Further Increases to Homeless Rental Assistance, But Additional Funds for Shelter Still Necessary

The Mayor added funds in the Executive Budget for 2016 for rental assistance programs designed to reduce the city’s homeless shelter population. This follows an increase in planned spending on rental subsidies that was announced just months ago in his preliminary budget. But even with the additional funding for rent subsidies, the city has also had to increase funds for shelter this year, in part because the roll-out of rental assistance programs has been slower than expected. Moreover, IBO estimates that when the programs are fully implemented next year the city will still need more funds than currently budgeted to cover homeless shelter costs in 2016 (all years refer to fiscal years).

Increase in Rental Assistance Funding. In his executive budget, the Mayor increased funding for previously introduced rental assistance programs and added three new programs. The additional funds bring the total amount budgeted for rental assistance for the city’s homeless up to $110 million in 2016 from the $84 million included in the preliminary budget. In total, these programs are projected to move 8,480 households into permanent housing next year. While placement targets and funding were increased for next year, fewer placements than expected have been made this year, leading the city to reduce the 2015 rental assistance budget by $10 million.

The newest subsidy program will use federal HOME funds—a flexible, yet limited, block grant for housing—to provide rental assistance to 1,250 homeless households next year, with the majority directed towards families with children. New York City primarily uses HOME funds at the Department of Housing Preservation and Development to finance the construction of affordable housing. A total of $64 million in HOME funds are budgeted to be used as homeless rental assistance, with $10 million budgeted in 2016 and the remainder in 2017 through 2019. Funds budgeted in the out-years of the financial plan—2017 through 2019—are allotted to provide continuing subsidies to households already receiving rental assistance, rather than being used to fund new placements.

In March, the Mayor announced the Living in Communities (LINC) VI program. This joins the five previously introduced LINC rental assistance programs, each of which targets a subset of the shelter population. Similar to first three LINC programs announced last spring, LINC VI is a subsidy for homeless families with children. (The LINC IV and LINC V programs, which were added in the Mayor’s preliminary budget, serves adults). Through LINC VI, families in shelter are relocated to live with friends or relatives with the city subsidy paying a portion of the host family’s rent for up to five years. Rental subsidies for LINC VI are lower than the payments provided to private landlords in the other LINC programs. The program is expected to serve 500 families in 2016, with no additional placements currently planned for the out-years. It is budgeted to cost $3.6 million in 2016 with a total of $13 million budgeted in 2017 through 2019 to provide continuing subsidies.

The third addition to the city’s portfolio of rental assistance programs is the CITYFEPS Rent Supplement Program, projected to serve up to 875 households in 2016. Funding is currently planned for one cohort. CITYFEPS borrows on the model of a state program known as FEPS, or Family Eviction Prevention Subsidy, that was created in 2005. While the original FEPS program specifically targeted families to help keep them in rental housing, CITYFEPS is aimed at serving both families at risk of becoming homeless through eviction proceedings and families already in shelter. The city added $8.4 million for this program in 2016 and $32 million each year from 2017 through 2019 using a mix of state and city funds. Families...
must have a minor child and be receiving public assistance to be eligible for CITYFEPS.

In addition to the new programs, the city also increased planned spending for the five existing LINC programs in 2016 through 2019. Cumulatively, $163 million in new funds were added to the LINC I through V programs through 2019; $3.4 million was added for 2016 with most of the funds planned for 2017 through 2019. Overall, the city expects to move around 5,855 households out of shelter next year through the LINC programs I through V, which can be renewed by households for up to five years. LINC I, which targets working families, and LINC II, which works with families that have repeatedly entered the shelter system, are each expected to place a first cohort of families in 2016 followed by second cohorts in 2017. The other LINC programs all have placements planned for 2016 only. (See IBO’s February brief for more information on the LINC I though V programs.)

All of the new funds added for the LINC programs in the executive budget are city funds. However, a portion of the city funds were made available because of language in the 2016 state budget that reduced the payments the city formerly made to the state for juvenile detention placements, with the subsequent savings then to be directed towards LINC programs. The state estimates that this cap on the city’s payments for juvenile detention placements will free up a total of $220 million in city funds that then can be used to fund LINC programs, with the city required to match these funds. Some $51 million of the city funds added to fund LINC in the out-years of the financial plan are the result of this state payment cap.

This Year: Shelter Costs Higher Than Expected. Despite the expansion of the rental assistance programs, the homeless shelter population has remained stubbornly high this year. This is largely due to a slower than anticipated start to the LINC rental assistance programs. While the city originally planned to use the rental assistance programs to move more than 6,000 households out of the shelter system this year, only around 1,500 have moved out thus far. Because most of the programs aid families, the majority of placements, about 900, have been families with children.

The family shelter census peaked in December 2014 with 14,415 households. While the family census has fallen modestly since December to an average daily census of 13,899 in April—likely the result of the initial housing placements—it still remains higher than at any point last year. The single-adult population has also continued to increase over the past year with the average daily census reaching a record 11,857 in April, although preliminary May shelter census numbers indicate there may be a small decline this month.

In order to cover the gap between the amounts budgeted and expected actual costs, the city added $32 million ($24 million in city funds) to the current shelter budget. Of the new funding for shelters, the majority ($20 million—all in city funds) is for adult shelters. A smaller share was added for family shelters, $12 million, of which $3.9 million are city funds (family shelter costs are split between the city, state, and federal governments). Along with these increases, the city also had to add $11 million starting next year to make up for a loss of federal funding for shelter costs. The new state budget includes a rule change, requiring New York City to cover 10 percent of the expense of Emergency Assistance to Families, a public assistance program used by the Department of Homeless Services (DHS) to cover short-term homeless stays.

Next Year: Fewer in Shelters, but More Funding Needed. Despite an increase in the number of rental assistance placements anticipated for next year, and the likely resulting declines in the shelter population, IBO estimates that shelter costs will still be $62 million higher than the city has currently budgeted for DHS. Most of the increase, $53 million, would be in city funds.

The family shelter population is expected to decline in the coming year—primarily due to rental placements and new prevention strategies—but still remain relatively high. DHS
currently has $535 million budgeted for family shelter in 2016. This is $65 million less than the city plans to spend this year. Even if all planned rental placements are made in 2016, IBO projects that family shelters will require an additional $16 million to cover operating costs in 2016 ($7.8 million in city funds, $2.6 million in state funds, and $5.7 million in federal funds).

Similarly, once the rental assistance programs are fully implemented, IBO expects the population of single adults in shelters to decline, although the drop will likely be less steep than that for families as fewer rental subsidies are targeted to single adults. Even accounting for rental assistance placements, IBO projects the adult shelter population to be higher, on average, next year than this year. This is due to the fact that the shelter population has grown steadily over the past year and will start off next year at a higher point than it did this year. The city currently has $336 million budgeted for DHS’s single adult shelters in 2016, $38 million less than the city plans to spend this year. IBO projects that the city will need to add $46 million (all city funds) to cover adult shelter costs in 2016.

**New Spending on Improving Shelter Conditions.** While the city has not increased the DHS budget in 2016 in line with recent census levels, it has put new money in place to improve social services, shelter conditions, and safety. Just over $16 million has been added into the 2016 budget and $27 million in the out-years for social workers to provide mental health counseling in DHS-contracted family shelters. Funding for these services comes from a mix of city, state, and federal sources. These social worker positions are funded at a ratio of one worker for every 25 residents. This is part of a larger initiative led by First Lady Chirlane McCray to improve mental health services across the city.

In response to the need to improve shelter conditions, the city has added $2.6 million in new funding this year and $9.8 million annually for 2016 and 2017 for maintenance and repair efforts. Another $7.5 million is planned each year for 2018 and 2019. These funds can either be directed to city-owned shelters or provided to contracted nonprofits and private landlords to pay for improvements. Shelter security also got a boost in funding, with $8.8 million added to the executive budget for each year, 2016 through 2019. Of this new funding, $3.6 million each year is allocated to single-adult shelters designated as high-risk.

Prepared by Sarah Stefanski

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**Shelter Costs Projected to Exceed 2016 Budget**

*Dollars in millions, projected 2016*

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**Source:** Mayor’s Office of Management and Budget

**Notes:** Shelter costs include operations, intake and placement, and administration and support. Costs include city, state, and federal funds. Totals may not sum due to rounding.

*New York City Independent Budget Office*