Reinstate Performance Incentive Program for Providers of Shelter for the Single Adult Homeless Population

Savings: $21 million annually

While the city has focused on measures to prevent homelessness and improve shelter conditions, the number of homeless households in city shelters remains high and the average length of stay in shelters continues to increase. This option would revive a model used in both the Giuliani and Bloomberg administrations where the city paid financial bonuses on top of existing operating contracts to shelter providers who helped their clients leave the shelter system. These bonuses were based upon metrics such as length of stay, rates of placement into permanent housing, and rates of households returning to shelter.

Under a new performance incentive program, high-performing providers of shelter for single adults would be granted bonus payments commensurate with any reduction in the average length of stay for their shelter residents compared with the prior year. Payments would only be made, however, if clients who exited a shelter do not return to the shelter system within a year. Such a performance incentive program would be expected to reduce the average length of stays and therefore reduce city shelter costs. There would be no reduction in payments for missing targets, a feature of past iterations of this program.

The average length of stay for single adults in shelter exceeds 13 months, and these shelters are almost entirely city-funded. If a performance incentive program yielded even a 5 percent reduction of care days, the city would save $21 million in annual shelter costs. This assumes that shelter savings are split 50/50 between the city and shelter provider, after accounting for a small number of clients who exit the shelter system but return to a shelter within a year. Shelter providers that serve special populations—such as mental health shelters—could be given modified goals that reflect the needs of those populations. The Department of Homeless Services client database already is set up to allow the agency to track these performance metrics.

If the incentive does not result in reduced shelter stays, the city is not financially worse off because no performance payments would have been paid. Similarly, shelter providers would not be worse off because they would continue to be paid at their contracted rates as they would in the absence of the program.

Proponents might argue that there is no payment difference between keeping one shelter resident there for a longer period versus multiple clients entering and exiting over the same period. Since intake and exit are the most labor-intensive parts of a homeless shelter stay and therefore the most costly, there is currently a financial disincentive to moving shelter residents out. Performance incentive payments provide a monetary motivation for shelter providers to reduce lengths of stay and help exiting clients remain stably housed outside of the shelter system.

Opponents might argue that shelter operators are currently paid at rates to cover the expenses of assisting homeless households to move into permanent housing; they should not need additional incentives to do a job they are already being compensated to do. Shelter providers that serve special needs or particularly difficult clients could potentially lose out on bonuses. The program could lead shelter providers to focus their rehousing efforts on the easier-to-place clients assigned to their shelters and reduce assistance to clients who are harder to place.

Prepared by Sarah Stefanski

Require Landlords of Rental Buildings To Obtain Operating Permits

Savings: $17 million annually

Under current law, owners of rental buildings with three or more apartments must annually register their contact information with the Department of Housing Preservation and Development (HPD) for a $13 fee. There is no relationship between registration and ensuring that a building meets health and safety standards under the city's housing maintenance code. It has been decades since the city routinely inspected apartment buildings. Generally, HPD only inspects apartments for violations of the city's housing code if a tenant complains.

This option would require landlords to obtain an annual permit to operate their buildings, modelled after the city's restaurant permitting requirement. The city of Toronto is implementing a similar program in an effort to spur better housing maintenance by building owners, particularly of lower rent housing. Under this option, landlords would be required to hold a permit for each of their buildings and to either be trained or have a managing agent or other employee trained and certified on the housing code. All buildings would be subject to an annual inspection, and, like restaurants, a posted grade rating.

To ensure access to a property, inspections would be scheduled with owners, who would facilitate inspection of common areas and building systems. Owners would also have to post notice of an upcoming inspection and tenants would have the option of having their individual apartments inspected.

The city would charge an annual fee based on a building's apartment count to obtain a permit, which would cover the annual inspection and training costs. The fee would be about $600 for a 24-unit building (using current inspection costs adjusted for the economies of scale created by performing many inspections in one building at once). Because of these routine inspections, complaint-based inspections would decrease, generating savings for the city. Most of the costs to perform a complaint-based inspection are borne by the city, not the landlord. If complaint-based inspections were to drop by half, the city would save $17 million annually.

Proponents might argue that permits are already required to operate a motor vehicle and to open a restaurant, tasks that, if done improperly, pose a public risk. Failure to maintain safe housing poses a similar risk. Permitting would help ensure landlords know health and safety laws. Landlords would also have an incentive to maintain their buildings properly to receive a good rating while also helping to meet the public policy goal of preserving housing, especially more affordable units. Posted grades would be an easy way to inform prospective tenants of building issues. Restaurant permitting does not appear to hurt the restaurant industry or dramatically increase prices—similar results could be expected for rental buildings.

Opponents might argue that the cost of obtaining a permit and possible increased civil penalties for housing code deficiencies would be passed on to renters. They also might argue that posting ratings publicly might create a stigma for the building's tenants, and that with rent-stabilized tenants often reluctant to give up a lease and limited vacancies at low and moderate rents, it is much harder to move than to choose a restaurant based upon rating information. Additionally, opponents might argue that responsible landlords with few or no housing code violations will now have to shoulder the cost of ensuring that less responsible landlords are maintaining their buildings properly.

Use Open-Source Software Instead of Licensed Software For Certain Applications

Savings: $29 million annually

Each year the city pays fees to maintain a variety of computer software licenses. Many open-source alternatives to traditional software packages are available at no cost for the software. Several cities have transitioned to using open-source software for such functions. For example, Munich, Germany switched from Microsoft to use the open-source systems of Linux and LibreOffice, creating its own "LiMux" system. Under this option the city would reduce its use of licensed software by switching to open-source software. In February 2016, a hearing was held on legislation introduced in the City Council that would require the city to minimize its contracts for licensed software in favor of open-source software.

Initially, the city would need to invest funds to hire developers to create and install the programs, as well as new applications for specialized city programs that would be compatible with the new systems. Staff would need retraining, though some of these costs would be offset by reducing current spending on training for existing software. In recent years, the city has spent an average of $29 million to maintain its Microsoft licenses, which includes email, server technology, and desktop programs for city employees. If the city were to switch from Microsoft to open-source software and reduce what it is now spending on licenses by one-third as it developed the new programs, the initial savings would be around $10 million. In several years, as the city completed the development of its open-source system, the savings could increase to the full cost of the Microsoft licenses.

The city also pays for licenses for other software programs that it uses on a smaller scale, which might be more easily transitioned to open-source software, although city savings would also be much less. For example, many city agencies have individual licenses for analytical software such as SAS and ArcGIS, software that has open-source alternatives such as R and QGIS that could instead be adopted. A city agency with 25 licenses for licensed analytical packages would spend about $32,000 a year to maintain the licenses. If 10 agencies of roughly that size switched from a commercial package to open-source, the city could achieve savings of about $320,000 per year.

Proponents might argue that open-source software has become comparable or superior to licensed software over time and would allow the city more technological flexibility and independence. Moreover, open-source software is constantly being improved by users, unlike improvements to licensed software that are often available through expensive updates. Switching to open-source software would become easier as more employees in other sectors learn to use the software prior to working for the city.

Opponents might argue that purchasing software from established companies provides the city with access to greater technical support. In addition, city workers have been trained and are experienced using licensed software. Finally, new software may not interact as well with the licensed software used by other government agencies or firms.