

The Massachusetts HomeBASE Program:  
Lessons Learned from a Statewide Housing-First Policy for Homeless Families

By

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Abstract

Massachusetts is the only state in the US to maintain an emergency shelter entitlement for homeless families with its own dedicated line item in the state budget. However, in the last decade that line item has increased by 134%. In fiscal year 2011, Massachusetts spent more money on homeless services while at the same time serving more families through the Emergency Assistance (EA) system than ever before. In an attempt to rein in the cost and volume of participants in the system, the state underwent a major reform that culminated in the launch of a new program, HomeBASE, on August 1<sup>st</sup>, 2011. The program adopted a housing-first approach to serving families at imminent risk of homelessness that offered financial assistance for families to secure their own housing unit rather than entering an emergency shelter.

This thesis looks at the implications of the housing-first policy shift and determines whether the program was able to achieve its intended goals: to reduce the cost and volume of the EA system. I find that the costs associated with offering 12-months of rental assistance are less than half of the average cost of serving a family in EA shelter. However, the savings are partially offset by the increase in demand for assistance when offering a housing subsidy instead of emergency shelter. To understand the reasons for the increased demand, I compare families enrolled in HomeBASE to EA shelter families from previous years to determine which, if any, factors contributed to demand. I find that HomeBASE did not attract a different population of families but merely more of the same.

Using this analysis I make recommendations for how the state can modify the program using targeting tools and stabilization services to achieve its intended outcomes. These recommendations are relevant for other homeless policymakers and service providers as more and more programs adopt a housing-first approach to homelessness.

## Acknowledgements

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It seems fitting that I began my application to MIT with the question, “Can homelessness be ended?” and now finish my degree working toward an answer. This research has made me more confident that the answer is “yes,” and I look forward to the day that becomes a reality.

To the incredible team at DHCD, I am grateful for the opportunity to have worked with you. Special thanks to Lizbeth Heyer, Gretchen Weismann, Ita Mullarkey, Laila Bernstein and Brendan Goodwin for the countless hours you have invested in my learning. I feel blessed to have learned from experts in the field, all of whom I greatly admire.

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*“The King will reply, ‘Truly I tell you, whatever you did for one of the least of these brothers and sisters of mine, you did for me.’” Matthew 25:40*

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## Chapter 1: Introduction

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Tonight, approximately three thousand Massachusetts families, including six thousand children, will sleep in a state-provided shelter or motel<sup>1</sup>. For most of these families, their only alternative is to sleep on the streets. We have a housing crisis in Massachusetts. And due to historic high levels of unemployment and increasing income inequality in the wake of the economic recession, the problem is only getting bigger.

The question is what do we do. Massachusetts, through the Department of Housing and Community Development (DHCD), has responded by developing a robust system of programs and policies that attempt to assist families at varying levels of housing instability. It has also poured huge sums of money into it. In the last decade, the Emergency Assistance (EA) budget for homeless services has grown by 134 percent<sup>2</sup>. At the same time, the average number of families served in the last five years has grown by 160 percent<sup>1</sup>. The direction of correlation is going the wrong way: the more money the state spends, the more people seem to need help. Spending more money isn't solving the problem, so the better question to ask is how can existing resources be used more effectively to help stabilize families and reduce the number of families at risk of homelessness.

With this question in mind, DHCD decided to undertake a complete reform of the EA System in the spring of 2011. Drawing from research in the field and successful pilot programs across the state, DHCD proposed a shift in its homeless strategy from serving families in temporary shelters and motels, to focusing its efforts on stabilizing families in

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<sup>1</sup> Homeless Family Caseload from Mass Dept. of Housing and Community Development: Jun 2008, 2000 families; Jun 2009, 2800; Jun 2010, 2600, Jun 2011, 3800

<sup>2</sup> Massachusetts Fiscal Budget: Emergency Assistance- Family Shelters and Services: Line Item: 4403-2120 and 7004-0101 (accounting for inflation) [www.mass.gov](http://www.mass.gov)

*housing first*. The housing-first, or rapid re-housing, approach is part of a national agenda, developed by policymakers and service providers in the field, predicated on the theory that parents and children are more likely to achieve stability in housing than in shelter.

The housing-first theory is grounded in an understanding of family homelessness as a pattern of residential instability. Homeless episodes are typically part of a longer period of housing instability marked by frequent moves, short stays in one's own housing, and doubling-up with relatives and friends. The housing-first approach puts an immediate and primary focus on helping families move into permanent rental housing as quickly as possible. Once the family has stable housing, services and connections to community support are made available to ensure that the housing is sustainable. The goal of the approach is to break the pattern of housing instability and prevent another homeless episode (Beyond Shelter, 2011).

On August 1, 2011 DHCD launched a new program, HomeBASE, which gave families at imminent risk of homelessness financial assistance to secure stable housing instead of placing them in an EA shelter. With \$38.5 million appropriated in fiscal year 2012, the program attempted to reduce cost in the EA system while providing a better response to families. From a fiscal standpoint, the per-family cost of providing HomeBASE assistance was less than half the cost of serving the family in shelter (DHCD, 2010). Furthermore, as stated earlier, placing families in stable housing first was believed to better position them for long-term residential stability.

What DHCD did not anticipate, however, was the volume of people who would seek assistance. On the first day, over 400 families arrived at Department of Transitional Assistance offices across the state to apply for the program. The next day, 300 more

families waited in lines in hopes of securing their own housing unit. While only 15 percent of the families were actually eligible for assistance, in the first month 900 families received assistance through HomeBASE, nearly double the anticipated 500 families per month.

With demand rising, the cost followed. A back of the envelope calculation estimated that despite the lower expected per-family cost, soaring demand would deplete the program's entire annual budget in the first six months, if not sooner. The program's costs were escalating at an unsustainable pace. Therefore on November 10<sup>th</sup>, three months after the program started, DHCD suspended the monthly-rental assistance option for new applicants and re-opened the door to EA shelter stating, "While we believe we have provided much needed assistance to many imminently at-risk and homeless households, we cannot continue to provide the same level of assistance throughout this fiscal year." (DHCD, 2011) The overwhelming demand for assistance surprised everyone, including DHCD, and the prevailing question was, "What happened?"

In this thesis, I attempt to answer that question. I look at the first three months of the original HomeBASE program and ask: what accounted for the volume of new applicants? Using a constructed control group of EA entrants from the same time period of the previous three years, I determine whether HomeBASE served a different population or simply more of the same. I use that comparison to ascertain which, if any, factors could explain why demand for the new program increased at such a precipitous rate. I then turn to the question of cost and analyze how the budget was expended so quickly. Comparing projected models to actual numbers, I determine whether the increase in expenses can be explained by faulty assumptions about volume or costs. Finally, I look at the overall



program to understand whether the unexpected outcomes were a consequence of policy design or program implementation.

Using this analysis, I then make recommendations for how DHCD, and other institutions seeking to implement a housing-first policy, could better target resources to achieve their intended goals. I offer suggestions for ways in which the state could improve other services to reduce cost over the long term. Finally, I look at the Emergency Assistance system as a whole and attempt to reframe the narrative around homeless policy and the state's strategy going forward.

I believe there are myriad lessons to be learned from HomeBASE and it is incumbent upon policymakers and practitioners to learn from past programs and work to improve them. The problems homeless families face – poverty, lack of employment opportunities, breakdown of social infrastructure, and difficulty accessing affordable housing – are not going away and in a fiscal environment where state budgets are under increased pressure to do more with less, the need to find cost-effective solutions is critical.

The organization of this thesis is as follows. In Chapter 2 I present the literature and research on family homelessness that led to the development of the HomeBASE program. In Chapter 3 I look back at the history of homelessness as a social problem and the formation of Massachusetts' statewide policy to address it. This leads in to Chapter 4 where I discuss the current state of homelessness in Massachusetts and the reasons for the EA reform. I then evaluate the HomeBASE program in Chapter 5 using data from the first three months of the program's operation. Finally, I draw conclusions from the program in Chapter 6 and offer recommendations for how DHCD could improve its housing-first policy in the future.

## Chapter 2: Literature on Family Homelessness

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To understand the larger context for family homelessness, I will first turn to the literature upon which DHCD's policy was predicated. The literature provides an understanding of the typical homeless family, a single mother with young children earning very little income apart from public assistance, and the services families need. I also review several key studies from the Robert Wood Johnson Foundation, the Seaver Institute, and the Edna McConnell Clark Foundation, which look at homeless families enrolled in housing-first programs and their outcomes over time. All three studies provide evidence for the effectiveness of the housing first approach when combined with rental subsidies in achieving long-term stability for families.

The body of research on homeless families is significantly smaller than that on other homeless populations but in the last decade, research has grown, and with it knowledge about the characteristics, needs, and service-use patterns of homeless parents and children, especially compared to equally low-income families who remain housed. In addition to this research, there have been several key studies looking at the factors that lead to a family's ability to sustain housing stability. Many of these studies laid the groundwork for the development of the housing-first approach to serving homeless families, which DHCD implemented through the HomeBASE program.

### **Demographic Characteristics of Homeless Families**

The typical profile of a homeless family is one headed by a single woman in her late twenties with approximately two children, one or both under the age of six (E. L. Bassuk,

Weinreb, Buckner, & Browne, 1996; Burt et al., 1999; Lavesser, Smith, & Bradford, 1997; Lowin, Demirel, Estee, & Schreiner, 2001; Rog, McCombs-Thornton, & Gilbert-Mongelli, 1995). With most families headed by women, it is not surprising that pregnancy is also a risk factor for homelessness. In a comparison of homeless families receiving public assistance in New York with a sample of housed families on public assistance, 35 percent of the homeless women were pregnant at the time of the study compared to 6 percent of the housed group and 26 percent had given birth in the last year more than double the 11 percent in the housed group (Weitzman, 1989).

The racial make up of homeless families tends be heavily weighted toward minorities, especially African Americans (Lowin, Demirel, Estee, & Schreiner, 2001; Rossi, Wright, Fisher, & Willis, 1987; Susser, Lin, & Conover, 1991; Whaley, 2002). In the latest Annual Homeless Assessment Report (AHAR), 69.8 percent of homeless families were members of a minority group and 43.7 percent were African American (AHAR, 2010). However, the particular minority groups represented vary from city to city. The race and ethnicity of homeless families generally reflect the composition of the city in which they reside, with minority groups invariably disproportionately represented (Lowin, Demirel, Estee, & Schreiner, 2001; Rog, McCombs-Thornton, & Gilbert-Mongelli, 1995; Shinn, Knickman, & Weitzman, 1991).

### **I. Family Dynamics**

Irrespective of race, homeless families are disproportionately families with young (preschool) children (E. L. Bassuk et al., 1997). The risk of homelessness is highest among children under the age of 6. Unfortunately, during episodes of homelessness, many children are separated from their families either temporarily or permanently (Cowan,

Shinn, Weitzman, Stojanovic, & Labay, 2002; Hoffman & Rosenheck, 2001). The National Survey of Homeless Assistance Providers and Clients (NSHAPC) reported that 60 percent of all homeless women in 1999 had children below 18 years, but only 65 percent of those women actually lived with their children. Other studies yield similar findings (Cawal, Shinn, Weitzman, Stojanovic, & Labay, 2002; Rossi, Wright, Fisher, & Willis, 1987; B. T. Zima, Wells, Benjamin, & Duan, 1996). The likelihood of having one's children separated from the family is higher for homeless mothers with a mental illness (J. Buckner, Bassuk, & Zima, 1993; Hoffman & Rosenheck, 2001; B. T. Zima, Wells, Benjamin, & Duan, 1996), suffering from alcoholism, and those who reported domestic violence (Browne & Bassuk, 1997; Cawal, Shinn, Weitzman, Stojanovic, & Labay, 2002).

Homelessness is a major factor influencing these separations (McDonald, Westerfelt, & Piliavin, 1997). Five years after entering shelters in New York City, 44 percent of a representative sample of mothers had been separated from one or more of their children, compared to 8 percent of poor mothers in housed families (Cawal, Shinn, Weitzman, Stojanovic, & Labay, 2002). Three factors predicted separations: maternal drug dependence, domestic violence, and any institutionalization, most often for substance abuse treatment. But, at any level of risk, homeless families were far more likely to become separated from their children than housed families.

Family separations are not only disruptive to the family and the child during the separation, they can also foster a multigenerational cycle of homelessness. Numerous studies have found that separation in childhood from one's biological family is a predictor of homelessness in adults (E. L. Bassuk, Rubin, & Lauriat, 1986; E. L. Bassuk, Weinreb, Buckner, & Browne, 1996; Knickman & Weitzman, 1989; Susser, Lin, & Conover, 1991). In

other words, children of homeless adults who were separated from their parents are more likely to become homeless as adults themselves. In a study of 215 Baltimore adults between the ages of 19 and 35 who were in out-of-home foster care as children, 27 percent reported at least one homeless episode as adults (Benedict, Zuravin, & Stallings, 1996). Another study of homeless adult women in Alameda County, CA found that 25 percent had been in foster care as children and 33 percent had been raised apart from their parents (Zlotnick, Robertson, & Wright, 1999). Not only is homelessness a major factor in family separations, it also makes the reunification of separated families more difficult.

Separation can cause parents to lose access to income or housing supports that allow them to create a suitable living environment for their children (Hoffman & Rosenheck, 2001). In particular, court-ordered separations may require that certain conditions be met before a family can be reunited, such as finding housing and employment or participating in treatment programs. Because of this, reunification occurs only for a small subset of families. In Cowal's study of children in New York City who were separated from their mothers, only 23% were living with their mothers at a five year follow up (Cowal, Shinn, Weitzman, Stojanovic, & Labay, 2002).

## **II. Education**

Though family separation is a predictor of homelessness among adults, there are many more factors that place families at risk. One of the biggest factors is a lack of education, which leads to trouble finding employment, and therefore restricts household income. Adults in both homeless and other poor families generally have low levels of educational attainment and minimal work histories. Nationally, 75 percent of all mothers have a high school diploma or graduate equivalency diploma (GED). However, the

percentage is much lower for mothers in homeless families ranging from 35 to 61 percent across a number of studies (E. L. Bassuk, Weinreb, Buckner, & Browne, 1996; Burt et al., 1999; Lowin, Demirel, Estee, & Schreiner, 2001; Rog, McCombs-Thornton, & Gilbert-Mongelli, 1995).

The lack of education makes securing employment difficult. As a result, most homeless mothers are not working when they enter shelter. Rog and colleagues found that 14 percent of the homeless women in their study were working upon entry into a shelter (Rog, McCombs-Thornton, & Gilbert-Mongelli, 1995). Without work, families are unable to earn a living wage and are heavily dependent on public assistance.

The incomes of homeless mothers are significantly below the Federal poverty level (E. L. Bassuk, Weinreb, Buckner, & Browne, 1996; Rog, McCombs-Thornton, & Gilbert-Mongelli, 1995; Shinn & Weitzman, 1996). In the Worcester Family Research Project, more than half earned less than \$8,000 per year, placing them at 63 percent of the poverty level for a family of three (E. L. Bassuk, Weinreb, Buckner, & Browne, 1996). At this level, many families have access to social welfare programs, but even with government assistance their incomes are still too low to obtain adequate housing without subsidies (Burt et al., 1999). Subsidies are increasingly important when there is a lack of affordable housing in the market.

### **III. Availability of Affordable Housing**

In addition to family dynamics and education, the third and most significant contributor to homelessness is the availability of affordable housing. Family homelessness is more appropriately defined as a pattern of residential instability. Homeless episodes are typically part of a longer period of residential instability marked by frequent moves, short

stays in one's own housing, and doubling-up with relatives and friends. A 2010 HUD study found that one in four homeless families had moved four or more times in the 12 months leading up to their application for assistance (Burt, 2010).

The availability of affordable housing not only drives shelter entries, but also impacts the length of time families stay. Research shows that the availability of subsidized housing is the strongest predictor of exiting out of homelessness (Shinn et al., 1998; Zlotnick, Robertson, & Wright, 1999). In a longitudinal study of first-time homeless families and a comparison random sample of families on public assistance, the single predictor of residential stability was receipt of subsidized housing (Shinn et al. 1998). In follow up interviews that occurred five years from initial shelter entry, 80 percent of the families who received subsidized housing were stable (characterized by living in their own apartment without a move for at least 12 months), compared to only 18 percent who did not receive subsidized housing. The odds of stability were 20.6 times greater for those who received subsidized housing than for those who did not (Shinn et al., 1998).

Other studies in New York City, Philadelphia, and St. Louis had similar findings that provide further evidence for the role of subsidized housing in reducing homelessness. In New York City, families discharged from shelters to subsidized housing were the least likely to return to shelter. Over a two-year period, only 7.6 percent of the families returned (Wong, Culhane, & Kuhn, 1997). Similarly, after a policy of placing homeless families in subsidized housing was adopted in Philadelphia, the number of families with repeated shelter visits dropped from 50 percent in 1987 to less than 10 percent in 1990 (Culhane, 1992). In St. Louis, a follow up study of formerly homeless families found that of the families who had received housing placements as an exit from shelter and were able to be

located during the follow-up period (201 families out of a possible 450 families), those who had received a Section 8 certificate were much less likely to have had a subsequent homeless episode than families who had received some other type of placement. Only 6 percent of the families with Section 8 certificates had a homeless episode after five years compared to 33 percent of the families without housing subsidies (Stretch & Kreuger, 1992). While the benefits of subsidies in stabilizing families is clear, there is less consensus around the impact of stabilization or case management services.

The Homeless Families Program (HFP), commissioned by the Robert Wood Johnson Foundation attempted to prove that both housing and social services were needed to get homeless families back into stable and independent living situations. Joining with the Department of Housing and Urban Development, the HFP began in 1990 in nine cities across the nation with two complementary goals: to develop or restructure the systems of health, support services, and housing for families and to develop a model of services-enriched housing for families who have multiple, complex problems. Each of the nine HFP sites received 150 Section 8 certificates and approximately \$600,000 in grant money over five years to facilitate systems of care for homeless families and, within that context, to demonstrate a model of services-enriched housing for a group of families.

A critical discovery of the program was that despite years of instability, a substantial number of families achieved residential stability after they entered the program. At eighteen months after entering the program, more than 85 percent of the families were still stably housed in the six sites that provided data (Rog & Gutman, 1997). This represents more than a doubling of the time the families spent in permanent housing for the same period before they entered the program. After thirty months, rates of stability continued to



be high, with more than 80 percent of the families in permanent housing, typically with the original Section 8 certificates (Rog & Gutman, 1997). Once again, families who were able to secure housing subsidies were likely to remain in stable housing environments.

What was not confirmed, however, was the effect of the services on families' progress toward self-sufficiency. Participation in education, job training, and employment fluctuated throughout the program, as did data in tracking these outcomes. The evaluation noted approximately 40 percent of the primary parents had attended school at least once while in the program and half reported working some time during the period. When families left the program having received a year of case management services, 20 percent of the primary parents had jobs, compared with 13 percent when they entered (Rog & Gutman, 1997). The increase is marginal and not uniform meaning that some participants who were working when they entered the program were not working when they exited. It also did not appear to differentially affect housing stability.

This finding was replicated in a smaller study in New York City commissioned by the Edna McConnell Clark Foundation which examined a program that offered subsidized housing coupled with short-term intensive case management, compared to a group receiving subsidized housing but no special services. At the end of a one year follow up period, the majority of families in both groups were housed, and less than five percent returned to shelter. However, whether or not families had received the intensive services did not affect outcomes (Weitzman & Berry, 1994). It is important to remember, however, that these studies all have limitations. While intensive case management may not have affected returns to shelter after 12 months, it could have more impact in later years. Furthermore, this research looks at returns to shelter as the only outcome. There are

other outcomes; employment, income, social networks, that could have been impacted by the services provided.

Case management programs for homeless people have propagated over the last twenty years, but many have questioned the meaning of the term “case management” while others have questioned its effectiveness for serving clients. In a broad survey of research literature, there were several studies that provided data on factors that may lead to positive outcomes. Across three studies, frequency of contact was associated with better client outcomes, specifically in the area of housing stability (Barrow, Cordova, & Struening, 1996), retention in case management and housing (Rife, First, Greenlee, & Miller, 1991) and positive client satisfaction (Morse, Calsyn, Allen, Tempelhoff, & Smith, ). Other factors included the staffing pattern (caseloads), intensity of services (involving frequency of client contact), and duration of services (Rog, Holupka, McCombs-Thornton, Brito, & Hambrick, 1996).

### **THE HOUSING-FIRST APPROACH**

Although case management can be difficult to track and measure, the impact of housing assistance is quite clear. As a result, these studies, and several others, have a profound impact on the way homeless service providers and policymakers view their homeless strategy. Prior to this, public and private solutions to homelessness focused on providing homeless families with emergency shelter and/or transitional housing with very little assistance going to help families move back into permanent housing. This was predicated on the belief that homelessness was both temporary and situational. It further assumed that families needed to become “housing ready” before the moved into permanent

housing. As time went on, and the homeless population grew as families cycled back through repeated shelter stays, many started to realize that longer-term solutions were requisite. Tanya Tull, President/CEO of Partnering for Change and founder of Beyond Shelter described it this way:

“After developing two of the first family shelters in Los Angeles, one in 1986 and the other in 1988, it became obvious to me that, while homeless families and individuals certainly needed shelter, what they actually really needed was help in finding and moving into safe, decent and affordable housing in the community at-large. And once in permanent housing, many would benefit from targeted assistance for a period of time as they regained stable living patterns- or perhaps developed them for the first time”(Tull, 2011).

In 1988, under the leadership of Ms. Tull, Beyond Shelter introduced what was then a major innovation in the field: housing first. Housing-first, or rapid re-housing as it is also referred to, offered a viable alternative to traditional models of emergency shelter and transitional housing. The approach puts an immediate and primary focus on helping families move into permanent rental housing as quickly as possible, with services traditionally provided in transitional housing instead provided after the move into permanent housing. The basic goal is to break the cycle of homelessness and prevent a recurrence.

To be clear, housing-first is an approach, not a specific program. It can be, and has been, implemented in a variety of ways across the country and targeted to different populations. However, most programs follow a similar methodology:

- **Crisis Intervention & Short Term Stabilization:** The first phase addresses the immediate crisis and helps families access emergency shelter services and/or short-term transitional housing.
- **Screening, Intake and Needs Assessment:** Next, the providers conduct a “needs assessment” that results in an action plan for clients, which includes short and long-term goals and objectives with concrete action steps.
- **Provision of Housing Resources:** After the families needs have been assessed and a stabilization plan has been developed, the next phase involves assisting families in moving into permanent, decent, and affordable housing.
- **Provision of Case Management:** Finally, case management services are provided to help the families connect to community-based social service, educational and health care organizations that bring about neighborhood integration and family self-sufficiency (Beyond Shelter, 2011).

The approach deals with the interrelated problems that homeless families face: poverty, economic development, social infrastructure and housing. Central to the effectiveness of housing-first, Tull acknowledges, is “the concept that empowerment helps clients identify their own needs, recognize the choices they have, create for themselves and plan strategies for permanent change in their lives” (Tull, 2011).

### **Evaluation of the Housing-First Approach**

In August of 2003, Beyond Shelter in partnership with the Seaver Institute began an ambitious research project to evaluate the long-term effectiveness of the agency’s housing-first program for homeless families. A study sample of 200 families was randomly selected

from the 1,600 families that had completed their program from 1997 to 2001. The findings offered consistent and ample evidence of the efficacy of the housing-first approach for ending and preventing family homelessness. Nearly nine in ten (89.5 percent) of the 200 families achieved and continuously maintained residential stability for the duration of the two to seven years since the family received services. Of the remaining 10.5 percent (n=21) of families that experienced at least one subsequent homeless episode, 90.5 percent reported only one additional episode and only 2 of the 200 families previously served (1 percent of all families in the study) had two or more additional episodes of homelessness (Tull & Einbinder, 2005).

Housing subsidies played a large role in a family's ability to maintain residential stability. Nearly three-quarters of families received housing subsidies and those who did, were significantly less likely ( $\chi^2=6.213$ ;  $p<.013$ ) to become homeless again (Tull & Einbinder, 2005). This is due in large part to the difference in the monthly rent-to-income ratios of the two groups. The median monthly rent payment for the 72.5 percent of families receiving vouchers was 19.8 percent of their monthly income compared to 44.6 percent for the unsubsidized families (Tull & Einbinder, 2005). The greater the proportion of monthly income that goes toward rent, the more vulnerable families are to losing their housing. Because of this, it is clear that housing assistance is an essential component of a successful housing-first approach.

Residential stability was not the only positive outcome reported in the Beyond Shelter study. At the time of follow up, 58.6 percent of parents were working, and 59 percent of these parents worked full-time. Another 24.5 percent were attending school, and 71.4 percent of these parents were enrolled full-time. Not only were the parents in a better

housing and economic situation, the children in the families also had positive outcomes. Among the families with at least one school-aged child, 97.8 percent were enrolled in school, and 97.1 percent of these children had regular attendance during the preceding academic year. Finally, almost all (99 percent) of the children were up-to-date on immunizations and nearly every child (96.4 percent) was covered by health insurance. A number of policy implications can be drawn from these findings but most salient are 1) the housing-first methodology offers an effective alternative to the array of other short-term interventions currently serving homeless families and 2) the positive outcomes extend beyond residential stability to economic improvement and children's well being.

In summary, the literature and research on family homelessness tells us more about the characteristics, needs, and service-use patterns that families have and provides evidence for the efficacy of different homeless services. The typical homeless family is a female-headed household with young children. Most families have experienced a longer period of housing instability prior to coming to shelter and have multiple barriers to securing affordable housing including a breakdown of family structures, difficulty securing employment and a living wage, and a constricted supply of affordable housing in their community. Providers have tried varying types of services to meet the needs of families, but a model that achieves housing stability as quickly as possible, seems to have the highest propensity for setting families on a path toward self-sufficiency. The housing-first approach, in conjunction with housing subsidies, is linked to longer periods of residential stability and positive outcomes for the parents' and children's well being.

Drawing from these various studies combined with success in previous rapid re-housing pilot programs in the state, Massachusetts set out to reform their Emergency

Assistance policy by instituting a housing-first approach. On August 1, 2012 the state launched a new program, HomeBASE, that sought to drastically reduce the existing shelter population while at the same time reducing the overall cost of the EA system. This represented the first-ever statewide policy that incorporated a housing-first approach and many in the research and policy community anxiously anticipated its outcomes.

## Chapter 3: Background on Massachusetts Homeless Policy

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The story of HomeBASE begins much earlier than the latest fiscal year. It starts in the late 1970s when a combination of advocacy and publicity accounted for the emergence of homelessness as a public problem. The initial catalyst was the legal action undertaken in October of 1979 by Robert Hays, a Wall Street attorney, on behalf of homeless men in New York City. The lead plaintiff in the lawsuit, Robert Callahan, was a homeless man suffering from chronic alcoholism whom Hays had discovered sleeping on the streets in the Bowery section of Manhattan. The lawsuit pointed to Article XVII of the New York State Constitution that declares “the aid, care and support of the needy are public concerns and shall be provided by the state and by such of its subdivisions...” (Adopted by Constitutional Convention of 1938, 1938). In August of 1981 *Callahan v. Carey*, settled by consent decree, established a “right to shelter” for homeless men and set a precedent for public assistance for homeless individuals.

This legal action coincided with direct political action. In April of 1980 the Community for Creative Non-Violence (CCNV), a local advocacy organization in Washington, D.C., began publicly burning census forms to protest the inadequate measures for counting homeless people in the 1980 census (Hombs & Snyder, 1982). Later that year the Coalition for the Homeless was formed in New York City in response to the removal of homeless people from the area around Madison Square Garden where the Democratic National Convention was being held. Finally in September, *A Forced March to Nowhere*, an



initial CCNV survey of homelessness services around the nation, was presented to the House District Committee hearing on urban problems.

In addition to the legal and political action, awareness spread through a publicity campaign beginning in 1981 with Ann Marie Rousseau's *Shopping Bag Ladies*, a collection of stories and photographs about homeless women, followed by *Private Lives, Public Spaces*, a report from researchers Kim Hopper and Ellen Baxter's 15 month study of the conditions and strategies of survival on the streets (Stern, 1984). Finally, Mary Ellen Hombs and Mitch Snyder published *Homelessness in America: A Forced March to Nowhere*, summarizing the responses to homelessness in cities around the nation and examining the Reagan Administration's policies. All three were widely publicized and served to focus public attention on the issue.

Once homelessness was on the radar, questions began to arise: Who were the homeless? How many of them were there? Why were they homeless? What should be done about them and who should do it? At first, the tendency was to see homelessness as an emergency condition, temporary in nature and, at least as seen by the Reagan administration, relatively small in scale. The initial solution was to build or expand emergency shelters. In New York, the Callahan decree led to the creation of hundreds of beds in large, warehouse type shelters. In Boston, two existing shelters, Pine Street Inn and Saint Francis House, moved to larger facilities to accommodate more people. However many cities lacked a coordinated governmental response and turned to grassroots advocacy groups to step in and keep people from sleeping on the streets.

The irony of the new conversation about homelessness was that the problem itself was not new at all. It was simply that the "homeless" had never been defined as such.

Modern cities have always had a contingent of homeless people surviving at the margin. Places like New York's Bowery, San Francisco's Tenderloin, and Boston's Combat Zone offered cheap hotels, surplus clothing stores, and soup kitchens that handed out a few free meals a week (Schon & Rein, 1994). These areas worked because of a widespread tolerance for sub-standard housing in areas of urban decay where, with weak public regulation, the free market could accommodate the homeless.

In addition to those living on skid row, there were the mentally ill, families evicted from their homes, and hobos who made homelessness a way of life. Never though, had the diverse populations that shared the condition of being without a home been subsumed under one category. How was it that in the early 1980s a national policy crisis came to be defined in terms of the single aggregate category of homelessness? What was different about this social problem that struck such a responsive chord in our culture in the early 1980s?

First of all, there was the scale and visibility of the problem. In a matter of a few years, thousands of men, women, and children began wandering the streets of large cities throughout the US with no place to go. Estimates varied on how many of them there were but ranged from a high figure of 2.5 million, proposed by the National Coalition for the Homeless, to a low projection of 250,000 to 350,000 put forth by the Department of Housing and Urban Development (HUD) (Dreier, 2004). No matter what the right number was, there seemed to be widespread agreement that the number was growing.

The very naming of the phenomenon of homelessness created a brand behind which a loose coalition of grassroots and advocacy groups could stand. They felt that they could get more political mileage by lumping together the several populations of homeless people

newly visible on the streets. In Massachusetts, similar to other places around the country, a local version of the National Coalition for the Homeless was in the process of forming drawing together the welfare rights movement, inner-city churches, shelter providers, non-profit agencies, and other grassroots groups. All were strongly supported by the human services providers.

Along with the grassroots advocacy movement there was also political support at the top coming from Michael Dukakis. After four years out of office, Dukakis was campaigning for his second term as governor of Massachusetts in 1982 against incumbent Edward King, a Democrat turned Republican whose conservative social policies matched those of the Reagan administration. King's policies had decimated the state's human services budget and Dukakis campaigned on the promise to restore it (Schon & Rein, 1994). A few months into his campaign, he met with the local Coalition for the Homeless which was contemplating whether to sue the state as the National Coalition in New York City had done, claiming a "right to shelter" and demanding that the state close the poverty gap. With a promise to address their concerns, Dukakis was re-elected and in his inaugural address laid out his plan to address homelessness:

"Tomorrow morning I will convene an emergency meeting of the new Cabinet, the Senate President and Speaker of the House, nonprofit organizations, civic and religious leaders and representatives of the Coalition for the Homeless. We will begin immediately to put together a statewide effort which will provide the necessities of life to those in desperate need." (Schon & Rein, 1994)

## **The Development of a Statewide Program**

Once elected, Governor Dukakis began planning his statewide program. The first thing that had to be decided was who would be responsible for homeless services. Both the Department of Public Welfare (DPW) and the Executive Office of Community Development (EOCD) felt it should be the one to address homelessness. DPW saw homelessness as an opportunity to fill the poverty gap. Because it was limited in the amount of cash assistance it could provide, DPW wanted to include housing subsidies under the welfare policy in order to bring families above the poverty level. On the other hand, the “housers,” or EOCD, fought against DPW’s efforts to make housing an extension of the welfare system. It insisted that homelessness was a housing problem and should be incorporated into its housing policy agenda. EOCD argued that the production of new housing needed to become a top priority if the state wanted to keep the homeless population from getting out of control. It was successful in this strategy and in the mid-to late-1980s the amount of state funds dedicated to the production of affordable housing increased significantly (Schon & Rein, 1994). On the other hand, the shelter system benefitted from the McKinney-Vento Act of 1987, the first national legislation on homelessness, that provided federal aid for homeless shelter programs.

In addition to competing for jurisdiction over the allocation of housing subsidies, the EOCD and DPW also disagreed on who should get priority access to public housing and housing subsidies. DPW argued that the homeless should go to the head of the queue for affordable housing, as they had no alternative housing other than shelter. Conversely, the EOCD believed that priority for access to public housing should go to those families, mainly the working poor, who had waited patiently in line, often for years, and were more likely to

be stable tenants. The tensions implicit in this unresolved dilemma affected the decade-long process by which Massachusetts tried to determine its policy for the homeless.

Almost 30 years later, the state is still dealing with many of the same issues. In 2009, the administration of the Emergency Assistance program for homeless families was transferred from the Department of Transitional Assistance (DTA), DPW's successor, to the Department of Housing and Community Development (DHCD), EOCD's successor. This represented the first step in the shift of Massachusetts' policy from addressing homelessness with a welfare response to a housing response that culminated in the launch of HomeBASE.

## Chapter 4: Homelessness in Massachusetts

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The Commonwealth's primary means of serving people experiencing homelessness is through the Emergency Assistance (EA) System. Operated by the Department of Housing and Community Development (DHCD) through its Division of Housing Stabilization (DHS), the state provides emergency shelter, re-housing, prevention and supportive services to nearly 20,000 families a year (DHCD, 2010). To be eligible for Emergency Assistance, a family must apply in one of the 22 Department of Transitional Assistance (DTA) offices and meet the state's eligibility requirements: a mother or father with custody of one or more children under the age of 22, monthly income not exceeding 115% of the Federal Poverty Level<sup>3</sup> and lack of feasible alternative housing as set forth in the EA Regulations<sup>4</sup> (Mass 106 CMR § 309 ). Any family who meets these requirements has a "right to shelter" meaning the state is obligated to provide shelter as long as the family remains eligible. Massachusetts is the only state with an entitlement shelter system, which contributes to the large volume of homeless families in the state.

### **The Architecture of the EA System**

The structure of the state's homeless response follows the different elements of a house. It begins with the "Front Screen Door" or DTA offices, where families walk in to apply for EA. The DHCD worker tries to prevent the homeless episode by helping the

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<sup>3</sup> Federal Poverty Guidelines issued pursuant to the Federal Register (*Vol. 77, No 17, pp 4034-35 issued on Thursday, January 26, 2012*)

<sup>4</sup> Reasons for homelessness include: Asked to leave, overcrowded, eviction-fault, eviction-no-fault, health and safety, medical emergency, domestic violence, fire, flood, natural disaster, or code violation

family access resources in the community. If the resources are not sufficient, the family continues through the “Front Door” and applies for EA Shelter. If eligible, families are then placed into an EA shelter within a 20-mile radius of the DTA office. If EA shelters do not have capacity, the family is placed in a hotel or motel until shelter beds become available. The hotel rooms are contracted on a per-night basis. DHCD has approximately 2,000 shelter beds across the state and has, at peak times, purchased another 1,000 to 1,500 hotel rooms to shelter the over-flow population. After the family has been in shelter, DHCD works to re-house families exiting shelter through the “Back Door.” Finally, DHCD provides case management services, the “Back Screen Door,” through a stabilization worker to ensure housing stability and prevent another homeless episode.

In December of 2007 the Massachusetts Commission to End Homelessness released a five-year plan they claimed if implemented and funded properly, “would end homelessness by 2013” (Special Commission to, 2007). Despite well-intended plans, the state served more families through the EA System, while at the same time spending more money on EA services in FY 2011 than ever before (General Appropriations Act, 2010). Needless to say, Massachusetts has not ended homelessness. The question remains, “Why not?”

### **Issues of Persistent Homelessness**

Homelessness is not an easy thing to solve. It requires addressing systemic inequities in education and wealth generation that have persisted for decades. It involves solving for both the demand side of the equation, the reasons people need homeless services, as well as the supply side issue, the growing shortage of affordable housing

available to low-income families. Finally, it requires not only substantial resources but also enough time to address problems that cannot be solved overnight.

## **Poverty**

Homelessness and poverty are inextricably linked. Poor people are often unable to pay for housing, food, childcare, healthcare, and education and have to make difficult choices when limited resources cover only some of these necessities. Often it is housing, which absorbs a high proportion of income, that must be dropped, forcing people to live in doubled-up or overcrowded situations or at worst, live on the streets. Unfortunately, the nation's poverty rate rose to 15.1% in 2010, its highest level since 1993. In Massachusetts, the poverty rate is slightly better than the national average at 10.6% or 700,000 people (U.S. Census Bureau, 2011) but is far larger than the resources available to serve those individuals. The two leading factors contributing to the increasing poverty rate are the declining value and availability of public assistance and eroding employment opportunities for large segments of the workforce.

Cash assistance benefits in the form of Temporary Assistance for Needy Families (TANF) have fallen 23.2% in Massachusetts over the last fifteen years and are now below their 1996 levels (Finch & Schott, 2011). A key goal of the 1996 welfare reform law that replaced the Aid to Families with Dependent Children program (AFDC) with TANF was to place greater emphasis on work while continuing to provide a safety net to parents who are unable to work because of an inability to find a job or personal or family crisis. However, TANF benefits have fallen further behind families' housing costs and the safety net is shrinking. In 2000, TANF benefit levels covered approximately 66 percent, or two-



thirds of the HUD Fair Market Rent. In 2011, the same benefits make up just over 50 percent of the Fair Market Rent (HUD, 2011).

## **Employment**

The significant drop in cash assistance places ever more importance on the need for employment. Although the unemployment rate in Massachusetts dropped slowly to 6.8 percent in December 2011 from a high of 8.8 percent in February of 2010 (U.S. Bureau of Labor Statistics, 2012), there is still a great need to assist individuals in finding employment. Unfortunately, this is not as simple as helping a person revise his or her resume. It requires providing educational opportunities and job-skills training programs in an effort to close the growing achievement gap.

Even if people can find work, this does not automatically provide an escape from poverty. Declining wages have put housing out of reach for many workers. In Massachusetts, an individual earning minimum wage would pay more than 70 percent of his or her gross income toward a one-bedroom Fair Market Rent unit (HUD, 2011). To afford this level of rent –without paying more than 30% of income on housing – a household must earn \$3,806 monthly or \$45,675 annually. This would require a minimum wage earner to work 110 hours per week, 52 weeks per year (Bravve, Bolton, & Couch, 2012). In order to reduce the rent burden for low-income families, it is necessary to increase the supply of affordable housing as well.

## **Affordable Housing Supply**

Sadly, federal support for low-income housing has fallen 49% from 1980 to 2005 (National Coalition for the Homeless, 2009). Even the most robust program for affordable housing, the Low Income Housing Tax Credit, gives incentives to developers to provide

housing at 30%, 50% and 60% of the Area Median Income (AMI) but excludes a large subsection of the “working poor” earning below 30% of AMI a year. Furthermore, the foreclosure crisis has increased demand at the lower end of the rental market as distressed former homeowners seek rental housing and new households cannot afford to own homes (Immergluck, 2009). The demand pushes rents higher, pricing low-income families out of the rental market. Finally, other forms of assistance such as federal and state Housing Choice Vouchers are limited and have excessive waiting lists. This results in families spending longer amounts of time in shelters while they wait for housing assistance. For 2010, the average length of stay in shelter was nine months (DHCD, 2010).

Longer shelter stays reduce the availability in shelter for new entrants, forcing the state to purchase hundreds of motel rooms every night to house the overflow population. At the highest point, the state purchased more than 1,500 hotel rooms every night. The rising numbers of families needing assistance, due to the factors discussed above, translate into increasing costs for the EA system. In FY 2011, the state spent more money on EA services while at the same time serving more families than ever before. Because of this, there was widespread agreement that the existing EA response was unsustainable and ineffective and a major reform of the system was necessary.

### **Reasons for Policy Reform**

Massachusetts is unique in its approach to family homelessness. The only state to maintain an emergency shelter entitlement and a dedicated line item in the state budget, it provides one of the most comprehensive family shelter programs in the United States. However the rising numbers and costs of the EA system warranted a closer look into the

state's homeless policy. In doing so, the need for a major policy reform was apparent.

Therefore, the state proposed a new program, HomeBASE, that had three primary goals: to remove perverse incentives in the EA system, to increase flexibility in the services provided, and to reduce cost in the EA system as a whole.

#### I. Realign Incentives: Separate shelter from housing to reduce unintended incentives

In developing a new policy, the state needed to reverse the unintended incentives imbedded in the structure and implementation of the EA system. The first of these was the homeless priority for housing vouchers. As stated in Chapter 3, when the first statewide policy was adopted, families in shelter were given priority over non-shelter families on local Housing Authority waitlist for long-term housing subsidies (Section 8 or MRVP). Over time, the waiting list got longer and vouchers dried up, the only way to get a long-term subsidy was to go into an EA shelter first. Families had no incentive to leave shelter because it was the quickest way to secure a subsidy.

Exacerbating this issue was the lack of time limits or cost sharing built into the system. When a family is determined EA eligible there is no limit on the amount of time they can remain in an EA shelter unless they are terminated for cause or exceed the maximum income limits for more than six months (Mass 106 CMR § 309). Furthermore there is no expectation to make financial contribution toward the cost of their housing even for families who exceed income limits. Roughly one-third of EA shelter units are in scattered site apartments, individual units in the private rental market. Essentially, families are able to live in these units for free, giving them little motivation to leave. Not surprisingly, families in scattered site units have an average length of stay of 285 days, or about 9.5 months, more than a month longer than the average stay for families in

congregate shelters (DHCD, 2010). Consequently, a significant portion of the EA resources was going to pay for an expensive shelter system.

## II. Target Resources: Employ a progressive engagement tool to better match families' needs with types of assistance

Homeless families are not a homogenous group. In fact, they are exactly the opposite. Each family has a unique set of factors contributing to their housing crisis that require varying degrees of service interventions. While it is recognized that no system could possibly be tailored to address the needs of every family, it is also understood that the “one size fits all” approach is simply not sufficient. Under the old system, a family that was determined EA eligible was automatically placed in an emergency shelter or motel regardless of their housing needs. This led to the state providing both expensive and inadequate services.

The ineffectiveness of this approach is illustrated in research conducted by a team led by Dennis Culhane using data from the EA shelter system. They found that a relatively small group of long-staying families (20%) used half of the system’s resources at an annual per family cost of \$48,000 (Culhane, Metraux, Park, Schretzman, & Valente, 2007). It is important to note that these families did not have more documented intensive service needs than other shelter users. Rather, the study found that the families with extended shelter stays (on average 444 days) have about the same levels of behavioral inpatient treatment, foster care placements, disability, and unemployment, as those with shorter shelter stays. The implications of this are evident. There is a mismatch in the services needed and services provided. The goal of HomeBASE was to give service providers the

ability to employ a progressive engagement model whereby different levels of benefits and services are given based on the family's needs. It also gave the service providers more autonomy in determining benefit levels with the hope of creating a system that better targeted resources to needs.

### III. Control Cost: Reduce the high cost of shelter by providing a more cost efficient benefit

As a result of the "one-size-fits-all" system with very little cost containment mechanisms, the EA System was serving more families at a higher cost than ever before. Table 1 details the EA Budget and Expenditures for FY 2001-2011. In the last ten years, the EA Budget has grown by \$115 million dollars, in inflation-adjusted dollars, an increase of 150 %. Most of the increase in actual expenditures over the last several years can be attributed to an increase in demand resulting from the nationwide economic crisis characterized by high unemployment and housing foreclosures and a constricting of supply of affordable housing attributed to the reduction in federal and state resources for affordable housing. Even so, the EA budget and expenditures have increased at a dramatic and unsustainable pace in the last decade and the need to reduce the volume and cost of homeless assistance was critical.

*Table 1: EA Budget and Expenditures FY 2001-2011*

Fiscal Year	Budget Amount	Expenditures	Increase over Prior Year
2001	\$42.0	\$46.2	
2002	49.6	61.9	34.0%
2003	70.2	72.0	16.3%
2004	75.7	70.6	-1.9%
2005	73.6	63.8	-9.6%
2006	73.7	72.1	13.0%
2007	73.7	76.0	5.4%
2008	83.1	84.4	11.1%
2009	87.2	114.0	35.1%
2010	91.6	151.0	32.5%
2011	\$115.4	\$161.4	6.9%

*\*Source Massachusetts Budget and Policy Center*

DHCD's proposal of HomeBASE attempted to address all three issues: delineate shelter from housing assistance, provide a more flexible and individualized response, and reduce the volume and cost of the EA System overall. While extensive in its goals, the EA System had gotten out of hand and in order to rein it in, a massive and comprehensive reform was requisite.

## Chapter 5: Creation and Implementation of HomeBASE

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In the spring of 2011, DHCD garnered the political support needed from the legislature with the full backing of Governor Patrick and Lt. Governor Murray to approve the housing-first policy shift that resulted in the creation of HomeBASE. The purpose of the program was to provide financial assistance to families at imminent risk of homelessness in order to stabilize their housing situations *in housing* rather than in shelter. For new front door families, rather than going into an EA Shelter as they had traditionally done, the family would receive one of two types of benefits, household assistance or rental assistance, to secure stable housing. For the existing shelter population, rather than waiting on a long-term housing choice voucher, they too would receive either household or rental assistance to exit shelter into their own housing unit. This meant a dramatic decline in the shelter population, contributing to significant cost savings in EA shelter budget. Table 2 summarizes the proposed budget and illustrates the reduction in cost in both per household and overall EA spending.

*Table 2: FY 2010, 2011 and Proposed 2012 EA Budget*

	FY 2010	FY 2011	FY 2012
EA Shelter	\$150,115	\$158,799	\$97,797
HomeBASE			\$38,562
Total EA Budget	\$150,115	\$158,799	\$136,359

*Source Mass Budget and Policy Center*

## **Overview of the Program**

The HomeBASE program was administered through eleven Regional Administering Agencies (RAAs), all non-profit housing providers with whom DHCD had strong relationships. Case managers employed by the Regional Agencies determined the type and level of HomeBASE assistance. Using a progressive engagement model, the case managers conducted a full assessment of the family to determine the best response for the family's housing needs beginning with the smallest intervention, and least amount of financial assistance, to the greatest.

HomeBASE attempted to address the varying needs of each client with two types of benefits, household assistance or rental assistance, combined with continued stabilization services to stabilize families and put them on a path toward long-term self-sufficiency. Household assistance was designed to help families stay stably housed in their current living arrangement, or help facilitate a move. Families receiving household assistance were eligible for up to \$4,000 over a 12-month period for any expenses necessary to stabilize the family's housing situation. The \$4,000 benefit was intended to keep families from having to enter shelter by allowing them to pay rent and utility arrears, compensate the primary tenant/homeowner, purchase essential furnishings, pay for medical bills or car repairs, or help pay for a move.

The second type of assistance, rental assistance, was designed for families with a more immediate housing need who would otherwise enter the shelter system due to a lack of alternative housing. When necessary, such as in cases of domestic abuse or natural disaster, these families could also be placed in temporary accommodation placements, or "TAP" units, until they were able to find a qualifying apartment. Each RAA maintained



several apartment units to be used for TAP housing. If the units were full, the RAAs were permitted to place the overflow families in hotels. This was an important piece of the program design because it made it possible for families to bypass the shelter system entirely when receiving a HomeBASE benefit. Families that received rental assistance were placed as quickly as possible into a rental unit at 80% of the Fair Market Rent (FMR) for a 12-month lease. Each month the household paid 35% of their gross income toward the monthly rent, while the state made up the remainder in the form of a Housing Assistance Payment (HAP).

Using numbers from previous diversion and re-housing programs, DHCD projected that 20 to 30 percent of families would receive household assistance, while the rest would receive rental assistance. Combined with overhead and staffing cost, this worked out to be approximately \$8,000 per family served through HomeBASE. Conversely in 2010, the average length of stay per family in shelter was 253 days (8 ½ months). At a daily rate of \$117 this equated to approximately \$29,000 per family in shelter (DHCD, 2010). The unknown variable in the projections was the number of families that would seek assistance when given the option of housing rather than shelter. There was no way to know how much a housing option would impact demand, but with per family savings so significant, it seemed as if an increase in demand could be absorbed while still reducing the overall cost to the state.

HomeBASE had an initial annual budget allocation of \$38.5 million for FY 2012. However, due to the flood of applicants in the first three months mentioned in Chapter 1, the annual budget allocation was spent rapidly. Internal forecast suggested that if demand and cost remained unchanged, the HomeBASE program alone could cost over \$200 million

by the end of FY 2012, not including resources spent on EA Shelter. This would reflect a 25% increase in total spending compared to the prior fiscal year (DHCD, 2010). Therefore, on November 11<sup>th</sup>, three months after the program began, DHCD issued a revised program notice suspending rental assistance at the front door due to “unanticipated demand” (DHCD, 2011).

As the program now stands, only families who are victims of natural disasters, domestic violence, no-fault evictions, or living in housing with a “substantial” health or safety risk are eligible to receive rental assistance. Everyone else has the option to either enter an EA shelter or receive the \$4,000 household assistance benefit as an alternative to shelter. While this brought down cost considerably, it fundamentally altered the housing-first approach.

Six months later, the state is now considering new ways to reformulate the program to better target and make use of the EA resources. However, before making any decisions, it is critical to go back and evaluate the first three months of the program to get a better understanding of the precipitous increase in demand for EA Assistance and explain the reasons for the significant cost overruns. To do so, I look at data from multiple sources to create a clearer picture of the characteristics of the HomeBASE population and costs of the program. I combine this with discussions with DHCD employees and practitioners in the field to determine ways in which the program could be improved in the future.

## **Data Sources**

In the midst of the EA Reform, DHCD was also changing their data collection systems. This proved to be a major challenge in both this study and the state’s data

reporting as various systems often had conflicting numbers. The three primary data sources used were BEACON, the Daily Tally Spreadsheet, and Tracker outlined below:

**BEACON:** is DTA's web-based case management system for granting and tracking Supplemental Nutrition Program (SNAP), Temporary Assistance for Needy Families (TANF), and Emergency Assistance EA. It collects data on an individual and household level tracking demographic (age, gender, race, ethnicity, etc) as well as economic (income, job, household composition) and housing (previous residences, evictions, rent arrearages) information.

**Daily Tally Spreadsheet:** Because the DTA offices were in the midst of transitioning from BEACON to a new system, DHCD asked the eleven RAAs to report the number of new applicants along with the reason and the type of benefit they received, on a daily basis. These data were aggregated into a spreadsheet that was updated weekly to provide a count of new entrants into the system.

**TRACKER:** DHCD contracts with software company Tracker Systems, Inc. to manage the fiscal data for its federal Housing Choice Vouchers and state Massachusetts Rental Voucher Program (MRVP). Tracker collects addresses, information on landlords, tenants and income to generate monthly HAP payments each month. DHCD asked Tracker to expand their system to cover Rental Assistance payments and Household Assistance payments for HomeBASE.

As mentioned, one of the primary challenges of this study was accessing and merging the different data systems that held in some cases, conflicting data. Sometimes this was due to the fact that in Tracker, for example, a payment might not have been made on behalf of the participant, therefore the record was not found in the system. But there

were other cases when the information on the Daily Tally Spreadsheet did not correspond with the BEACON data. In such situations, I used BEACON data as the master data source as it is the primary reporting mechanism to HUD for the AHAR reports. Further explanation of calculations is included in Appendix A.

## **Evaluation of HomeBASE**

The goal of HomeBASE was to offer a flexible form of assistance that would better target resources, control cost, and realign incentives from shelter to housing. In the following discussion I evaluate these three goals and provide evidence for how HomeBASE did or did not achieve them. I find that due to unforeseen demand for the program, the progressive engagement model was weakly adopted and did not improve targeting of resources. After comparing the projected cost models to the actual program costs, I identify the cause for the larger than expected price of the program as a function of both increased volume and higher cost. Finally, I explain why the state was unable to separate housing from shelter due to a change in the program after three months. Using this analysis I make recommendations in Chapter 6 for how the state could modify the program to meet its stated goals.

### **Targeting**

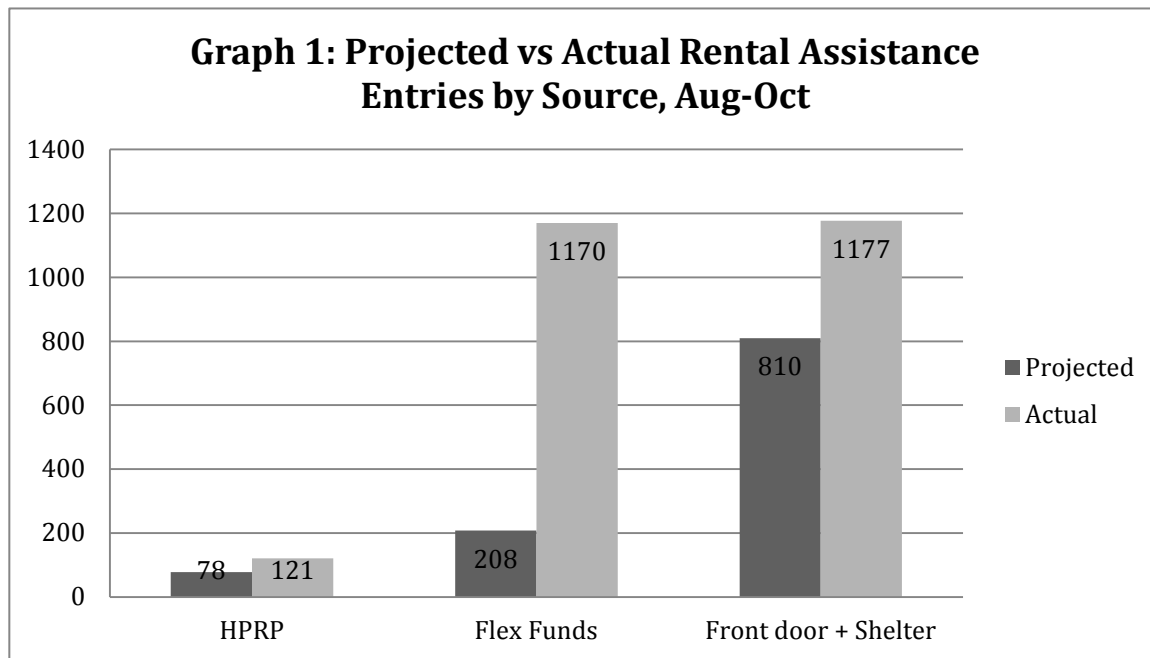
The first question to ask in determining how the program was able to target resources is “Who is the program trying to serve?” As conceived, the program was designed to serve three different categories of families:

- **Newly EA-eligible “Front Door” families** at “imminent risk” of homelessness due to one of the nine reasons for homelessness.
- **Transitioning Families** who have previously received rental subsidies from a variety of state programs including Flex Funds (explained below), MRVP, and HPRP and are transitioning on to HomeBASE.
- **Current Shelter and Hotel Residents**, with a high-priority for the existing hotel population, who entered the EA system prior to August 1, 2011 and could exit shelter to a stable housing using HomeBASE assistance.

The program models assumed that HomeBASE would serve 500 to 600 people a month for the first few months, eventually settling down to 480 new participants per month. Of the monthly HomeBASE clients, approximately 35 to 40 percent would be new entrants into EA at the Front Door, another 35 to 40 percent would come from existing EA clients (in shelters and motels), and the remaining 20 to 30 percent would transfer from other programs.

The reality of the program tells a different story. In Graph 1 below, the projected vs. actual volume for the three different categories of families is aggregated for the first three months. While front door and shelter participants were higher than projected (45 percent), the largest increase came from Flex Funds families who transitioned on to the HomeBASE program. Flex Funds was a previous rapid-rehousing program that provided 12 to 18 months of rental assistance for families exiting out of an EA shelter. Nearly 1,000 families who had previously received housing assistance through the Flex Funds program were automatically eligible for twelve months of rental assistance as stated in the

HomeBASE budget language. This was not in the proposed budget language from DHCD and therefore not incorporated into their models. As a result, both volume and cost far exceeded expectations.



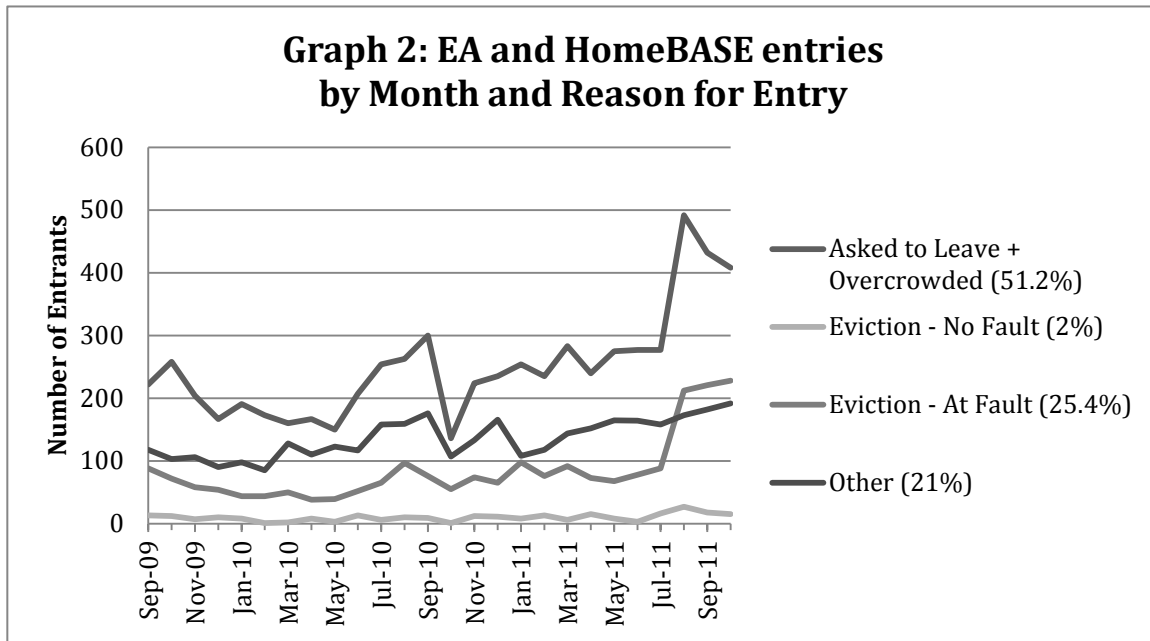
Source: DHCD, 2012

To understand the increase in demand at the front door, I took the aggregated data set and compared it to a similar period (August-October) from the last three fiscal years to discern whether the population served by HomeBASE was substantially different from the population that had been served in the past. It is important to note that this constructed control group is not a perfect comparison as the economic climate is constantly changing, but the trends over the years provide a reasonable comparison.

### **Reason for Entry**

I first compared the families' "reason for entry" to understand the causes of families' housing crises. The data is displayed in Graph 2 and reveals a sharp increase in the number

of families that reported being asked-to-leave, overcrowded, or evicted-at fault (as opposed to evicted-no fault e.g. a landlord being foreclosed on or circumstance outside of the primary tenant’s control). In the last three years, this population accounted for 48 to 50 percent of the total population while in 2011 it made up 65 to 68 percent.



This is important for two reasons. First, the asked-to-leave and overcrowded population is the most difficult to verify. With other reasons, such as eviction or health and safety, the family must present a 48-hour notice to quit or an inspection report from a Department of Health and Safety assessor certifying that there is a health and/or safety risk and the housing is not sustainable. Conversely, with asked-to-leave or overcrowded, a family must simply bring a letter from a landlord or primary tenant stating the family must relocate. This leaves the potential for an innumerable amount of families who fall under 115% of the Federal Poverty Level (FPL) to be eligible for shelter. In 2010, the ACS reported that 7.5% of families (approximately 120,000) in Massachusetts are below FPL (U.S. Census Bureau, 2010).

The other main take away from the increase in overcrowded, asked-to-leave, and at-fault eviction population, is that because these families are coming from existing housing situations, they are less “at-imminent risk” of homelessness than families entering for other reasons. While a 48-hour notice-to-quit from the housing courts is closer to the family’s separation from housing than asked-to-leave, the National Alliance to End Homelessness recently issued a report saying that research across the nation indicates that even an eviction notice on its own is “not close enough to homelessness for targeting purposes, as many people may still be able to find other resources to help them resolve the situation before they are forced to leave their unit” (NAEH, 2012). Because these families are coming from existing housing situations, they could potentially be served with the household assistance benefit rather than rental assistance, as the need to create a new tenancy is not as pressing as other populations. However, of this population, nearly 90percent received rental assistance.

### **Demographics**

After comparing “reason for entry”, I next look at the demographic information of the different fiscal year EA populations to determine whether HomeBASE served a different population of clients. This information is laid out in Table 3 and suggests that there are slight differences in the HomeBASE population compared to prior years. Consistent with literature, the typical EA family is a single parent (91 percent), female-headed (89.9 percent) household with approximately two children ( $\sigma=1.83$ ). While some of the differences in HomeBASE entrants in 2011 are statistically significant, the only material differences are an increase in the number of white head of households and in the number of families reporting earned income.



The increase in white head of households is of less consequence as it reflects the racial composition of Massachusetts where 83 percent of households are white (U.S. Census Bureau, 2010). However, the increase in the number of income earners raises a larger issue around the income eligibility requirements and economic hurdles homeless families face. Although the income eligibility requirements for EA are at or below 115% of FPL, the actual families served through EA are closer to 55% of FPL based on an average household size of three. This explains not only the severe income challenges families face, but also illustrates the tremendous gap between current affordable housing targets and extremely low income families. The Area Median Income (AMI) for the fourteen counties in Massachusetts ranges from \$69,300 to \$101,900 a year, with an average AMI of \$82,928. Even the most heavily subsidized affordable housing, targeting 30 percent of AMI, would earn more than double (\$24,878) the amount of the average EA family (HUD, 2010). Without a housing subsidy, these families have a very difficult time affording a unit in the private market.

*Table 3: Statistics of Head of Household (HOH) for EA Population from Aug-Oct of Fiscal Year*

	2008	2009	2010	2011
Percent of HOH Married	9.79%	9.98%	9.77%	<b>9.66%</b>
Percent of Female HOH	91%	90%	91.50%	<b>89.90%</b>
Average Number of Children	1.74	1.66	1.69	<b>1.83</b>
Average Household Size	3.04	2.95	2.99	<b>3.14</b>
Average Age of HOH	33.8	32.4	31.2	<b>31.4</b>
Percentage of White HOH	57.50%	57.40%	56%	<b>65%</b>
Disabled Family Member	32.50%	29.90%	25.30%	<b>22.50%</b>
HS Diploma/GED or higher	59%	55%	53%	<b>57%</b>
Share with no Earned Income	98.40%	97.56%	94.17%	<b>85.15%</b>
Median of Monthly Earned Income	\$1,914	\$1,977	\$1,259	<b>\$1,004</b>

*Source DHCD, 2012*

In summary, the HomeBASE program was designed to serve a number of unique populations, from new families at risk of imminent homelessness to current shelter residents. With the introduction of the rental assistance benefit, the total number of families served by the program exceeded expectations by 125 percent over the first three months of operation. This was largely due to two unanticipated factors: a higher percentage of Flex Funds families transitioning onto HomeBASE and an increase of nearly 70 percent of new entries into the EA system compared to prior year EA entry rates. These new applicants were much more likely to come from asked-to-leave, overcrowded, or at-fault eviction situations compared to earlier periods. They were also more likely to have earned income even though the average EA family earned less than 55 percent of a family at the poverty line.

The overarching question in the issue of targeting remains: can and/or should HomeBASE serve all three different populations? And if not, what can be done to target the resources of HomeBASE to families that are best able to benefit from them? I present possible strategies to address these questions in Chapter 6.

### **Reduce Cost**

One of the original goals of the HomeBASE program was to reduce the overall cost of the EA system. Table 4 breaks out the per-family cost of EA shelter compared to the projected per-family cost of HomeBASE that established the basis for this goal. Due to the average length of stay in shelter of 8 ½ months, the total cost for a family in shelter averaged \$29,600 in 2010. Hotels and motels are less expensive as they are contracted on a per night basis of \$80 and do not include overhead cost. Conversely, the forecasted volume and cost estimates of HomeBASE were significantly less expensive and translated

into a projected savings of \$36 million dollars for the first year. However, we now know those savings were not realized. The question is, why not. Was it a function of the unexpected increase in volume or were the estimates of the cost structure off as well?

*Table 4: EA and HomeBASE Cost*

Usage by Type	Number of Families	Average Length of Stay	Average Daily Rate	Cost Per Family
Shelter (Congregate & Scattered)	2017	253	\$117	\$29,601
Hotel/Motel	970	121	\$80	\$9,680
<b>Total EA Shelter Budget</b>	<b>2,987</b>			<b>\$69,094,817</b>
HomeBASE Household Assistance	1,920			\$3,630
HomeBASE Rental Assistance	2,880			\$8,849
<b>Total HomeBASE Budget</b>	<b>4,800</b>			<b>\$32,451,720</b>

*Source: September 2010 EA Quarterly Legislative Report*

Looking deeper into the numbers, it becomes evident that the source of the cost overruns is not only volume, but also per-family cost, leading to total expenditures during the first three months that were 70% higher than expected. Table 5 shows the breakdown of expected versus actual enrollment and costs over the three months in which HomeBASE was in full operation.

*Table 5: Projected vs. Actual Enrollment and Cost*

	Projected Enrollment	<b>Actual Enrollment</b>	Projected Per-Family Costs	<b>Actual Per-Family Costs</b>
Rental Assistance	1,490	<b>2,468</b>	\$8,849	<b>\$11,173</b>
Household Assistance	330	<b>105</b>	\$3,630	<b>\$4,638</b>
Total	1,820	<b>2,573</b>	-	-

*Source: DHCD, 2012*

There are two main points to draw from this table. First, enrollment in rental assistance far exceeded expectations. Initial projections assumed 20 to 30 percent of new front door families would receive household assistance when in reality less than 5 percent received it. The projection was based on the effective implementation of the progressive engagement model that gave case managers the ability to tailor resources to meet each family’s needs. There are multiple reasons why the progressive engagement method may not have achieved its intended outcomes including a lack of training on the method, an overwhelming volume of applicants at the front door that precluded case managers from effectively executing the model, and finally a misaligned program regulation that put pressure on case managers to give clients the larger rental assistance benefit. I address these reasons and possible ways to overcome them in Chapter 6.

The second point to draw is the difference in per-family cost between projected and actual numbers. At the beginning of the program, DHCD negotiated contracts with each RAA that broke out costs based on the volume of clients the agency was expected to receive using historical volumes as a guide. Each contract had the same unit costs for

administration and staffing, but the HAP payment, or monthly rental assistance, varied by region. For most areas, the regional offices were allowed to subsidize the rent of a unit that was priced at 80% or below the HUD Fair Market Rent. This restriction was waived for the RAA in Boston who, because of tight rental markets, could go up to 100% of FMR. Other agencies could apply for individual waivers as needed.

The results show that a new HomeBASE rental assistance client cost approximately \$907 in the first month, and about \$729 in subsequent months, due to the initial cost of the assessment and housing search and placement activities. Subsequent months only include the cost of rent and regular administrative and stabilization services. A similar analysis of household assistance shows that if averaged over the course of twelve months, a household assistance participant would cost approximately \$458 in the first month and \$380 in successive months. Appendix B breaks out the unit cost by item.

What is particularly interesting about these contracted rates is that even if the volume had adhered to expectations, the total annual cost of HomeBASE would have exceeded \$50 million. This is largely due to the fact that families entering the system would be staggered over the course of the fiscal year. The \$39 million budget could only be applicable in the first year of the program, when the state would not have to pay a full twelve months of benefits for all participants.

While most of the contracted unit costs appear to be correct, there were several underestimates that caused substantial increases in unit costs. The largest one was the average HAP payment. Original forecasts assumed the average HAP payment would be \$624 across all sites. This was based on 80% of a state average FMR and families

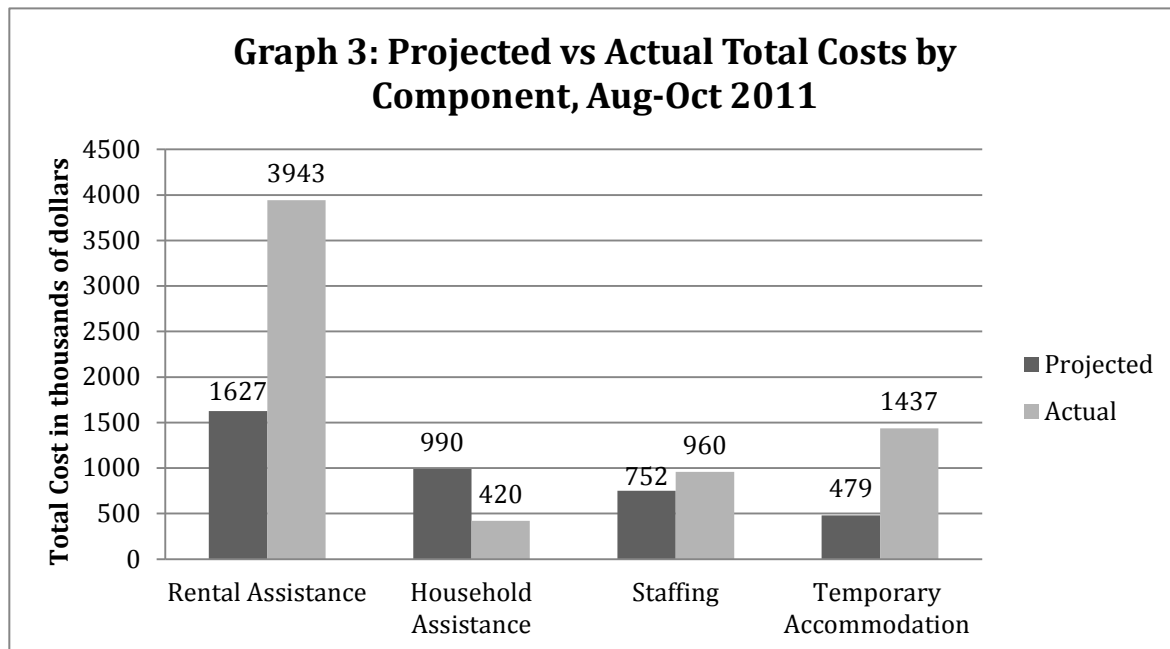
contributing, on average, \$200 per month (equivalent to 30% of their income). This contribution assumes the average family earns 50% of the Federal Poverty Limit.

While I was unable to access household contribution, it appeared that the source of the higher HAP payments was less a function of household contribution and more so that rents proved to be higher than expected. Part of the higher rents was due to the program regulations that required units to be inspected and in compliance with the state sanitary code. In order to find units to meet these requirements, RAAs sought units at a higher rent level and requested that DHCD release a universal waiver to subsidize rents up to 100% of FMR, which it agreed to. The other reason for the higher rents could be attributed to an overall increase in demand at the lower level of the rental market due to foreclosures and other economic factors discussed in Chapter 2. The higher rents led to a substantial increase in the per-family cost of rental assistance.

The per-family cost for household assistance was also higher than initial projections. The HomeBASE model assumed each family would receive \$3,000 in annual assistance rather than the full \$4,000. Again, this was predicated on effective use of the progressive engagement model, which allowed for a scaled benefit rather than the full amount. In reality, most families received the full \$4,000 of assistance and ended up costing the state \$4,640 per family, compared to the contracted rate of \$3,630.

By combining both the cost and volume estimates with actual costs, the reasons for the budget overruns become clear. Graph 3 shows the projected total amount paid for each type of assistance compared to the actual amount paid over the first three months of the program. Rental assistance was the largest contributor to the cost overruns, but temporary

accommodation played a role as well. This is a result of higher than expected volume that caused TAP units to fill up forcing RAAs to place families in costly hotels.



Source: DHCD, 2012

While these estimates are based on the best available data, there is still some uncertainty surrounding their accuracy. Because of the numerous tracking systems used by DHCD to run the program, there is no consensus on the actual total enrollment in the program. It is also difficult to assess total costs for the three months of HomeBASE operation as payments to the RAAs were made retroactively and on a non-uniform basis. DHCD later reconciled the numbers in February of 2012 but they cannot be broken out by month to get an exact cost of the program.

In summary, original forecasts of HomeBASE underestimated both the demand for assistance and the per-family costs to provide services. The per-family cost of both rental assistance and household assistance were off by approximately 25%. The increase in demand not only drove up the cost of each benefit type, but also required more resources

to be expended on temporary accommodations. Due to the higher number of families requiring TAP units, RAAs were forced to place families in shelters or hotels to keep them housed in the interim. In the first three months alone, over 600 families required temporary accommodation, and approximately 275 were placed in hotels. This not only drove up costs, but also ran counter to the mission of HomeBASE to separate housing from shelter.

### **Separating Housing from Shelter and the Total Cost of the Shelter System**

Separating housing from shelter was important for several reasons. The first was to change the incentive structure of the EA System. Going back to the original design of the state policy in Chapter 3, the quickest way for a family to get a long-term housing subsidy was to enter shelter and receive the homeless priority status. Because federal and state resources for housing subsidies have dried up, there were fewer families exiting shelter with a voucher creating a backlog in the shelter system. In order to change the pattern of behavior, it was important to separate housing from shelter and redefine shelter as a short-term place for families who had absolutely no where to go (victims of domestic violence or natural disaster) rather than a place to go to get a long-term housing subsidy.

The second reason for separating housing from shelter was to bring down the cost and administrative work required to maintain a robust shelter system. As displayed earlier, the shelter system costs approximately \$117 a night per family housed. In addition to the services provided, there are significant administrative costs associated with issuing contracts with providers every six months and other operating support. Furthermore, there was uncertainty around the effectiveness of shelter services in reducing the overall



homeless population. For these reasons, DHCD hoped to scale down the amount of resources dedicated to shelters and create a program that had less fixed cost and more flexible funding.

In FY 2010, the state spent over \$135 million on shelter related services. Combined with the Flex Funds initiative, the state spent nearly \$150 million on services for families at risk of homelessness<sup>5</sup>. In FY 2011, shelter spending dropped to \$132 million, but total spending rose to over \$158 million due to extensions to the Flex Funds program. With the introduction of HomeBASE, DHCD expected to spend roughly \$136 million for all EA services including HomeBASE and shelter. Table XX below shows the total costs of the EA system both before and after the introduction of HomeBASE.

*Table 6: Total Cost of Entire EA System, pre-and post-HomeBASE*

	<b>Original Shelter System (FY 2011)</b>	<b>Projected Shelter System + HomeBASE (FY 2012)</b>
Number Served by Shelter	8,710	3,884
Number Served by Hotels	5,434	2,925
Number Served by Rental Assistance	-	11,320
Number Served by Household Assistance	-	1,540
Number Served by FlexFunds	3,488	-
<b>Total Families Served</b>	<b>17,632</b>	<b>19,669</b>
Average Cost per Family Served	\$9005	\$9928
<b>Total Cost of Service Provision</b>	<b>\$158,785,000</b>	<b>\$195,289,000</b>

<sup>5</sup> Appendix C shows the breakdown of services provided

As has been discussed numerous times, the unexpected volume of demand and underestimated per-family costs resulted in the total cost of the EA system increasing rather than decreasing. Forecasts suggested that if the HomeBASE program had remained unchanged, the total cost for the entire EA system could have risen to nearly \$200 million. The number of families placed in shelters and hotels, however, would have dropped markedly compared to previous years, while the total number of families served by the system would have risen by more than 11%. Even though the average cost per-family would have risen, it could be argued that the quality of services received would also have increased, as most of these families would have received rental assistance.

The goal of reducing cost is an important one to examine. Yes, in the fiscal climate states are operating in today, reducing cost seems to be a valid goal. But the question is, to what end. If the state truly wanted to reduce cost, they would get rid of the shelter system and place all EA eligible families in a hotel or motel at \$80 a night. Clearly, this is not a valid option. But the example illustrates the tradeoffs in allocating resources to different programs. The goal of reducing cost must be paired with efficacy rather than efficiency. With this in mind, I offer suggestions in the following chapter of how the state might reorganize the EA system to rein in cost without diluting services provided.

## Chapter 6: Conclusions and Recommendations

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Essentially, with the launch of HomeBASE, DHCD conducted a natural experiment that offered a better benefit (housing rather than shelter) to families at imminent risk of losing their own. The result: families, en masse, rushed at the opportunity to secure stable housing. As rental assistance vouchers flew out of the front door, the dollars went with them. After three months, the fear of rising cost forced the state to change the program and reevaluate its housing-first approach. To aid in that process I have analyzed the data from the original HomeBASE program and now offer suggestions for how the state might alter their policy to better achieve their stated goals.

### **Targeting**

One of the goals of HomeBASE was to offer a flexible form of assistance that would better target resources to match families' needs. Rather than offering a one-size-fits-all shelter benefit, the combination of household and rental assistance intended to give case managers both the autonomy and flexibility to develop a family specific assistance. Due to several factors, not all of which were in DHCD's control, the goal wasn't fully achieved but it is still attainable. By altering the eligibility requirements, improving the pre-screening process and enhancing the training around the progressive engagement model, the state could offer a more tailored benefit that reduced cost and improved outcomes.

As stated in Chapter 5, the HomeBASE program was designed to serve a number of different populations: new front door families at risk of homelessness, existing EA families in shelters and motels, and families enrolled in other temporary housing programs such as

HPRP and Flex Funds. This proved to open the door to too broad a population to effectively administer the program. One way to address this is to improve the pre-screening process and alter the eligibility requirements of the EA system to ensure resources are expended to families who need them most.

### **Improve Pre-screen**

The first step in seeking EA assistance is the initial pre-screen. The pre-screen simply ensures that the family has income less than 115 percent of the Federal Poverty Level and is either pregnant or has custody of children under the age of 21 (Mass CMR 106, ). The problem with these dichotomous variables is that there are families who are below the 115 percent limit who do not necessarily need emergency assistance and some families who are over the limit, but actually do need assistance. The goal is to only provide resources to families that, but for state assistance, would have no alternative housing other than shelter.

It is nearly impossible to target precisely as there are myriad reasons for seeking shelter, but other cities are experimenting with tools that improve their ability to target resources to families who need it most. One method is to adopt a points system based on risk factors for homelessness. Hennepin County in Minnesota recently developed an assessment tool that looked at known predictors of homelessness such as multiple moves in the last six months, extremely low-income, children under the age of two, and prior credit or criminal history. These factors are weighted based on the severity of the risk and assigned point values. The idea is that in order to receive rental assistance a family must meet a minimum threshold of points. DHCD could implement this on a pilot basis and track

outcomes of the families above and below the threshold to see if they return to shelter in the future.

### **Modify Eligibility**

Another way to improve targeting is to alter the eligibility of different reasons for homelessness. The largest proportion of families entering the EA system comes from asked-to-leave, overcrowded, or eviction situations. However, these reasons can be difficult to verify and too early in the at-risk process to warrant assistance. By targeting families closer to their anticipated separation from housing, DHCD could increase the chances that the family will actually need financial assistance from the EA system in order to stay out of shelter. The goal of the program is to serve families at imminent-risk of homelessness. The more time a household has until their housing situation falls apart, the more likely it is they will find a workable solution for their current situation that does not require the homeless assistance system to intervene. For this reason, households that are seeking emergency shelter but may still be in their own housing situation would be good candidates for household assistance. The \$4,000 benefit combined with stabilization services to connect the family to community resources may be all the family needs to maintain their housing situation.

### **Increase Progressive Engagement Model Adoption**

A final way to improve targeting is to enhance training on the progressive engagement model. When the program was being developed, there was a considerable amount of uncertainty around the final details of the policy while the budget language got debated in the House, Senate, and conference committee discussions. With each level of approval, different aspects of the budget language changed that had material impacts on

the way HomeBASE would be administered. Because of this, DHCD chose to wait until the final language was almost entirely approved before provided any training for the RAA case managers. This meant, however, that trainings were conducted one to two weeks before the expected launch date of the program. Without enough time to properly train case managers, the program was not able to make effective use of the progressive engagement model.

While the timing of the budget process is outside of DHCD's control, they could still make a concerted effort to improve trainings on how to implement the progressive engagement model. One specific way to do this is to seek out case managers who had a higher percentage of clients that received household assistance to see what enabled them to make effective use of the smaller benefit. The demographic comparison of the families is showed in Table 7 and indicates that the two populations look strikingly similar. This suggests that there were factors, outside of these demographic and income characteristics, that allowed the family to remain stably housed with \$4,000 dollars or less. By interviewing case managers, DHCD could learn and share best practices across the agencies to improve the effectiveness of the progressive engagement model. While beyond the scope of this thesis, it is an area that is prime for future research.

*Table 7: Summary Statistics for Rental Assistance and Household Assistance Populations*

	<b>Rental Assistance</b>	<b>Household Assistance</b>
Married	9.68%	11.63%
Female HOH	89.70%	94.20%
Number of Children	1.83	1.97
Age of HOH	31.4	31.5
White HOH	64.60%	71.20%
Disabled Family Member	22.20%	27.90%
HH with HS Diploma/GED or Higher	57%	66%
Monthly Earned HH Income	\$1,055	\$975
Total Monthly Income	\$1,823	\$1,850
Total Households Served	1,506 (94.5%)	88 (5.5%)

*Source: DHCD, 2012*

By improving the pre-screening process, narrowing the eligibility requirements, and enhancing training on the progressive engagement tool, DHCD could improve its ability to tailor resources to families' needs while reducing cost in the process.

### **Reduce Cost**

To be clear, reducing cost cannot and should not be the only goal of new policies. However, effective use of resources most certainly can. To this end, DHCD should continually evaluate their programs to see how effective they are in achieving its goal: to stabilize families at risk of homelessness and reduce the number of families at risk. This is an important area for further research and could begin by evaluating the Flex Funds program and its stabilization services.

## **Restructure Stabilization**

As reported in Chapter 5, Flex Funds families who had already received 18 to 24 months of rental assistance transitioned into HomeBASE at an exorbitant rate. Over 90 percent of Flex Funds families who were eligible in the first three months transitioned into HomeBASE, compared to the 40 percent DHCD projected. The reason for this is two-fold. First, because of the final budget language, all Flex Funds families were eligible for HomeBASE rental assistance. This was outside of DHCD's control and driven by political forces. However, the fact that DHCD projected such a low percentage of Flex Funds families would transition suggests that it believed a portion of the families would no longer need assistance to remain stably housed. The 90 percent transition rate is particularly alarming because it indicates that despite 18 to 24 months of assistance the families were not more likely to afford housing on their own. While families face multiple barriers to living self-sufficiently, if EA programs are not working to that end, they are merely a holding ground until the family receives a long-term housing subsidy. For this not to be the case, I believe DHCD should make a concerted effort to improve their stabilization services.

As mentioned in Chapter 2 the effectiveness of stabilization or case management services can be difficult to measure and evaluate. However, research does indicate that small case ratios, frequent meetings, and an established trust with the case manager are associated with positive outcomes (housing stability independent of subsidy). The current stabilization services provided by the state do not meet any of these indicators. Due to resource constraints, DHCD contracted for a 1 to 60 case ratio for HomeBASE participants. Because of this, participants in the program were only required to have one in-person



meeting every six months and monthly phone calls in between, making it difficult to establish trust with their case manager.

To truly build out a strong and effective stabilization system, DHCD must invest adequate resources. This could be done on a pilot basis with a small number of participants. Each participant would work with a case manager (1:12 case ratio) to develop a personal stabilization plan made up of different components that have proven to increase the likelihood of a family's ability to afford their own housing unit: debt reduction, education attainment, job training, and housing search and placement services. From there, goals would be set during weekly meetings for making progress on each component with clear action steps for the participant. The intention of the program is to move families along the spectrum of economic stability such that they are able to remain stably housed apart from housing assistance. If this goal were achieved, the state would save thousands of dollars per family. Diverting one family from the current shelter system would save almost \$30,000 dollars. More importantly, the family would no longer need state resources, which could have significant savings over the long term.

Aside from cost savings the important take away is that DHCD should be continually evaluating their programs based on their ability to stabilize families as quickly as possible and prevent families from entering the system. Once the immediate housing crisis is met, assistance should be scaled back. Providing on-going monthly assistance such that it creates a dependence on the subsidy is not within the realm of the EA system. That type of subsidy must come from one of DHCD's housing programs such as the Massachusetts Rental Voucher Program (MRVP), which has the stated goal of providing long-term housing assistance. One of the benefits of saving money in the EA system is that those resources

can be re-allocated to invest in the supply of affordable housing and more vouchers for families who need them.

To understand the impact of these recommendations I have modeled several options in Table 8. Option 1 looks at the cost of HomeBASE if Flex Funds families were limited to household assistance. This decision is based on the fact that the families have received a minimum of 18, and in some cases 24, months of rental assistance. Because they are in a stable housing situation, they should be treated like new front door families and given household assistance. Under this option approximately 6,800 families would continue to be served by the shelter system, including some by hotels. Another 12,000 would be served by HomeBASE rental and household assistance benefits. While the total cost is higher than previous years, it ensures that a greater number of families receive a better service than the original system.

Option 2 considers diverting all Flex Funds families as well as families who are asked-to-leave, overcrowded, or at-fault of evictions to household assistance as proposed earlier. This option would serve the same number of families overall as Option 1, but does so at a substantially lower cost through the use of household assistance. As a result, the program could serve more families than the original shelter system at a lower overall cost.

Finally, Option 3 shows the effect of not allowing Flex Funds families to transition into HomeBASE at all. In the short term, this option may appear unrealistic as it is unclear how many Flex Funds families would re-enter shelter after losing their housing subsidy. However, this option is useful for estimating what HomeBASE would cost in future years when Flex Funds and other resources are no longer available. Overall, this scenario would

serve slightly few families than the original shelter system (which includes Flex Funds), but it does so at a lower cost with better benefits.

*Table 8: Cost Models for Different Policy Changes*

	<b>Original Shelter System (FY 2011)</b>	<b>Option 1: Divert Flex Funds to Household Assistance</b>	<b>Option 2: Divert Flex Funds, Asked to Leave and Overcrowded to Household Assistance</b>	<b>Option 3: HomeBASE without Flex Funds Transitions</b>
Number Served by Shelter	8,710	3,884	3,884	3,884
Number Served by Hotels	5,434	2,925	2,925	2,925
Number Served by Rental Assistance	-	7,832	4,008	7,832
Number Served by Household Assistance	-	5,028	8,852	1,540
Number Served by FlexFunds	3,488			
<b>Total Families Served</b>	<b>17,632</b>	<b>19,669</b>	<b>19,669</b>	<b>16,181</b>
Average Cost per Family Served	\$9,006	\$8,768	\$7,496	\$9,659
<b>Total Cost of Service Provision</b>	<b>\$158,785,000</b>	<b>\$172,467,000</b>	<b>\$147,447,129</b>	<b>\$156,290,000</b>

While all of these estimates are based on the best available data, there is still some uncertainty surrounding the numbers. These models assume the highest volume estimates from the first three months of HomeBASE annualized over twelve months. In reality, the volume, which was already showing signs of decline in October, could have continued to drop in subsequent months and the ramp up could have been attributed to pent up demand from families waiting for the new program. However, the economic indicators suggest that

there are many families in need of assistance and the EA system must be able to serve them all.

It is also important to note that the proposed changes to eligibility and time limits of assistance present real tradeoffs. These changes could mean that families are forced to live in doubled-up housing situations or move-in with relatives or friends, which may not be the ideal option for that family. I acknowledge these tradeoffs and do not take them lightly. But I believe that in order to ensure there are adequate resources for families who have absolutely no other housing alternative, tradeoffs must be made and finite resources allocated as effectively as possible.

By improving the pre-screening process, revising the eligibility requirements for reasons for homelessness and improving training of the progressive engagement model, DHCD can achieve its goal of offering a more flexible and targeted assistance to meet each family's needs while at the same time reducing costs. Furthermore, investing in an effective case management system has the potential to improve outcomes of residential stability and economic self-sufficiency while also achieving significant cost savings for the state over the long-term. While all of these recommendations present considerable tradeoffs, they are made with the intention of improving the Emergency Assistance system so that the savings can be reallocated to DHCD's other housing programs. To truly reduce the number of families at risk of homelessness, it is imperative that the state continues to invest in affordable housing programs (especially targeted to extremely low-income families), maintains or increases the supply of housing subsidies like MRVP, and supports a strong education system and opportunities for economic development.

What we learned from the HomeBASE experiment is that there is a shadow population that, if given the option of housing, will seek out assistance. But this isn't the end of the story. The increased volume obscures a more important finding: we have created a much larger underclass that is getting increasingly removed from civil society. Table 9 contrasts the average EA family to the average Massachusetts's. The disparity is clear. As the income achievement gap widens and the supply of affordable housing shrinks, there are more and more families for whom safe, decent housing is out of reach. Housing is not a panacea. But it is an avenue of opportunity. The more we focus our resources on ensuring families have a stable housing foundation, the better our prospects of ending homelessness once and for all.

*Table 9: Summary Statistics of EA Families and Massachusetts Families*

	<b>EA Families (2010)</b>	<b>Massachusetts Population</b>
Married	<b>9.77%</b>	<b>47.60%</b>
Female HOH	<b>91.50%</b>	<b>12.20%</b>
White HOH	<b>56%</b>	<b>83.60%</b>
HS Diploma/GED or higher	<b>53%</b>	<b>88.70%</b>
Share with no Earned Income	<b>94.17%</b>	<b>20.20%</b>
Median of Monthly Earned Income	<b>\$1,259</b>	<b>\$5,376</b>

*Source: 2005-2009 American Community Survey, 5-year estimates*

## Appendix A

To calculate expected volumes in the Total Cost of Shelter section, I used the highest estimates for front door volume during the first three months of the program. This data came from the Daily Tracking Spreadsheet, which suggested that 1958 families entered rental assistance and 385 families entered household assistance in the first three months of HomeBASE. I multiplied this volume by 4 to obtain an annualized new entry volume. To account for Flex Funds families, I assumed that 100% of the 3,488 Flex Fund families eligible for transition would enter the HomeBASE program. This assumption was based on evidence of the families transitioning from August through October. To model expected shelter numbers, I looked at the average daily flow in and out of shelter during the three months in which HomeBASE was in operation. This indicated how many families were likely to spend some time in shelter while waiting for a HomeBASE benefit.

To calculate unit costs for service provision, I used updated numbers based on the contracted rents. In particular, I updated the average HAP payment for rental assistance to create a more accurate unit cost. To calculate total cost for 12 months of HomeBASE, I then multiplied each category's expected volume by its expected unit cost and summed the totals. One limitation to this strategy is that it assumes shelter costs are complete variable. In reality, this is not true as DHCD contracts shelter beds on a rolling 6-month basis and costs are fixed during that time. However, reducing demand for shelter beds can be reflected in subsequent contracts so there is still potential for cost savings.

## Appendix B

**Table 1:** Contracted Costs for a Rental Assistance Customer

Item:	Amount:
Admin Fee	\$45 per family per month
HAP Payment	\$624 per family per month (on average across sites)
Temporary Accommodation (if necessary)	\$1977 per unit per month
Front Door Assessment	\$31 per new HB family
HB Assessment	\$40 per new HB family
Housing Search	\$109 per family
RA Stabilization plan	\$47.75 per family per month
Staffing Overhead	\$13 per family per month
<b>Total Cost for RA</b>	<b>\$907</b> per family for first month, about <b>\$729</b> for subsequent months, yielding annualized cost of <b>\$8,926</b>

**Table 2:** Contracted Costs for a Household Assistance Customer, based on HAP, Inc. Contract

<b>Item:</b>	<b>Amount:</b>
Admin Fee	\$11.25 per family per month (on average)
Household Assistance Benefit	\$250 per family per month (on average)
Front Door Assessment	\$31 per new HB family
HomeBASE Assessment	\$40 per new HB family
Stabilization plan	\$36 per family per month
Staffing Overhead	\$8.50 per family per month
<b>Total Cost for HA</b>	<b>\$374 per family for first month, about \$296 for subsequent months, yielding annualized cost of \$3,630</b>



## Appendix C

### Prior EA Budgets, FY2010 and FY2011

	FY 2010	FY 2011
Motels/Hotels	\$28,863	\$29,109
Emergency Assistance/ Temporary Shelter	86,003	83,362
Housing Stabilization	14,736	8,066
Diversion/ Rapid Rehousing	0	4,996
Substance Abuse Services	2,882	2,382
Other DPH/DHCD Services	3,646	4,141
<b>EA Family System Costs</b>	<b>\$136,130</b>	<b>\$132,056</b>
Flex Funds	13,985	20,014
Flex Funds Extensions	-	6,709
Total Flex Funds	\$13,985	\$26,723
<b>Total EA Spending</b>	<b>\$150,115</b>	<b>\$158,779</b>

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