

Can Another NY/NY Deal Deliver Housing for the Mentally Ill Homeless and City Savings?

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Rising Homelessness Threatens Higher City Costs

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With the number of homeless single adults in the city's shelters climbing, advocates for the homeless are calling for the expansion of the city-state initiative that created more than 3,600 units of housing with support services for formerly homeless mentally ill adults. The initiative, informally known as the NY/NY agreement, saves the city budget as much as \$4,300 annually for each person who moves from a shelter bed to a supportive housing unit. With an average of 7,661 single adults in the New York City shelter system each night in fiscal year 2002, homeless advocates are now urging the city and state to forge a new agreement to build thousands more of these units.

New York/New York. New York City and State have signed two agreements—NY/NY I and NY/NY II—to build and operate supportive housing. The city and state signed the first NY/NY agreement on August 22, 1990. The agreement originally called for the construction of 3,314 units by June 30, 1992. The city was to fund 1,426 units, with the remainder developed by the state. The agreement was amended in 1993 to add another 500 units through state-funded rent subsidies for existing private housing.

NY/NY Housing Units		
	Planned	Actual
NY/NY I		
City New Construction	1,426	1,423
State New Construction	1,888	1,689
New Construction Subtotal	3,314	3,112
City Rent Subsidies	-	3
State Rent Subsidies	-	500
Rent Subsidies Subtotal	-	503
Total, NY/NY I	3,314	3,615
NY/NY II		
City New Construction	500	NA
State New Construction	500	NA
Existing Units	500	-
Total, NY/NYII	1,500	
TOTAL	4,814	3,615

SOURCES: IBO; Corporation for Supportive Housing.

In reality, the NY/NY I agreement took quite a bit longer to complete than planned. The city finished building its units in May 1997, and the state brought its final units on line in October 1998. In total, the city and state added 3,615 units to the supply of housing for homeless mentally ill individuals.

The NY/NY II agreement was signed on October 27, 1999, and calls for the city and state to each build 500 units of

housing. Also under the agreement, an additional 500 units will be added from existing housing, 190 from the state, and 310 from the city. The city's portion includes some units started before the NY/NY II agreement was signed. The NY/NY II units were planned for

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completion by the end of fiscal year 2004, but it appears that this schedule will also change, and the city's units may not be completed until 2006, and the state's sometime after that.

City funding. The city has funded its half of the NY/NY initiatives through its existing Supportive Housing Loan Program, which is supported by federal HOME and Housing Opportunities for People with AIDS (HOPWA) grants and local capital budget dollars. Under this program the city provides 1 percent interest loans to nonprofit organizations building supportive housing. Because the tenants in these projects are very low income, however, the rents they can pay are generally not sufficient to cover repayment of the loans, so as long as the nonprofit agency running the building is providing permanent housing for the homeless, the city does not collect debt service. Sixty percent of the units financed with these loans must be reserved for homeless individuals referred from city Department of Homeless Services (DHS) shelters and service programs, while the other 40 percent may be rented either to homeless individuals or to other low-income adults.

The NY/NY agreements account for roughly one-quarter of all Supportive Housing Loan Program funds. From 1997-2001, the loan program has committed \$194.9 million in capital funds for supportive housing. Of this amount, \$37.9 million—\$17.9 million in city funds and \$20 million in federal dollars—went towards NY/NY units, mostly in 2001 as the city began implementing NY/NY II.

Most of the Supportive Housing Loan Program's funds have been used for creating other new housing units for homeless adults. Roughly \$156 million of the loan commitments from 1997-2001 were to programs besides NY/NY. More than half the funding—\$89.1 million—went to supportive housing for people with AIDS/HIV, largely because of the use of federal AIDS housing funds.

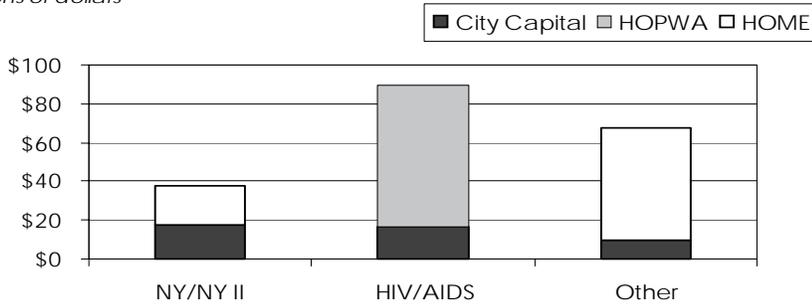
Less costly for the city. Although the city will not always be able to eliminate a shelter bed while a supportive housing unit is opened, the city and state target very long-term shelter users for NY/NY units. This means most of the residents of NY/NY housing would have been in the shelter system if not for their placement. By targeting long-term shelter users, building more supportive housing frees up beds for others, and may eventually reduce the need for shelter beds overall, thus saving the city money.

Recent research findings suggest that supportive housing may be cost-effective for severely mentally ill adults. According to a study published in *Housing Policy Debate*,¹ the annualized service consumption of a seriously mentally ill adult averages \$40,451 prior to a supportive housing placement. This total includes both city and state expenditures, such as shelter placements, psychiatric services, and jail and hospital beds. A supportive housing placement reduces service consumption, so the net cost of a housing unit is about \$995 per year more than simply providing emergency services.

Moreover, there may be net savings when looking at NY/NY housing from a strictly city budget perspective. The annualized capital cost of a unit built entirely with city capital funding (using no federal HOME funds) is about \$6,700. Adding the city's \$900 share of yearly operating costs for each apartment—most building expenses and social service costs are covered with state or federal funds—brings the annual cost to the city to about \$7,600. It costs about \$17,000 to provide a shelter bed for a single adult for a year. About half of that, or \$8,500, is paid for by the city. In other words, building a NY/NY unit with city capital funds saves the city about \$900 per bed per year. If a unit is funded with half city capital funds and half HOME money, the annual per unit city savings rises to about \$4,300. This does not count the purely state-funded units, for which the city bears no responsibility for capital costs.

Funding for Supportive Housing Loan Program, 1997-2001

Millions of dollars



SOURCES: IBO; Department of Housing Preservation and Development.
NOTE: HOPWA funds were last used for the loan program in 1999.

Other initiatives. The city and state have entered into another agreement—not part of the NY/NY programs—to build housing for "high need" individuals. In 1999 the state agreed to spend \$50 million statewide, \$40 million targeted to New York City, to develop supportive housing for mentally ill homeless adults. The city is required to match the state expenditures, and will do so through the city's Supportive Housing Loan Program. Unlike the NY/NY agreements, this plan does not specify the number of

units to be built, but HPD expects that the city and state will each build about 400 units in New York City.

The city has budgeted \$40 million over five years in the Supportive Housing Loan Program to cover its share of the construction costs for these new high-need units. The city also has added \$22.7 million to the loan program to pay for the development of supportive units not earmarked for individuals from the shelter system. Initial funding for these high-need units is included in the capital budget for 2002, but the city is planning to wrap up much of the work on the NY/NY II units before beginning construction on this initiative.

New NY/NY? Advocates for the homeless have begun lobbying for a NY/NY III agreement. Their platform calls for the construction of 7,500 units for single adults and 1,500 units for families with special needs, built over five years and divided evenly between the city and state. The advocates' proposed budget for the NY/NY III initiative assumes the

cost of an adult unit to be \$100,000, while family units are estimated to cost \$150,000. The total estimated cost is thus \$975 million—\$487.5 million each for the city and state.

The strategic plan released by DHS in June 2002 includes a wide range of new initiatives, including supportive housing proposals. Specific details—such as the number of units to be built, and how this construction will be funded—are not included. Instead, the plan sets dates by which the agency must develop these details. It remains to be seen how the Supportive Housing Loan Program and the NY/NY agreements will be affected; the target date for DHS to develop a housing program for chronically homeless adults is January 31, 2003.

Written by Molly Wasow Park

END NOTES

¹ Culhane, Dennis, Stephen Metraux, and Trevor Hadley. "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing." *Housing Policy Debate*, v. 13, issue 1, 2002: 107.

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