March 2015

Homeless Rental Assistance Increased But Impact on Shelter Uncertain

The de Blasio Administration increased spending on rental assistance programs aimed at reducing the city's record-high homeless shelter population in its Preliminary Financial Plan. With the additional funds, the city now projects it will be able to move 6,551 households into permanent housing this year. But funding for additional placements in future years is uncertain, and therefore the long-term impact of these programs on the city's homeless shelter population—and shelter costs—may be less than anticipated.

New Rental Programs Introduced. Three new rental assistance programs targeting homeless adults were added in the Mayor's Preliminary Financial Plan. The programs, which are budgeted to cost a total of $6.8 million this fiscal year and $18.5 million in 2016, are projected to move 2,600 households into permanent housing this year. The additional funds raise the total amount budgeted for rental assistance for the city's homeless to $30 million this year and $84 million in 2016. The city has also allocated funds for aftercare and case management services for households receiving the assistance, including $5 million this year and $14 million next year.

Two of the new rental assistance programs are part of the Living in Communities (LINC) initiative that the Mayor announced last May. The previously-introduced LINC programs (LINC I, LINC II, and LINC III), which began placing families in September, all target homeless families with children, specifically working families, families that have repeatedly entered the shelter system, and survivors of domestic violence, respectively.

Through the two new LINC programs, which began in December, the de Blasio administration projects it will place 1,100 senior citizens living in the city's single adult

or adult family shelter systems (LINC IV) into permanent housing this year, as well as another 1,000 working adults without children (LINC V).

In addition to the two new LINC programs, which are administered by the Human Resources Administration, the Preliminary Budget includes funding for a new, shorter-term rental assistance program administered by the Department of Homeless Services. This new program provides one year of rental assistance (compared with up to five years under LINC) through a fixed, $600-a-month subsidy (rental subsidies for the LINC programs are based on household size and income.) Although the city projects it will move 500 single adults out of shelter this year through the program, as of early March it had yet to be launched.

Each of the three new programs, however, is currently funded only for one cohort—meaning the city has only budgeted enough funds to pay for the initial 2,600 placements. Funds budgeted in upcoming years are allotted to provide continuing subsides to those households. In fact, only two of the LINC programs have funding for more than one cohort of recipients.

The city projects LINC I, which has received $40 million of state funds over four years in addition to city funding, will help 1,101 families move out of shelter this year with funding continuing for 1,101 additional families in subsequent years. The LINC II program is expected to help 950 families move out of shelter this year and an additional 670 move out next year. However, the funding for LINC II is contingent upon homeless shelter savings. According to state rules, the city may only use savings from reductions in the cost of homeless shelters to pay for the program. This rule has already proven problematic. The city initially projected that it would have $60 million a year to invest in
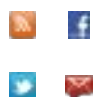
Most Rental Subsidy Programs Funded for Only One Cohort			
Rental Assistance Program	**Target Population**	**Projected Placements**	
		Fiscal Year 2015	**Fiscal Year 2016**
LINC I	Working Families	1,101	1,101
LINC II	Repeat and Long-term Stayers	950	670
LINC III	Domestic Violence Survivors	1,900	-
LINC IV	Senior Citizens	1,100	-
LINC V	Working Adults	1,000	-
Rental Assistance For Singles	Single Adults	500	-
Total Placements		**6,551**	**1,771**

SOURCES: New York City Department of Homeless Services; New York City Office of Management and Budget

New York City Independent Budget Office

the LINC II program, which included a mix of city, state, and federal funds. After a plan to cut shelter costs resulted in less savings than anticipated, however, in November the city reduced its savings estimate to $4 million this year and $16 million in 2016.

The Mayor recently requested that the state provide $32 million more this year and increasing amounts in future years to help pay for these and other rental assistance programs. It is unclear, however, if the state will provide the funding. The Governor's proposed budget did contain language that would cap the amount the state has historically charged the city for juvenile detention placements and allow the city to re-direct those funds into the LINC programs, but again this is still uncertain.

While the city expects to reach its placement targets for the year, the roll out of the programs has been slow. In fact, in November the city raised the rent limits for the LINC programs to make them more attractive to landlords. For example, the maximum rent for a family of three increased from $1,200 to $1,515 a month. The city is also currently offering bonuses to landlords and brokers who rent apartments through the LINC programs. As of late January, only 405 households had moved out of shelter through the five LINC rental assistance programs.

Impact on Homeless Shelter Census. Despite the addition of the new rental assistance programs, the homeless shelter census remains at a record high. During the first eight months of 2015 there were, on average, 13,946 families in shelter each day—13 percent more families than during the same period last year. There was a similar increase in single adults in shelter over the same period. During the first eight months of fiscal year 2015, on average 11,064 individuals were in adult shelter each day— 11 percent more than during the same period last year.

There were modest declines in the number of families in shelter in January and February of this year, which may be a result of the initial housing placements. The average number of families in shelters fell from 14,415 in December, 2014 to 14,156 in February, 2015. While the overall impact of the rental assistance programs on the shelter population will not be known until the programs are fully implemented, because so many of the programs are currently funded for only one cohort, the long term impacts may be relatively small. IBO estimates that shelter costs will be above what the city has budgeted in 2016 for both family and adult shelter. IBO's budget estimate also assumes that additional funds are necessary for adult shelter this year.

The city has budgeted $577 million for family shelter this year, $44 million more than it spent last year, which IBO estimates is adequate given current census levels and the anticipated housing placements. However, if funding is not added so that more families can be placed through the rental assistance programs next year, IBO projects that at least $50 million more than the $516 million the city has already budgeted would be necessary to cover shelter costs in 2016. Of the additional funds, IBO estimates $13 million would be city funds.

IBO's forecast of adult shelter costs exceeds the administration's, both for this year and next. Based on the current shelter census and the fact that the rental assistance programs targeting adults were not launched until halfway through the year, IBO estimates that adult shelter costs will reach $366 million by the end of 2015, nearly $10 million more (all city funds) than the city has budgeted. Without additional funds to provide rental assistance for another cohort of households next year, IBO estimates that adult shelter costs would reach $356 million in 2016, $19 million more than the city's current projection (all city funds).

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