A Sensible & Cost-Effective Solution:
Master Leasing Scattered-Site Rental Units
to Provide Emergency Shelter

March 2010

The Changing Face Of Homelessness:

Across the country, homelessness among children, youth, and families is rising. Several factors have contributed to these disturbing increases, including job loss, escalating poverty, and the impact of the foreclosure crisis on homeowners and renters.

A System Under Siege:

Dating back to the 1980’s, the most common crisis response to homelessness has been emergency shelters – typically congregate living facilities or motels used as shelter. During high demand periods, shelter facilities have expanded their capacity and/or additional motel vouchers have been allocated to address community needs.

Because congregate emergency shelter is an ineligible use of funds under the federal Homelessness Prevention and Rapid Re-housing Program (HPRP), communities have an opportunity to begin to transform how they respond to housing crises and homelessness – including prioritizing homelessness prevention, shelter diversion, and housing first strategies. And even well designed HPRP funded interventions will only be able to fund a minority of families in need of assistance, due to finite program resources or eligibility criteria requiring local grantees to only serve families in short-term crisis whose housing problems can be resolved with temporary assistance. The need for an effective and coordinated emergency response remains.

Unfortunately, the emergency shelter “system” is ill prepared to handle the influx of new homeless families. Shelters across the country are filled to capacity, as are transitional housing programs. New Section 8 Housing Choice Vouchers are unavailable, as is additional federal shelter funding. Cash strapped state and local governments are cutting shelter budgets and other essential programs, like

child care subsidies, making it harder for vulnerable families to receive the assistance they need to exit homelessness, or avoid it altogether. As a result, the system for housing homeless families is broken, with current shelter residents stuck in place, and other families turned away in increasing numbers by homeless programs and often living in dangerous motels or unsafe doubled up conditions.

**Who Loses Under These Circumstances? – Homeless Families, State and Local Governments, and Taxpayers:**

Even when beds are available, facility-based shelters are generally an unsuitable environment for children and youth, due to the lack of privacy, exposure to disease, and other health and safety concerns. Shelter rules often restrict resident liberty, and usurp parenting roles. Motel rooms used as shelter are often substandard, forcing families to reside in crowded conditions without adequate food storage or cooking capabilities. Families who cannot access shelter in their own communities have to relocate to other areas, making it difficult to maintain existing ties to schools, jobs, community-based programs, and other supports.

Traditional shelter options are also expensive, particularly the longer families stay. A recent study of New York City, Philadelphia, Columbus, OH, and Massachusetts found that shelter costs ranged from $94-$116 per night. Similarly, motel vouchers in Massachusetts cost nearly $100 per night, and the state and its taxpayers are currently spending an astounding $2.8 million a month to “house” 1,000 homeless families in motels.

**Thinking Smarter – A Cost Effective Way To Help More Families and Stimulate Local Economies**

Rather than accommodating the rising numbers of homeless families in already overstretched facility-based shelters, expanding motel voucher programs, and/or building more shelters, there is a better way to structure an emergency response to family homelessness. Communities can instead master lease scattered-site apartments or single-family homes to use as emergency shelter. Rising vacancy rates and falling rents have increased the supply of affordable rental stock in many localities, making this a viable and sensible alternative to traditional approaches to addressing escalating shelter demand.

In this model, the housing is not considered transitional or permanent in nature, as families are not provided a lease agreement. Rather, a third party, such as a service provider, is the lease holder and responsible for complying with standard rental terms and conditions. The shelter unit can be converted to permanent housing once families have the necessary resources – often rent subsidies – to pay rent and take on leases. Or, families who do not want to “transition in place” can be assisted in locating alternative permanent housing. Depending on what the family chooses, the original unit can be used to shelter a new family, or a new unit can be leased.

Partnering with private-market landlords offers a number of advantages. Through its non-obtrusive, scattered-site design, the model enables agencies and communities to quickly increase shelter capacity

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without having to conquer common obstacles to shelter expansion, including NIMBYism. It also offers homeless households family-friendly living conditions, and provides economic stimulus to property owners, including those at risk of defaulting on mortgages due to decreased occupancy rates and rent collections. Furthermore, master leasing apartments and single-family homes allows families to be sheltered in their home communities and thereby creates cost savings for cash strapped school districts, which otherwise are federally mandated, but generally not funded, to provide transportation to and from homeless children’s schools of origin.

A recent demonstration of this approach, in Los Angeles, achieved excellent results. More than 200 homeless families were provided emergency housing in 146 apartments at an average cost of $1,634 per month ($54 per day), which included fair market rent, basic furnishings, household goods, utilities, maintenance, and repairs. As evidenced by the table below, a similar program would be cost effective in other communities, even adding utilities and other expenses to fair market rents.

<table>
<thead>
<tr>
<th></th>
<th>Monthly shelter cost</th>
<th>Two-bedroom FMR6</th>
<th>Percent difference</th>
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</thead>
<tbody>
<tr>
<td>Massachusetts</td>
<td>$3300</td>
<td>$1,098</td>
<td>-67%</td>
</tr>
<tr>
<td>New York City</td>
<td>$3000</td>
<td>$1,313</td>
<td>-56%</td>
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<tr>
<td>Philadelphia</td>
<td>$2827</td>
<td>$1,005</td>
<td>-64%</td>
</tr>
<tr>
<td>Columbus, OH</td>
<td>$3480</td>
<td>$740</td>
<td>-79%</td>
</tr>
</tbody>
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Los Angeles is now experimenting with a second pilot of this alternative model, enabling the same agency (Beyond Shelter) to master lease 15 units as shelter for up to 120 days per family. TANF dollars that had previously been used for motel vouchers have been reallocated for this purpose. The model, therefore, does not necessarily require new funding to be implemented; furthermore, any cost savings could potentially be used to serve a greater number of families than otherwise might receive assistance from traditional programs.

**Policy and Practice Approaches – Bringing A New Model To Scale:**

A number of different funding streams could facilitate this approach in urban, suburban, or rural communities. If additional dollars are made available under the HPRP, program rules could be changed to allow state or local governments to dedicate a portion of their funding to this program model. In addition, as HUD develops regulations for the new Emergency Solutions Grant (ESG) program created in the HEARTH Act, regulations should permit recipients to use funding for this purpose – in lieu of or in addition to traditional shelter models, particularly given how well the transition-in-place design complements the HEARTH Act’s emphasis on rapid re-housing. And finally, state and local government

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agencies that fund shelter or motel stays should strongly consider re-directing funds to master leasing rental housing.

This shelter model holds substantial promise, but only if implemented properly. Adequate screening and assessment is essential to ensure that resources are targeted appropriately. Families with active domestic violence or substance abuse, for example, might be better served in a congregate setting with intensive, on-site support services. On the other hand, the model is flexible, and can serve households who are often excluded from facility-based programs, including pregnant women, mothers with newborns, and families with teenage children. As such, the model represents an effective response to the forthcoming HEARTH Act regulations which will forbid homeless assistance programs from turning away families with teenage boys unless appropriate alternative housing is provided.

Recruiting landlords and managing units requires a specific skill set. So too does providing housing-focused, family-centered case management services. Appropriate staffing to engage property owners and management companies must be in place to ensure an adequate supply of safe and decent housing options. While potentially tempting, homeless families should not be clustered in single buildings and neighborhoods; otherwise, this model could adversely impact existing tenants, as has occurred in New York City.\(^7\) Appropriate staffing for case management must also be in place to stabilize families in crisis and move them toward permanent housing as rapidly as possible. Where necessary, multiple agencies with distinct specialties should partner -- with one agency handling landlord outreach and property management and the other case management.

Finally, even the best form of shelter will be inadequate in the end if resources are not dedicated to re-housing homeless families. While sheltering families in community apartments or single-family homes for extended periods of time may be preferable to long-term motel stays, neither intervention provides families with what they ultimately need: assistance finding housing at rents they can afford. HPRP represents a step in the right direction; however, it is a limited resource that is neither targeted to, nor suitable for, the majority of homeless families. Without new investments from federal, state, and local governments – as well as private and faith-based sources – in rental assistance programs, including those providing deeper and longer term subsidies, this shelter model, like any other, will only serve to manage family homelessness rather than work towards ending it.

For more information, please contact Tanya Tull or Ryan Macy-Hurley at Beyond Shelter at institute@beyondshelter.org or 213-252-0772; Jeremy Rosen at NPACH at jrosen@npach.org or 202.714.5378; or Barbara Duffield at NAEHCY at bduffield@naehcy.org or 202.364.7392.

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