

## **Funding the Solution to Homelessness: An Analysis of the New York/New York III Agreement**

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On November 7, 2005, Mayor Michael R. Bloomberg and Governor George Pataki announced a historic, ten-year agreement to create 9,000 new units of supportive housing for homeless or at-risk and disabled New Yorkers. Called the New York/New York III Supportive Housing Agreement, this initiative will build on the success of two previous City-State collaborations that created thousands of housing units for homeless individuals with mental illness. The NY/NY III Agreement will expand the population to be housed to include chronically homeless and at-risk families, as well as youth exiting foster care and psychiatric hospitals, and individuals living with substance abuse, HIV/AIDS and other barriers to independent living.

All the units developed by the NY/NY III Agreement will be supportive housing<sup>i</sup> – affordable, permanent housing linked to supportive services that help people remain stably housed. This type of housing has proven to be the most humane and cost-effective way to house formerly homeless people and other populations. Under the Agreement, the City and the State will each fund half the cost of the capital development of the housing, and the State will fund the majority of the ongoing service and operating costs. Reflecting the diversity of needs with the populations to be served, five State and five City agencies are signatories to the Agreement.

### **Overview**

In the past 25 years, over 23,000 units of supportive housing in 350 projects have been developed in New York City. The Franciscan Friends of the Poor built the first residence for homeless adults living with mental illness, renovating a single-room-occupancy hotel in Manhattan as an alternative residence to the severely crowded shelter system. Many nonprofit organizations have since built upon this model, combining affordable rental housing with services, such as case management, substance abuse counseling, art therapy and job training. Supportive housing enables formerly homeless New Yorkers to live in the community with dignity and as much independence as possible. It has proven especially effective for those individuals and families who had been unable to break the cycle of entering in and out of emergency institutions, such as shelters, jails, psychiatric hospitals and various treatment programs.

The first New York/New York Agreement, signed in 1990, focused exclusively on housing single adults with mental illness. The program proved to be an undeniable success, adding over 3,300 new units to the city's affordable housing stock. In the years since, over 10,100 homeless men and women living with mental illness have been placed in housing built by the first NY/NY Agreement. These placements contributed to the dramatic 37 percent reduction in the adult shelter population between 1989 and 1994. The resounding success of the NY/NY Agreement led to a smaller, second agreement, for 1,500 units, just as the final units of the initiative were opening late 1998.

The investment in supportive housing has proven to be sound fiscal policy. Placement into supportive housing reduces people's use of expensive emergency services, such as shelters, emergency rooms and correctional facilities. A landmark 2001 study found that homeless individuals with mental illness who moved into NY/NY housing reduced their use of emergency services so much that the cost savings paid for all but \$1,000 of the annual cost of building, operating and providing services in the housing.

The cost savings may be even greater today. According to the Bloomberg administration’s 2004 report, *Uniting for Solutions Beyond Shelter*, the average cost for a bed in the New York City shelter system averages \$18,615 per year, or \$1,551 a month. For homeless people who cycle in and out of the hospital and prison systems in the city, the cost is even higher. An acute hospital bed costs \$18,250 to \$48,666 per month; a municipal jail cell costs \$3,406 per month. In contrast, a supportive housing unit with services costs as little as \$12,410 per year, or an average of \$1,034 a month. According to a recent report released by the City, there were 48,045 hospitalizations among homeless individuals between 2001 and 2003. With an average cost of \$1,185 per night<sup>ii</sup>, this emergency care cost taxpayers an estimated \$56.9 million. When homeless people with mental illness move into NY/NY housing, their use of acute hospitals, for both psychiatric and medical treatment, was found to drop from 8.25 days to just 1.65 days per person per year.

Despite the success of the first two agreements, homelessness in New York City has increased by approximately 50 percent in the last decade. Most of this increase has occurred among poor families caught between stagnant wages and fast-rising rents. But some of the increase is attributable to single adults with special needs. While disability entitlements lose buying power and are difficult to secure, rents for efficiency apartments have risen higher than those of other rental housing. Complicating matters, the individuals still in need of NY/NY housing often have multiple diagnoses and more complex barriers to independent living. Vacancy turnover in existing NY/NY housing has provided a resource to these new populations, but supportive housing production as a whole has not kept pace with demand. The NY/NY III Agreement will try to make up for lost time with its ambitious size and more specific targeting of its resources to chronically homeless individuals and families.

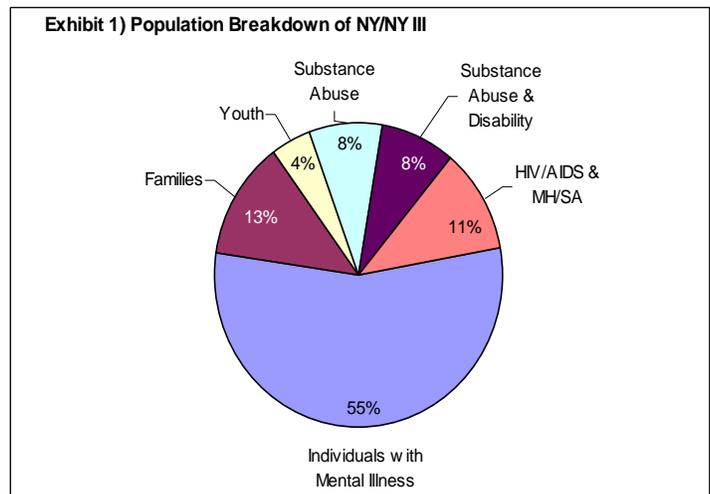
### Details of the Agreement

The first two New York/New York agreements created supportive housing specifically for individuals with mental illness. New York/New York III expands the population beyond those with mental illness to also include other at-risk and homeless populations with disabilities, such as: chronically homeless families; young adults, aged 18-24, exiting the foster care system and psychiatric centers; and individuals and families living with substance abuse and/or HIV/AIDS.

Almost all of the housing built by New York/New York III will be reserved for chronically homeless people. The Agreement

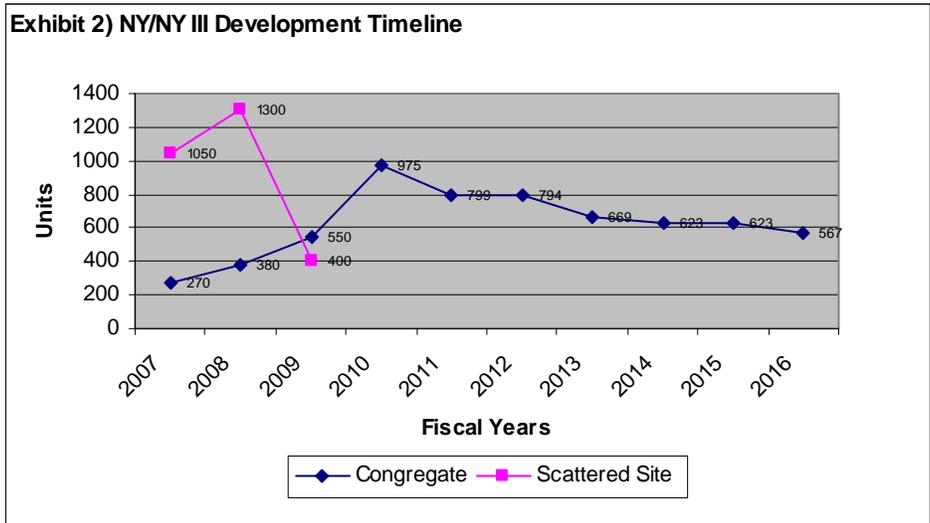
defines chronically homeless individuals as having spent at least two of the last four years on the streets or in a shelter, or, if a family or an individual living with a disability, 365 days homeless during the last two years. Approximately 1,400 units will be allocated to adults currently living in State psychiatric facilities and youth aging out of State facilities or foster care. At least 5,700 of the units will be for chronically homeless individuals, with an additional 1,150 of the units for families who are chronically homeless or at serious risk of chronic homelessness.<sup>iii</sup>

These 9,000 units, combined with 3,000 more in the City’s development pipeline, will increase the number of supportive housing units in New York City by over 50%, from 23,000 to 35,000. Under the Agreement, thirty percent (30%) of the New York/New York III supportive housing will be “scattered-site” rental housing vouchers used to rent individual apartments on the open market. Seventy percent



(70%) will be “congregate housing,” the capital rehabilitation or new development of a building or set of buildings specifically for the purpose of supportive housing.

The development timeline in the Agreement reflects the anticipated speed in which scattered-site and congregate housing can be made ready for occupancy. That is, most nonprofit agencies can rent up scattered-site apartments quickly after they have been awarded units through an RFP (Request for Proposal). Congregate housing funds are also awarded through an RFP process. But such projects require two to four years to go through the process of working with the agencies, community, and contractors to site and then construct their building(s). As shown in Exhibit 2, all 2,750 scattered-site units are scheduled to be released by 2010, while four years in there will only be 1,000, or 16%, of the congregate units open for occupancy.



While the overall split of congregate to scattered site housing is 70/30, the different subpopulations within the Agreement have different ratios. As shown

in Exhibit 3, 100% of the units for families and youth with serious and persistent mental illness (SPMI) will be in congregate housing, and nearly three quarters will be congregate for single adults with SPMI. Meanwhile, two thirds of the units for people living with substance abuse (SA) and half of the youth aging out of foster care will be scattered in apartments across the city.

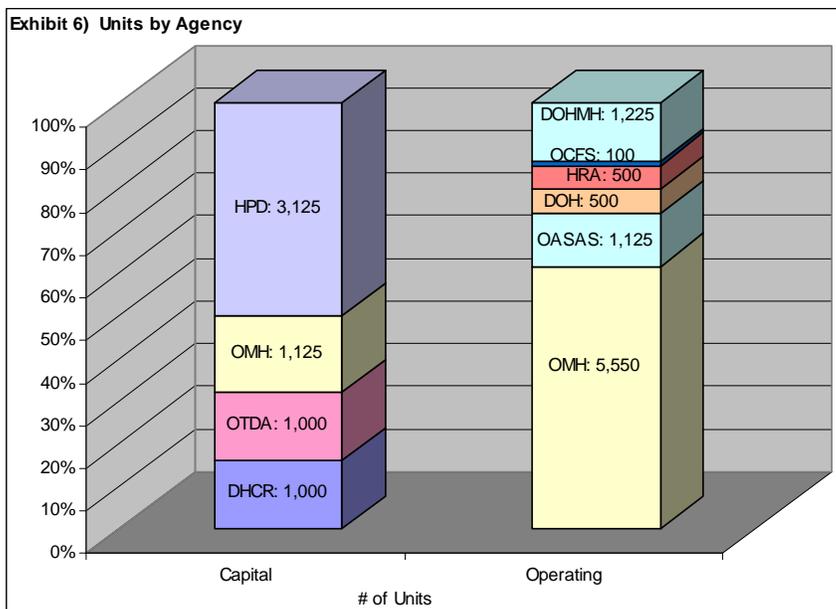
Population	Total Units	Congregate		Scattered Site	
		# units	% of total	# units	% of total
Individuals (SPMI)	4,950	3,700	74.7%	1,250	25.3%
Individuals (HIV/AIDS & SA &/or mental illness)	1,000	600	60.0%	400	40.0%
Individuals (SA with a medical or mental health condition)	750	250	33.3%	500	66.7%
Individuals (SA from treatment)	750	250	33.3%	500	66.7%
Youth (SPMI)	200	200	100.0%	-	0.0%
Youth (aging out of foster care)	200	100	50.0%	100	50.0%
Families (SPMI)	400	400	100.0%	-	0.0%
Families (with HIV/AIDS & mental illness or substance abuse)	<u>750</u>	<u>750</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>
<b>Total</b>	<b>9,000</b>	<b>6,250</b>	<b>69.4%</b>	<b>2,750</b>	<b>30.6%</b>

The overall capital development costs of NY/NY III are estimated at \$1 billion over 10 years. When all 9,000 units are up and running, OMH estimates that annual operating costs of NY/NY will be approximately \$156 million per year. According to the Agreement, the capital costs will be split evenly between the City and the State, leveraging additional resources through private equity and tax credits. The operating and service funding will be made available through the city and state agencies' budgets relative to the particular populations targeted in this Agreement. The \$156 million per year operating and service funding estimate gives an average per unit operating rate of \$17,333. However, the final rates will vary slightly above and below this figure. Using the information available, the Network calculates the following funding needs, per year of the Agreement.

<b>Exhibit 4) Estimated City/State Funding Need Per Year (in \$000s)</b>											
	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>	<b>Yr 4</b>	<b>Yr 5</b>	<b>Yr 6</b>	<b>Yr 7</b>	<b>Yr 8</b>	<b>Yr 9</b>	<b>Yr 10</b>	<b>Total</b>
<b>New York City</b>											
Capital	\$ 40.4	\$ 40.4	\$43.1	\$ 53.3	\$ 66.6	\$ 53.6	\$ 53.6	\$ 47.4	\$ 36.9	\$ 36.0	\$ 471.2
Operating	\$ 8.1	\$ 10.5	\$ 5.6	\$ 5.6	\$ 7.3	\$ 7.7	\$ 7.7	\$ 5.6	\$ 5.6	\$ 4.6	\$ 68.5
Baseline	\$ -	\$ 8.1	\$18.6	\$ 24.3	\$ 29.9	\$ 37.2	\$ 44.9	\$ 52.6	\$ 58.2	\$ 63.8	\$ 337.6
Subtotal	\$ 48.6	\$ 59.1	\$ 67.4	\$ 83.1	\$ 103.9	\$ 98.5	\$106.2	\$ 105.6	\$ 100.7	\$ 104.5	\$ 877.5
<b>New York State</b>											
Capital	\$ 13.5	\$ 20.3	\$ 42.4	\$ 89.6	\$ 52.5	\$ 53.6	\$ 53.6	\$ 47.4	\$ 36.9	\$ 36.0	\$ 445.6
Operating	\$ 14.7	\$ 18.6	\$ 10.8	\$ 11.3	\$ 6.5	\$ 7.7	\$ 6.4	\$ 5.6	\$ 5.6	\$ 4.6	\$ 91.9
Baseline	\$ -	\$ 14.7	\$33.4	\$ 44.2	\$ 55.5	\$ 62.0	\$ 69.7	\$ 76.1	\$ 81.7	\$ 87.3	\$ 524.6
Subtotal	\$ 28.2	\$ 53.6	\$ 86.6	\$ 145.1	\$ 114.5	\$ 123.2	\$129.6	\$ 129.0	\$ 124.1	\$ 127.9	\$1,061.9
<b>Total Estimate</b>	<b>\$ 76.8</b>	<b>\$112.7</b>	<b>\$ 154.0</b>	<b>\$ 228.2</b>	<b>\$ 218.3</b>	<b>\$ 221.7</b>	<b>\$235.8</b>	<b>\$ 234.6</b>	<b>\$ 224.8</b>	<b>\$ 232.4</b>	<b>\$1,939.4</b>

Although the Agreement splits the development of the units evenly between the City and the State, the State will be funding the majority (81%) of the operating and services for the 9,000 units. Furthermore, while the Agreement is the product of ten city and state agencies, most of the capital funding will flow through only four agencies, and the operating through six. In New York City, all of the capital will be provided by the Department of Housing Preservation and Development (HPD), but the operating will be funded through both the Department of Health and Mental Hygiene (DOHMH) and the HIV/AIDS Services Administration, under Human Resources Administration (HRA).

The three state agencies providing capital are the Office of Mental Health (OMH), Office of Temporary and Disability Assistance (OTDA), and the Division of Housing and Community Renewal (DHCR). OMH is also providing the majority of the operating funding, with additional funding coming from the Office of Children and Family Services (OCFS), Department of Health (DOH), and the Office of Alcoholism and Substance Abuse Services. Exhibit 6 gives the current breakdown by agency.



## Hopes & Challenges

The New York/New York III Agreement will stop the cycle of poverty and despair for thousands of New Yorkers with barriers to independent living. In itself, it will not end chronic homelessness, though it takes us one step closer to that goal. If it is implemented successfully, NY/NY III will help increase the city's affordable housing stock and the likelihood that individuals and families who need assistance to live independently will be able to move directly into supportive housing before they have to suffer homelessness, not after.

However, given its sheer magnitude and ambition, the New York/New York III Agreement faces a number of challenges to its successful implementation. In the short term the myriad of city and state government agencies involved must work to coordinate and streamline their application processes to make the process as open and accessible as possible, both to existing and new developers and providers. There will need to be active recruitment of new providers, with comprehensive training and materials disseminating best-practices. Provisions for on-going technical assistance will be necessary.

Importantly, the new chronically homeless populations to be served by NY/NY III may not fit old service delivery and operating models. The challenge will be to determine the best model(s) for these new, harder-to-serve populations. Already, some providers are contending with housing and serving new tenants with more extensive needs than ever before with inadequate funding for services. Their predicament is made more difficult by skyrocketing rents and a shrinking supply of appropriate apartments. Under New York/New York III, government and providers must face the issues of funding and siting. The supportive housing community must work together to improve and grow existing funding sources and/or establish new, more targeted and sustainable resources. Similarly, the supportive housing community must work together to ease the community siting process. By educating communities and harnessing local support, 9,000 of our most vulnerable New Yorkers can be integrated into the communities where they can stabilize and grow.

These are some of the most daunting of the challenges before us, but all are surmountable. By meeting these challenges, we can move one step closer to ending homelessness in New York City.

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<sup>i</sup> The Agreement generally calls for all units to be supportive housing but there is language stipulating the possibility of transitional housing.

<sup>ii</sup> [http://documents.csh.org/documents/ke/csh\\_lewin2004.PDF](http://documents.csh.org/documents/ke/csh_lewin2004.PDF); The Lewin Group, prepared for The Partnership for Ending Homelessness; *Costs of Serving Homeless Individuals in Nine Cities*; November 19, 2004

<sup>iii</sup> "Seriously at risk" is currently being defined by the City and State agencies involved in New York/New York III.