

BRIEFING PAPER

**Rental Assistance for Working Homeless New Yorkers:
A Cost-Effective Way to Reduce Shelter Capacity and Save Taxpayer Dollars**

As the homeless shelter census rises and the City prepares to close the second-largest homeless shelter in New York City, there is a unique opportunity to reduce shelter capacity and provide effective, proven housing assistance to hundreds of working homeless New Yorkers. An expansion of the City's *Temporary Rent Subsidies for the Homeless* program is a cost-effective way to help working homeless families and individuals move into private-market apartments, thereby freeing up expensive shelter capacity and avoiding the need to open new shelters.

Background: New York City's Homeless Shelter Census at a Twelve-Year High

As the *New York Times* reported on February 8, 2001, the homeless shelter census in New York City is at the highest point since the 1980s and continues to rise. Following are the highlights of the recent increase in homelessness in New York City:

- **Homeless Shelter Census Highest Since 1989:** This past December, New York City's homeless shelter population exceeded 25,000 people per night for the first time since March of 1989. The average daily census of homeless men, women, and children in the New York City municipal shelter system is at a twelve-year high.
- **Recent Increases in Homelessness:** Since January 1998, the homeless shelter census has increased by 20 percent, from 21,172 people per night to 25,529 people per night in January 2001.
- **Family Homelessness:** Homeless families with children comprise the fastest-growing segment of New York City's homeless shelter population. Compared to January 1998, there are over 1,000 more homeless families sleeping in shelters and welfare hotels each night (4,429 families in January 1998, compared to 5,553 per night in January 2001), an increase of 25 percent.
- **Longer Shelter Stays:** Shelter stays for homeless families have doubled over the past decade, from an average stay of five months (152 days) in 1990 to an average stay of ten months (298 days) in 2000.
- **Homeless Adults:** The number of homeless single adults in the municipal shelter system has increased by 7 percent over the past year, from 6,902 adults per night in January 2000 to 7,382 per night in January 2001.

Background: The City's Plan to Close the 30th Street Shelter and Open New Shelters for Homeless Families

In 1999 the Giuliani Administration announced plans to close the 30th Street Men's Shelter, an 850-bed facility located on Manhattan's East Side. In June 1999 the Department of Homeless Services (DHS) began seeking replacement beds, and in January 2000 the agency made public a proposed contract for a new 400-bed men's shelter to be located on Porter Avenue in the East Williamsburg section of Brooklyn. The unusual terms of the proposed contract and its enormous cost – \$176 million over 22 years – drew attention to the high cost of emergency shelter.

To date the Giuliani Administration has announced no additional plans for replacement beds, although it must still replace the remaining 450 beds due to be lost when the shelter closes. Nevertheless, according to DHS and the February 2001 interim *Mayor's Management Report*, the City still plans to close the 30th Street shelter in late 2001.

To address the rise in the number of homeless families residing in the shelter system, the Giuliani Administration's January 2001 financial plan seeks to expand shelter capacity at a cost of \$8.3 million in City Fiscal Year 2002 and \$12.9 million annually in subsequent fiscal years. As a result of these increases, the Giuliani Administration's financial plan forecasts that the total DHS agency budget will increase from \$480 million in the current fiscal year to \$491 million by CFY 2005. Since CFY 1994, when the DHS budget was \$424 million, the City's homeless services expenditures have increased by \$56 million, primarily due to the increased shelter census.

Rental Assistance: A Cost-Effective Strategy to Reduce Shelter Capacity

An expansion of the City's *Temporary Rent Subsidies for the Homeless* program is a cost-effective and proven way to address the rise in the homeless shelter population and the anticipated loss of shelter capacity presented by the planned closing of the 30th Street shelter. By providing effective housing assistance to working homeless households, the City will not have to expand shelter capacity for homeless families and open new shelters to replace the beds lost in the 30th Street closing.

The *Temporary Rent Subsidies for the Homeless* program is much more cost-effective than the expensive municipal shelter system.

- The cost of providing shelter to a homeless individual is nearly \$2,000 per month (\$23,000 per year), while the cost of providing shelter to a homeless family is \$3,000 per month (\$36,000 per year). In comparison, the cost of providing a rent subsidy and support services is \$642 per month (\$7,700 per year) for an individual, and \$742 per month (\$8,900 per year) for a family.
- The program provides a monthly rent subsidy of up to \$300 per individual or \$400 per family for up to two years to augment the participant's rent payment, allowing working households to rent available private apartments at market rents. The program also provides case management and job development services during the 24-month period that participants receive the rent subsidy. The support services are a crucial part of helping households successfully make the transition to self-sufficiency.

The *Temporary Rent Subsidies for the Homeless* program and programs like it are a proven success, and have helped hundreds of homeless households move from shelters to apartments. There are currently nine City-funded rental assistance programs citywide.

- From 1989 to 1998, the Coalition for the Homeless's pilot Rental Assistance Program assisted 346 households. Of a sample of 257 households monitored through April of 1998, a striking 98 percent had not returned to the shelter system.
- Another pilot Rental Assistance Program, operated by Brooklyn Community Housing and Services since 1998, has had similar success working with homeless single adults in Brooklyn.

- In City Fiscal Year 2000, after protracted negotiations, the Giuliani Administration agreed to a City Council proposal for a \$2 million program called ***Temporary Rent Subsidies for the Homeless***. This pilot effort assists 250 homeless families and individuals per year. Five homeless service providers were contracted to implement the rent subsidies program.
- In the budget for City Fiscal Year 2001, the City Council included a \$1.2 million expansion of the ***Temporary Rent Subsidies for the Homeless*** program. The expanded funding, which was awarded to three not-for-profit agencies, will assist an additional 150 households.

An expansion of the ***Temporary Rent Subsidies for the Homeless*** program will avoid the need to open new shelters for homeless families and to replace capacity lost due to the 30th Street shelter closing.

- Even when the proposed Porter Avenue shelter is completed, the City will still need to replace 450 beds from the 30th Street shelter, forcing it to open at least two new shelters. The City also plans annual increases of \$12.9 million to add new shelter capacity for rising numbers of homeless families.
- By expanding the rent subsidies program to serve a total of 1,500 homeless adults and 2,000 homeless families, there will be no need to open new shelters or replace lost beds. City shelter system data indicate a turnover rate of between 2.5 and 3.0 single adults per bed annually, and 2.1 families per shelter unit. By providing sufficient rental assistance to reflect this turnover rate, shelter capacity can be reduced at a savings to taxpayers.
- By expanding the rent subsidies program to assist an additional 1,200 single adults, the City will not have to open new men's shelters with 450 beds, and will generate savings from the closing of the 30th Street shelter. And by expanding the program to assist an additional 1,900 families, the City can not only avoid opening new shelters, but can actually reduce family shelter capacity to generate savings in shelter expenses.
- The cost of such an expansion of the ***Temporary Rent Subsidies for the Homeless*** program is \$26.15 million annually, for a total program budget of \$29.35 million. According to an analysis by the City Council, the City portion of the total budget would be \$11.5 million, with State and Federal resources funding the remainder of the program.

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*For more information, please contact Patrick Markee, Senior Policy Analyst,
at 212-964-5900 ext. 184.*