



**New York State Division of the Budget
Public Hearing Regarding State FY 2008-2009 Budget**

**Testimony of Ted Houghton, Executive Director,
Supportive Housing Network of New York
November 29, 2007**

Good afternoon. My name is Ted Houghton and I am the Executive Director of the Supportive Housing Network of New York. The Network represents 158 providers of supportive housing around the state. Thank you for this opportunity to testify.

Supportive Housing in New York State: Building on Success

Supportive housing – permanent, nonprofit-operated, affordable housing supported by on-site services – is the humane and cost-effective way to house low-income individuals and families who are homeless, disabled or otherwise in need of assistance to remain stably housed and as independent as possible. With a well-documented record of reducing people's use of expensive emergency services, New York's supportive housing has grown to more than 34,000 units statewide.

But approximately 35,000 additional supportive housing units are still needed to house New York's low-income, disabled people, including some percentage of the:

- 66,000 people in homeless sleeping in shelters each night statewide
- 6,000 homeless individuals living on the streets each night
- 11,000 State prison inmates with mental illness
- 12,000 adult home residents with mental illness and other disabilities in need of more integrated settings in response to the *Olmstead* decision
- 5,000 people in nursing homes who could live more independently with some support
- 1,500 youth aging out of foster care each year
- Uncounted numbers of disabled adult children living with aging parents.

The 2008-09 Executive Budget offers an opportunity for the administration of Governor Eliot Spitzer to build on and consolidate the success of the State's supportive housing efforts to date. With targeted investments and administrative improvements, the State can help move the poorest, most vulnerable New Yorkers into stable, supportive environments that will reduce their reliance on

expensive, publicly-funded emergency interventions, such as shelter, hospitalization, nursing homes and other institutional settings.

Supportive Housing Reduces Use of Expensive Emergency Services

Over 40 studies have proven that permanent supportive housing dramatically lowers impoverished disabled people's use, and the costs, of emergency services such as shelters, hospitals, psychiatric centers, prisons and jails:

- The first study of supportive housing's cost-effectiveness, by Dennis Culhane of the University of Pennsylvania in 2001, showed that homeless mentally ill individuals who moved into supportive housing created by the landmark NY/NY Agreement in New York City reduced their use of emergency services so much that the savings paid for all but \$995 of the annual cost of building, operating and providing services in each housing unit.
- The most recent cost-effectiveness study (published last month) showed that homeless people placed into supportive housing in Portland, Maine, reduced their usage of emergency services by one half, including: a 59% savings in health care costs, 41% savings in mental health care costs, 62% savings in emergency rooms costs, 62% savings in jails, 66% savings in ambulance costs, and 66% savings in police costs.
- Here in Albany, NY, the Addictions Care Center of Albany's Reilly House has helped 33 men in recovery from substance abuse move from public assistance to full employment, resulting in savings of over \$158,000, from an annual investment of \$28,800 – the amount of the group's SRO Support Services contract.
- Even as New York City's family shelter census breaks new records, the Department of Homeless Services' count of homeless individuals in the streets and shelters has gone down by 15% over the past two years, due largely to increased placements into permanent supportive housing. In July, DHS permanently closed the City's largest shelter for single adults for a savings of \$19 million per year.

All of these savings were achieved only after upfront investments were made in supportive housing. While State agencies are required this year to submit budgets that include "savings options that, at a minimum, would hold spending to a level no greater than current year spending," the long-term savings produced by supportive housing more than justifies the increased investment today.

The Supportive Housing Residence *is* the "Most Integrated Setting"

Expanding access to supportive housing will do more than reduce the costs of emergency and institutional care. It will also help the Spitzer administration achieve its stated goal of providing the "most integrated settings" possible for people with disabilities. This will greatly enhance these individuals' quality of life, while complying with the mandates of the *Olmstead* decision. Many of the goals of the Governor's Most Integrated Settings Coordinating Council (MISCC) can be accomplished by investing in the supportive housing programs outlined below, so that people can leave expensive and often inappropriate nursing homes, adult homes and other institutional care.

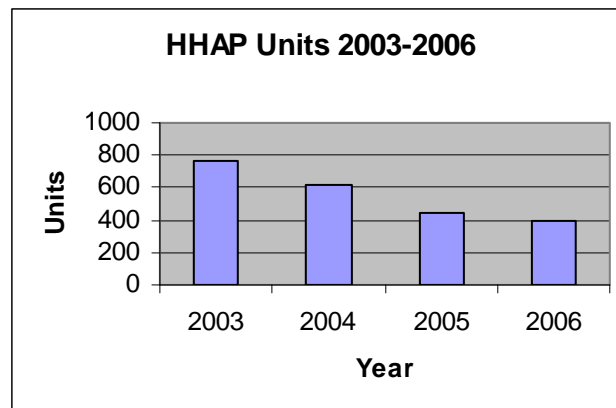
The following pages include recommendations for modest investments in new supportive housing programs, all of which will eventually result in an overall cost savings to the State, especially in Medicaid-funded emergency services.

Office of Temporary and Disability Assistance

EXPAND ACCESS TO SUPPORTIVE HOUSING:

Increase HHAP capital allocation from \$30 million to \$60 million

The Homeless Housing and Assistance Program (HHAP) provides capital funding to nonprofit providers to build supportive housing. For most of the last decade, HHAP has been funded at \$30 million annually. As a result, the number of units produced each year has declined dramatically, from almost 800 units in 2003 to under 400 in 2006.



Steady increases in the number of homeless people statewide have in turn increased the demand for HHAP funding. In the 2006-2007 funding round, which is currently pending, there were \$80 million worth of requests for the \$30 million allocated, of which \$65 million scored well enough to be funded. With construction costs skyrocketing, a significant adjustment to the base funding level of HHAP is long overdue.

ENSURE EFFECTIVENESS:

Increase Supported Housing for Families and Young Adults (SHFYA) \$1.5 million

The number of homeless families is skyrocketing across the state, but the \$5 million SHFYA program funds services for only 1,332 households. Even for these families, funding is limited to \$3,300 per year per household – a rate inadequate to the needs of the multiply-disadvantaged homeless families being served by the program (by comparison, NY/NY III providers receive over \$20,000 per year per household). If SHFYA is to be the state's primary vehicle for addressing the housing needs of homeless families and young adults, then the program rates must be enhanced.

Increase SRO Support Services from \$19.8 million to \$22 million

The SRO Support Subsidy reimbursement rate was increased last year, the only increase in nearly 10 years. Providers in other systems that serve similar populations have recently received a 3% COLA every year for three years. An additional \$550,000 applied to the SRO Support subsidy would make up for recent years' losses as a result of stagnant funding over many years. The remainder of the increase would cover new units coming on line in the upcoming budget year. In New York City, this amount is \$880,000, and in the rest of the state it is \$570,000. The total increase for the SRO Support Subsidy program would be \$2.2 million.

Office of Mental Health

EXPAND ACCESS:

Allocate an additional \$50 million to OMH capital housing development

Authorize an additional 1,500 Supported Housing rent and service subsidies

The New York State Office of Mental Health is an efficient funder of nonprofit developers building and operating supportive housing. Recent and pending administrative and legal changes will position OMH to fund the construction of units fully integrated with other affordable housing tenants. Capital construction at OMH is funded by the issuance of tax-exempt bonds and as-of-right 4% federal tax credits that would not otherwise be put to use. In addition, rent and service subsidies funded through OMH's Supported Housing program can provide individuals with mental illness immediate access to market-rate housing, and also fund the operating and service costs of affordable housing developed under other City, State and federal programs. These investments will ultimately realize significant savings as populations are reduced in expensive psychiatric centers and Medicaid-funded nursing homes.

ENSURE EFFECTIVENESS:

Eliminate the rate disparity of NY/NY I Providers

The first New York/New York Agreement created over 3,000 new units of supportive housing. The current reimbursement rate to NY/NY I providers for services and operations is an average of \$9,380 per unit per year. This is less than 60% of the \$15,888 annual rate established for similar services funded through the more recent NY/NY III Agreement. New York City HPD has assisted many NY/NY I providers supplement the now inadequate service and operating rates with Section 8 rental vouchers. But this option is not available to all residences and Section 8 vouchers are in short supply – a few hundred units require additional assistance. This situation has been made more untenable because NY/NY I residences are now accepting the more service-intensive chronically homeless referrals housed under NY/NY III.

Eliminating the rate disparity is essential to ensuring the continued effectiveness and safety of NY/NY I residences and their neighborhoods as they take on this more challenging, multiply-disabled population. It will also eliminate the temptation to convert long-standing NY/NY I residences into affordable housing serving non-priority populations.

| Initiative | Average annual rate for services |
|------------|----------------------------------------|
| NY/NY I | \$9,380 |
| NY/NY II | \$12,732 |
| NY/NY III | \$14,888 |

Office of Alcoholism and Substance Abuse Services

EXPAND ACCESS:

Pilot Program for Housing-Based Services: \$2 million

More than half of supportive housing residents have histories of substance abuse, including many with dual diagnoses. But supportive housing providers have historically provided supports to people in recovery with no OASAS funding. At the same time, thousands of people leave in-patient rehabilitation each year to unsupported living situations, sharply increasing relapse rates. According to OASAS's own data, this has added millions to the cost of detox programs, as a small cohort of heavy users use detox as a substitute for housing.

Such a program should include basic supportive services, case management, and most importantly, vocational training so that people in recovery can quickly reintegrate into the world of work. A pilot initiative can ensure that OASAS' most challenging (and expensive) clients will for the first time gain access to housing developed by DHCR, HFA, and OTDA's HHAP.

Division of Housing and Community Renewal

EXPAND ACCESS:

Increase Capital Housing Development Programs by at least \$100 million

New York State's core housing development programs (Housing Trust Fund, Affordable Housing Corporation and ancillary funding streams) were created in the 1980s. Funding for these programs has remained largely flat since that time. As a result, they have created fewer and fewer units each year. At the time of their creation, this was an aggressive investment. In today's dollars and real estate market, these investments are modest at best.

New York State's housing crisis is well documented. There is a tremendous need to increase the investment in capital construction in all regions of the state. Such an investment will also allow DHCR to continue to expand the amount of supportive housing it develops as a component of integrated affordable housing developments. It would allow a more effective and efficient use of the State's tax-exempt bond volume cap for affordable housing. An investment of capital for housing construction provides immediate boosts for local economies and construction and permanent jobs are created. While a more substantial investment is needed, increasing DHCR's capital budget for these programs by \$100 million would be an important first step in 2008-2009.

Housing Finance Agency

EXPAND ACCESS:

Create a new "Housing Trust Fund" with a dedicated revenue source

In recent years, HFA has used tax-exempt bonds and 4% as-of-right tax credits primarily for the development of market rate housing in Manhattan. Under Governor Spitzer, HFA is returning to its original mission of creating housing affordable to people of low incomes, including supportive housing for people with special needs. To finance housing for people of

lower incomes, HFA must secure capital subsidy dollars to use in combination with the bonds. A permanent Housing Trust Fund with a dedicated revenue stream, such as the Mortgage Insurance Fund, real estate transfer tax, SONYMA & HFA excess reserves, or other sources would provide HFA with the flexibility and resources necessary to use tax exempt bonds as effectively as possible to create affordable housing for those most in need. A State housing trust fund could also provide the matching funds necessary for New York State to use funding from the proposed national housing trust fund.

All Agencies

FACILITATE DEVELOPMENT:

The recent increases in the past two years in supportive housing development at OMH has over-extended a development staff working at half of its strength of just a few years ago. Additional service contracts and development at OTDA have also burdened contract management and legal staff too small to handle the increased activities. Lack of a handful of key line staff threatens to slow the development process, especially in light of the more complicated blending of funding streams. Additional program and legal staff is needed in these agencies to meet this aggressive development schedule.

Once again, on behalf of the members of the Supportive Housing Network, I thank you for taking the time to hold these hearings and reach out into communities around the state to generate input about the budget. We hope to see the priorities I have discussed reflected in the Executive Budget in January.

Thank you.