

**Testimony of Molly Park, First Deputy Commissioner
Department of Homeless Services**

**Before the New York City Council Finance and General Welfare Committees
Oversight Hearing: DHS Homeless Service Provider Contracts
December 16, 2019**

Good morning Chairpersons Levin and Kallos and members of the General Welfare and Contracts Committees. My name is Molly Park and I am the First Deputy Commissioner of the New York City Department of Homeless Services (DHS).

Thank you for inviting me today to discuss our homeless service provider contracts and the work we have done to ensure shelter providers are true partners in making reforms to improve programs and services for New Yorkers experiencing homelessness. Following our comprehensive 90-day review in 2016, DHS undertook a number of reforms to not only create and enforce new processes but also to support our provider partners.

To begin, I would like to provide some historical context of the shelter system that built up haphazardly over the past four decades. From 1994 to 2014, the shelter population in NYC increased 115%. Between 2011 and 2014, following the abrupt end to the Advantage rental assistance program, the DHS census increased by 38%. During this same time, New York City faced increasing economic inequality because of stagnant wages, a lack of affordable housing, and an increased cost of living – rents increased by nearly 19% while wages increased by less than 5%. There was also a loss of 150,000 rent regulated apartments. The resulting dramatic increase in the shelter population, coupled with underinvestment, created real challenges as DHS and the agency’s not-for-profit partners worked to adequately ensure safe, clean, and secure conditions.

Within that context, DHS has taken steps to improve shelter conditions and to support providers by updating our contracts and approach to funding. One of the critical reforms adopted following our 90-day review was rate rationalization for homeless shelter services to ensure shelter providers are adequately resourced to provide high-quality homeless services. Additionally, updating our contracts provided a mechanism for DHS to address issues with shelter conditions. With improved contracts and new approaches to quickly make repairs, providers are now better equipped to maintain high quality shelters and deliver services to New Yorkers experiencing homelessness.

Contracts

DHS holds contracts with over 75 human service providers for the range of services that DHS provides to serve families and individuals experiencing homelessness. For new shelters, DHS has an open-ended RFP process, which means proposals from not-for-profit providers are accepted on a rolling basis.

When a proposal is submitted, the quality of the proposal is evaluated and scored by agency program experts working with the Department of Social Services (DSS) Contracts Office in accordance with New York City Procurement Policy Board Rules. This evaluation includes an assessment of the need for the proposed shelter population capacity (Families with Children, Adult Families, Single Adults), the location, the viability of the building, the scope of client services, the experience of the provider, pricing and other operational matters. The proposal is also reviewed by Agency leadership for consistency with *Turning the Tide's* borough-based approach, as well as the the capacity and equitable siting goals the plan will achieve once fully implemented.

Model Budget

DHS has invested more than a quarter of a billion dollars annually in additional funding in our not-for-profit shelter providers to address decades of disinvestment and to modernize the outdated rates they had been paid for too long. This includes funding for social workers in contracted families with children shelters, housing specialists in all shelters and standardized rates for services such as maintenance and supplies. This was done to ensure providers can deliver the high-quality services families and individuals experiencing homelessness deserve as they get back on their feet. As we developed the funding parameters for the specific components of the services our partners provide, a model evolved: hence the term "Model Budget."

The model budget exercise uses a set of templates to assist in evaluating all aspects of the provision of shelter (maintenance, staffing, and client services), specific to a particular shelter capacity and type to determine a facility's appropriate annual budget. Moving away from the previous one size-fits all approach, the model accounts for different populations: Families with Children, Adult Families, and Single Adult Shelters including Mental Health, Substance Use, Employment, Assessment, and General Population. The models reflect the ongoing priority placed by both DHS and the State Office of Temporary and Disability Assistance (OTDA) on shelter repairs and are reflective of State requirements contained within the New York Codes, Rules and Regulations (NYCRR) Part 900 and Part 491, as well as City regulations and statutes, as appropriate.

The per-diem is built from various components of the model, which standardizes rates to provide consistent and sustained support for quality services. These rates are calibrated for shelter size recognizing, for example, that a small site may be more expensive to operate on a per person basis, because there are fewer economies of scale. The model also includes maintenance, client supplies, food, transportation, and shelter administration. Another component of the model is the establishment of staff-to-client ratios for direct service staff (e.g. caseworkers, supervisors, housing specialists, social workers, peer specialists, recreation staff and residential aides) across all contracted shelter providers along with the funding, so that providers can meet and maintain these ratios for their individual shelter

capacity. Through the model budget, DHS provides staffing and funding for services based on each of these elements, crosschecked with the site's specific capacity and line item costs, which produces this overall per diem and annual budget.

Once providers submit a budget proposal using the standard template, the DHS Shelter Program Budget Office compares the proposed budgets to the model and negotiates with DHS program staff to arrive at a near-final budget. This process is then completed in close consultation and partnership with the individual provider. After budget proposals are reviewed, the Department of Social Services (DSS) Finance Office shares budget recommendations with the NYC Office of Management and Budget (OMB) for approval. Following approval, the contract moves into the amendment phase, which includes legal and procedural checks, culminating in registration with the Comptroller's office.

Another component of the model budget is a new, unprecedented way of addressing approved one-time new needs. An example of this would be a one-time cost to replace a boiler that could not be accommodated within the regular maintenance and repair budget. All new contracts provide for an "allowance for repairs" up to 10% of the total annual contract value. Upon approval of a new need, such as the boiler example, a central DHS allocation funds the cost without requiring an additional contract amendment. In the current exercise with providers, in order to make the contract adjustments for the model, funding for rent, utilities, insurance, and security is included in individual providers' contract amendments to the extent funding is required to bring them to the standard or required levels. The models are flexible enough that, with proper justification, providers are able to adjust specific line items to simultaneously ensure the budget meets all necessary requirements and also appropriately reflects the unique operation of that particular shelter location. That said, a site's budget typically cannot go above the total model per diem and generally may not exceed the bottom line within a category.

While components of a provider's budget are defined through the model, there are some costs that are unique to each site. This includes rent, utilities, insurance, and security. Appropriate rent values are determined by analyzing a number of factors including, but not limited to: the Housing and Urban Development (HUD) small-area Fair Market Rent (FMR), comparable sales in the neighborhood, comparable price per square foot in the neighborhood, current published unit rental rates in the neighborhood, current use of the building, rehabilitation costs, average per-diem for comparable shelter (capacity and population), and capacity needs. Rates for utilities and insurance are based on documented actual costs. Security levels are determined in consultation with the NYPD and consider factors such as access control, vertical shifts, and lines of sight.

Financing

Along with our model budget exercise, we have also invested millions of dollars to reduce our footprint while meeting capacity needs and improve physical conditions at family and adult shelters. As part of the *Turning the Tide* plan, in FY20 \$600 million in capital funding was allocated over 10 years to address physical needs, upgrades and improvements in City-owned shelters. This builds on over \$52 million over four years in FY16 for 30 new capital projects at shelter facilities to address DHS shelter conditions and

\$90 million added over 5 years in FY17 for building upgrades at facilities, including 61 new capital projects.

Overall, the September Capital Plan includes over \$600 million for construction and rehabilitation projects, with the bulk of the funding projected to be committed over the next several years. DHS manages some of our projects in-house, and other, generally larger, projects are managed in partnership with the Department of Design and Construction (DDC). Today, we have 61 projects actively being designed and 24 projects in construction. DHS and DDC have forty-five (45) projects in the planning stage preparing for design, all of which are planned to begin during this Fiscal Year.

Finally, in the November Plan, funds were added to the DHS budget, as well as the other human services agencies, to support adjustments to indirect cost rates for not-for-profit providers. In February 2019, the City of New York adopted the Health and Human Services Cost Manual to standardize cost allocation practices for health and human service providers contracting with the City. The FY20 Adopted Budget established an Indirect Cost Rate (ICR) Funding Initiative based on the Cost Manual. OMB and Mayor's Office of Contract Services (MOCS) formed a City Implementation Team (CIT) to manage the implementation and roll-out and included a Provider advisory work group. The November Plan funding fulfills the commitment the Mayor and the Speaker made for the Adopted FY20 budget.

Shelter Conditions

By rationalizing pay rates for our providers, we have improved the conditions of our shelters. At DHS, we conduct bi-annual Routine Site Review Inspections (RSRIs) to identify both current violations as well as conditions that may become problematic over time. RSRIs play an integral role in the contract process. Before a contract is registered, the provider must provide a well-documented plan to address any outstanding physical issues. Without such a plan, DHS will not submit a shelter contract for registration.

RSRIs assist us in identifying and mitigating the most immediate safety hazards, while also providing an opportunity to conduct preventive maintenance and minimize the number of units placed off-line at a given time. During the RSRI, a DHS inspector is accompanied by the landlord, building manager, shelter director, head of maintenance, security, owner representative, caseworker, and/or other managerial staff. If any conditions are deemed hazardous or dangerous, the inspector immediately notifies those who are part of the walkthrough. Upon receiving an email of the RSRI results, the provider has 24 hours to address severe deficiencies in the building. The RSRI report provides detail necessary for the provider to develop and implement a remediation plan for identified building conditions requiring attention.

The Shelter Director also submits a Corrective Action Plan (CAP) to DHS, which informs next steps to address the conditions identified in the RSRI at the shelter. Multiple re-inspections are conducted throughout the process of completing a CAP, which occur prior to the next scheduled RSRI inspection. This inspection system allows us to work with shelter providers to identify building issues, immediately address dangerous or hazardous conditions, prevent deeper infrastructure issues, and follow through to improve the conditions of each shelter.

The Mayor also established the Shelter Repair Squad as a multi-agency task force to inspect shelter buildings and identify code violations requiring repair. The task force is comprised of the Fire Department (FDNY), the Department of Buildings (DOB), the Department of Housing Preservation and Development (HPD), the Department of Health and Mental Hygiene (DOHMH) and the Department of Homeless Services (DHS). Each agency has assigned teams to the Shelter Repair Squad and repairs are done by DHS and landlords.

At least two times per year, each agency will inspect facilities for code violations and inform providers of the results. Efforts are coordinated between agencies to maximize the efficiency of inspections, minimize duplication of efforts across teams and agencies, and reduce the burden of frequent inspections.

A critical component of the Shelter Repair Squad is the ability for the City to track all shelter building violations, along with measuring the progress made towards ameliorating the identified issues. To drive this task, the City developed a system to report on all city shelters and every violation attributed to each building. Essentially, this acts as a real time tracker for shelter building violations, allowing the City to appropriately allocate Shelter Repair Squad staff to work with providers to inspect buildings and develop and implement remediation plans. As a testament to the utility of this system, the framework has since been adopted by the State to develop their statewide Shelter Management System (SMS), which allows our oversight agency to more efficiently monitor building systems by tracking the status, remediation, and lifecycle of deficiencies and their responses by providers and users.

Information is aggregated from various sources available to DHS to provide a central clearinghouse where users retrieve information about shelters or evaluate and track the status of repairs at shelters. This approach facilitates interagency collaboration in improving conditions in shelters and makes it possible to formulate the monthly *Shelter Repair Scorecard*, which publicly reports on the conditions of homeless shelter facilities. The scorecard helps define the scope of any problems by publicly listing conditions at all homeless shelters in New York City.

The Shelter Repair Squad is a prime example of interagency collaboration to address longstanding issues across the shelter system. In the first year of this program, more than 12,000 building violations were closed or corrected. As we have reported previously, the Shelter Repair Squad conducted more than 63,644 shelter inspections from 2016-2019, reducing violations that went unaddressed for many years by 90 percent. Today, many of the remaining repairs involve normal wear and tear, and capital projects which we are funding as just discussed.

In conclusion, we've worked closely with our not-for-profit partners so that, together, we can raise the bar for the supports that we provide to homeless New Yorkers at all of our shelter locations citywide.