homeless is not yet conquered. Widespread poverty or disabilities continue to lead to new homelessness.

The partnership of governments with nonprofits to simultaneously focus on the full array of human needs is relatively unique in an era of institutionally separated housing and service delivery systems. These comprehensive homeless assistance strategies may hold important lessons for the pressing need to reform welfare, assisted housing, job training, and mental health and substance recovery programs.

Even given the early positive effects of the McKinney homeless programs, there is a pressing need for program improvement. It is time to seek a consolidation of and simplification of the McKinney Act's programs in order to better support local efforts to design effective continuums of care for their homeless populations.

U.S. Department of Housing and Urban Development
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