



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

110 WILLIAM STREET, 14TH FLOOR
NEW YORK, NEW YORK 10038
(212) 442-0632 • FAX (212) 442-0350 • EMAIL: iboenews@ibo.nyc.ny.us
<http://www.ibo.nyc.ny.us>

June 14, 2012

Patrick Markee
Senior Policy Analyst
Coalition for the Homeless
129 Fulton Street
New York, NY 10038

Dear Mr. Markee:

At your request, the Independent Budget Office (IBO) has analyzed the potential fiscal impact of the New York City Council's recent proposal to restore priority referrals of homeless shelter residents to federal housing programs, including New York City Housing Authority (NYCHA) public housing apartments and into private housing through the Housing Choice Voucher Program—more commonly known as Section 8—which is also administered by NYCHA. The potential savings depends on both the number of placements into subsidized housing and how behaviors may change in response to the policy change. IBO used statistical models to predict these changes in behavior. We find that if a total of 5,000 families a year were moved out of shelter through priority referrals for NYCHA and Section 8, family shelter costs would be \$29.4 million lower, of which \$11.0 million would be savings of city funds. (Family shelter costs are split among the city, state, and federal governments.) If referrals were initially only available for NYCHA apartments—a possibility due to federal funding constraints—total family shelter savings for 2,500 placements in public housing would be \$14.7 million a year, with about \$5.5 million in city fund savings.

The City Council proposal to restore priority referrals of homeless families for Section 8 and NYCHA—which had been city policy for nearly 20 years until it was ended in 2004—was one of several initiatives aimed at reducing the shelter population announced during Speaker Christine Quinn's State of the City speech in February. It comes as the number of families living in the city's shelter system has been rising following the elimination of the Advantage Rental Assistance Program more than a year ago. Under the proposal, the city would refer 2,500 homeless shelter residents for NYCHA apartments in the first year. An additional 2,500 families a year would be placed into housing with Section 8 vouchers beginning in the second or third year, depending on when the vouchers become available, for a total of 5,000 annual placements. These placements represent roughly half of the annual expected turnover in each program this year.

IBO estimated the impact of restoring priority referrals of homeless shelter residents using time series regression analysis of Department of Homeless Services (DHS) monthly data to model the flows into and out of family shelter. (While the proposal calls for the referrals to be restored for single adults and families, our analysis focuses on family shelter referrals due to data limitations). Based on historical data, these models suggest that the proposal would result in a net decline in the family shelter census, although the decline is partly offset by an increase in the amount of time some families stay in shelter awaiting subsidized placements and a rise in the number of families entering shelter in response to the availability of a subsidy. While our estimate of the fiscal impact of the proposal takes into account DHS administrative costs for making the housing placements and the temporary housing for families that are

eventually found ineligible for shelter, it does not consider other potential savings or costs that are beyond the DHS budget.

Demand for NYCHA apartments and Section 8 vouchers far exceeds the supply, with waiting lists in excess of 160,000 and 120,000, respectively. New Section 8 vouchers are currently not available and turnover rates for both NYCHA and Section 8 are lower now than when priority referrals had been in place. Referrals for families in shelter would crowd out some of those that are on the waiting lists. NYCHA also already plans to use some Section 8 vouchers that turn over this year to cover vouchers that were temporarily funded by the Department of Housing Preservation and Development (HPD) and—over the next several years—plans to use available vouchers to cover operating costs for NYCHA apartments that have no dedicated funding source. Additionally, other populations, such as victims of domestic violence, currently receive priority referrals.

Background. In 2004 the Bloomberg Administration made a major change to the city’s policy to move homeless families into subsidized housing, which placed families primarily through two programs. The main program was the Emergency Assistance Rehousing Program (EARP) through which families received priority for available Section 8 vouchers and landlords renting to them received a bonus payment from the city. In addition, homeless families received priority referrals for housing in NYCHA public housing apartments. Both of these programs had been in place since the late 1980s. The Bloomberg Administration ended the policy of referring homeless families for NYCHA apartments and Section 8 vouchers, along with EARP bonus payments, as of December 2004. The Bloomberg Administration cited the decreasing availability of Section 8 vouchers as the rationale for eliminating the policy, as well as the unintended consequence of creating an incentive for families to enter the shelter system in order to receive scarce federal housing subsidies.

As a replacement, DHS created a rental subsidy program exclusively for families and individuals coming out of the shelter system, Housing Stability Plus (HSP), which was subsequently replaced by the Advantage Rental Assistance Program in 2007. Although HSP and Advantage had different requirements and structures, both were time-limited subsidies that decreased each year. The city ended the Advantage program in April 2011 after the state eliminated its support and, therefore, the federal match for the program. Since then the city has not created a new rental assistance program nor has it returned to the past policy of priority referrals of homeless families for Section 8 or NYCHA. Since April 2011, the length of time families remain in shelter has increased and the total number of families living in New York City shelters has risen, despite an initial decline immediately after Advantage was eliminated.

Modeling the Change in Census. IBO modeled the impact of the City Council’s policy proposal on the family shelter census using time series regression analysis of monthly data from July 2001 through January 2012; the data were provided by DHS. The number of families in shelter each month is influenced by different factors, including:

- The number of families in shelter in the previous month;
- The number of families found eligible for shelter (new entrants to shelter) during the month;
- The number of families placed in permanent housing through a subsidized housing program during the month;
- The number of families leaving shelter on their own, which includes families that leave shelter without DHS assistance (“natural exits”) as well as families placed in private housing by DHS without a subsidy; and
- Economic factors, such as whether the economy is expanding or contracting and the local unemployment rate.

We found that the models with the most predictive power treated all of the main subsidized housing programs used during the study period—Section 8, NYCHA, HSP, and Advantage—as equivalent. Because of the way the data were collected, the category of families leaving shelter on their own also includes some families placed in supportive housing through the New York/New York agreements. While these families differ from the other placements in this group, the number of monthly placements through this program is relatively small.

We used three regression models to estimate the fiscal impact of the policy. First, we looked at how the policy proposal would affect the number of families leaving shelter on their own without a subsidy. Second, we modeled what impact the proposal would have on the number of families entering shelters, and finally the impact on family shelter census overall.

Findings. IBO found that implementing the policy outlined in the City Council proposal would result in a net reduction in the family shelter census, despite a decline in the number of families that would leave shelter on their own without a subsidy and a slight increase in the number of families entering the shelter system.

Prior research has found that the possibility of receiving subsidized housing decreases the number of families that leave shelter on their own, thus increasing their length of stay in shelter as they wait for a subsidized placement.¹ IBO's analysis leads to the same conclusion: the average number of families moving out of shelter on their own each month was lower when a local rental assistance program or priority for a federal subsidy program was available. We estimate that the average number of families leaving shelter on their own would be about 9 percent lower if 2,500 families were placed through the federal programs and 18 percent lower if 5,000 were placed, compared with a system with no priority referrals. In other words, the more families placed through priority referrals, the shorter the wait for a subsidized placement and the fewer the families that leave on their own.

IBO also found that there would also be a slight increase in the number of families entering shelter if placement through a subsidized housing program were available. Here again the magnitude of the increase depends upon the number of subsidized placements made. We estimate that if 2,500 families were placed through a subsidized housing program priority each year, the number of new entrants each month would increase by about 4.5 percent on average. If 5,000 families were placed, the number of new entrants each month would increase by about 9 percent.

IBO's finding that the number of families entering shelter is affected by the availability of placement into subsidized housing is supported by the observed decline in the number of entrants since the Advantage program ended, when no other rental assistance program or priority for federal subsidies was available. In the year before the Advantage program ended, the average number of new entrants to family shelter a month was 1,174. In the first eight months after the end of Advantage, this decreased by about 15 percent to an average of 1,003 families per month.

¹ O'Flaherty, Brendan. Ting Wu. "Fewer subsidized exits and a recession: How New York City's family homeless shelter population became immense." *Journal of Housing Economics* 15, (April 2006) pp. 99-125.
Weinreb, Linda. Debra J. Roj. Kathryn A. Henderson. "Exiting Shelter: An Epidemiological Analysis of Barriers and Facilitators for Families" *Social Service Review* Vol. 84, No. 4 (December 2010), pp. 597-614.

Observed Monthly Averages of Key Indicators During Shelter Exit Policies

Key Indicator	Priority Referral	Subsidy Programs	Post-Advantage
	Period 07/01-12/04	Period 01/05-03/11	Period 04/11-01/12
<i>Number of months in study period</i>	42	75	10
Daily Family Shelter Census	8,608	9,072	9,602
Families Found Eligible for Shelter	765	1,032	1,003
Length of Stay (days)	321	310	322
Section 8 Placements	249	21	9
NYCHA Placements	141	28	8
Other Placements	43	133	389
Natural Exits	247	377	532
HSP/Advantage Placements	-	442	-

SOURCES: IBO, Department of Homeless Services

NOTES: Other placements are mainly placements without a subsidy into private housing but also include a small number of placements into the NY/NYIII supportive housing agreement. Natural exits are families that leave shelter without a placement known to the agency.

Despite the forecast increase in the number of families entering shelter and a decrease in those leaving on their own, referring shelter families for the federal programs would reduce the number of families in shelter each month. IBO found that each placement through Section 8 or NYCHA would reduce the shelter population by 0.18 families. Therefore, in order to reduce the shelter census by one family, about five families would need to be placed in subsidized housing through the federal programs. Based on our models, if 2,500 families were placed into Section 8 or NYCHA the shelter census would then fall by about 450 and if 5,000 families were placed the census would be reduced by about 900.

In order to estimate savings, IBO used the average family shelter per diem rate of \$100 to calculate total annual shelter costs under each policy scenario: no priority referrals for federal subsidy programs, priority referrals for the federal programs resulting in 2,500 annual placements, and referrals for the federal programs resulting in 5,000 annual placements. We reduce the savings by an estimate of what it would cost DHS to administer the placement of the additional families based on historic spending, as well as the cost to temporarily house additional families that would apply for shelter but be ineligible based on past rates of eligibility.

IBO found that savings would be proportional to the number of placements made. Family shelter costs would be reduced by a total of \$14.7 million with 2,500 placements and \$29.4 million with 5,000 placements. With family shelter funding shared between the federal, state, and city governments, slightly more than a third of the reduction, about \$5.5 million and \$11.0 million, respectively, would reflect savings for the city.

Availability of Federal Resources. According to the Council's proposal, about half of the NYCHA apartments and Section 8 vouchers that turn over each year would be available to homeless families. Based on the Fiscal Year 2012 Annual Plan submitted to the Department of Housing and Urban Development (HUD), NYCHA expects 5,500 public housing apartments (3 percent of the total stock) to turn over during the year. Although the 2,500 NYCHA placements outlined in the Council's proposal represent less than half of all the turnover apartments expected this year, they outnumber the actual number of DHS referrals to NYCHA during the last few years that priority for homeless families was in place. The average number of DHS placements into NYCHA apartments each year in fiscal years 2002 through 2004 was about 1,600 a year. Moreover NYCHA turnover rates were higher during that period,

about 5 percent. Therefore, under the Council's proposal, DHS placements would make up a larger share of placements in NYCHA turnover apartments than they did historically.

The Council's proposal assumes that new Section 8 vouchers will not be available for one to two years. The delay in Section 8 placements results from a Section 8 federal funding shortfall that caused NYCHA to stop issuing new vouchers in December 2009, as well as to rescind 2,500 previously issued vouchers. The Department of Housing Preservation and Development (HPD) took over the administration of about 1,500 of the rescinded Section 8 vouchers—750 of them temporarily—and NYCHA prioritized the families that had been given the remaining 1,000 rescinded vouchers to receive them in the following year. Thus, due to federal funding constraints, NYCHA has been unable to issue new vouchers since 2010. This means new families can enter the program only with vouchers made available through attrition. NYCHA reports that it expects 4,500 Section 8 vouchers (or about 5 percent of total vouchers) to turn over during the year. However, some of the funding associated with these vouchers will likely be needed to cover the rising cost of existing vouchers, as well as to fund those temporarily taken over by HPD. As a result, it is unlikely that 4,500 vouchers would be available to new families this year.

If these vouchers were to become available to new families—or a similar number in a year or two—slightly more than half would go to homeless families under the Council's proposal. The 2,500 placements in the Council proposal is slightly lower than the average number of Section 8 placements made each year during the last three full fiscal years that the referral policy was in place—an average of 2,900 a year in fiscal years 2002 through 2004. However, like NYCHA apartments, the number of vouchers turning over during the period was higher than current rates, about 5,600 on average, or 7 percent.

Other Considerations. Along with low turnover rates, both Section 8 and NYCHA apartments currently have extensive waiting lists that would be bypassed by the DHS referrals. As of February 2012, there were 163,965 households on the public housing waiting list and 123,499 households on the Section 8 waiting list. According to data reported to HUD, the vast majority of households (74 percent) on the Section 8 and public housing waiting lists are “extremely low income,” meaning their household income is less than 30 percent of the area median income; many of these households are families with children. Priority referrals of homeless families would likely crowd out some non-homeless families that are currently on the waiting lists to receive federally subsidized housing. If some of the families that would have otherwise received subsidized housing instead enter the shelter system, a portion of the savings generated by the priority would be offset. It is also possible, however, that some of the families on the waiting lists are already in the emergency shelter system. IBO does not have the data needed to assess these possibilities.

Additionally, other populations are currently offered a priority for NYCHA and Section 8 housing, including victims of domestic violence, intimidated witnesses, and some families who have children in foster care. While the majority of families placed into public housing annually are working families, restoring priority referrals for homeless families could limit the subsidized housing available to these groups, which in turn could raise costs for other city agencies that operate programs for these populations, including the Human Resources Administration and Administration for Children's Services. These potential costs are outside the scope of this analysis.

Research on the rate that families return to shelter, conducted by the Vera Institute of Justice, found that formerly homeless families placed into NYCHA apartments or receiving Section 8 vouchers were less likely to return to shelter than families not receiving a subsidy. Therefore, priority for federal programs may have long-run benefits for the city, not reflected in this analysis, by providing stable housing and reducing the rate of return to shelter.

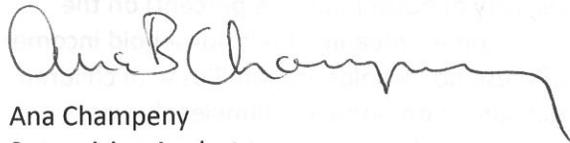
NYCHA has plans to use Section 8 vouchers that become available to provide funding for 5,700 public housing units, built by the city and state, which currently do not have a dedicated operating subsidy. Often referred to as "city and state units," this housing is currently funded by tapping the operating resources of the federally funded units. Beginning in 2013, NYCHA plans to convert 3,000 of the city and state units to the Section 8 program by designating voucher funds to provide financing, which is expected to bring NYCHA an additional \$37 million in operating revenue over the first four years. Restoring priority referrals of homeless families for Section 8 would affect NYCHA's ability to complete such conversions.

NYCHA also recently announced a plan to commit 200 Section 8 vouchers annually to help create new supportive housing as part of a collaboration with the city and the state to develop more affordable housing for populations with special needs. As part of the plan, 100 of each year's vouchers would go to homeless families and individuals referred by DHS and 100 would go to NYCHA residents who are in need of support services, such as the elderly and disabled, who move into the new housing developments.

While IBO projects that the City Council's proposal would reduce the city funds spent on family shelter, its successful implementation largely depends on the availability of scarce federal housing subsidies and cooperation from NYCHA, which has not endorsed the proposal. Given the current budget environment in Washington, it seems unlikely there will be any significant growth in these programs in the near future.

If you have any further questions regarding this request, or would like more details on our models and calculations, please do not hesitate to contact me at 212-442-1524 or Elizabeth Brown, IBO's housing analyst, at 212-442-8618.

Sincerely,

A handwritten signature in black ink, appearing to read "Ana B. Champeny". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ana Champeny
Supervising Analyst
Housing, Environment, and Infrastructure