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**Corporation for Supportive Housing
Testimony before State Division of Budget on Housing Policy
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The Corporation for Supportive Housing (CSH) is pleased to submit this written statement to this Public Hearing in Preparation for the 2008-2009 Budget. This testimony focuses specifically on the State Budget's impact on supportive housing—permanent affordable housing with services for people who are homeless, institutionalized, or involved in public services.

About the Corporation for Supportive Housing

The Corporation for Supportive Housing (CSH) is a national non-profit organization established in 1991 whose mission is to help communities create permanent housing with services to prevent and end homelessness. CSH strives for a day when homelessness is no longer a routine occurrence and supportive housing is an accepted, understood, and easy-to-develop response. Working with state and local governments and non-profit providers in fourteen jurisdictions across the country, CSH will help communities create 150,000 units of supportive housing during the next decade.

We advance our mission by: a) providing development expertise and financial assistance (loans and grants) to non-profit supportive housing sponsors; b) developing and testing new models and innovations to extend supportive housing's quality and reach; c) strengthening the supportive housing industry through training, technical assistance, and capacity building; and d) by designing and informing public policy to improve and align the public systems that help fund and impact supportive housing.

Since 1991, CSH has worked in New York State to:

- Raise over \$221 million from foundations, corporations, and through government contracts for use in expanding supportive housing nationwide, and has leveraged over \$1 billion in federal, state, and local public and private sector financing for capital, operating, and service dollars.
- Commit nearly \$124 million in loans and grants to support the creation of 16,329 units of supportive housing that are now operational, with an additional 10,557 units in the pipeline now. The units in operation have ended homelessness for at least 21,000 adults and children.
- Maintain state-of-the-art information on a wide array of supportive housing issues, and responds to hundreds of requests from throughout the US.
- Train thousands of people to develop, manage, and operate supportive housing.
- Reshape public policies and public systems to improve the nation's response to long-term homelessness.
- Help supportive housing advocates speak out—and be heard—on behalf of increased government investments in supportive housing.

Supportive Housing: a Cost-Effective Alternative to Homelessness and the High Cost Use of Public Systems

Supportive housing is a model of affordable housing designed to provide stable and healthy homes to formerly homeless and people with special needs and chronic health challenges, and to help them achieve stability, live with dignity, and maximize their independence. Through a combination of deep subsidies and integrated supportive services, supportive housing gives housing to people once thought un-houseable: people with long histories of homelessness who face persistent obstacles to maintaining housing, such as a serious mental illness, a substance use disorder, or a chronic medical problem such as HIV/AIDS. As compared with other very low-income people, this group disproportionately uses shelters, emergency health care, and public mental health services. They often cycle rapidly through various public institutions – shelters, jails, emergency rooms, and inpatient hospitals – at great cost to taxpayers.

Numerous studies have shown that supportive housing is a proven and cost-effective solution to homelessness and the high cost use of emergency public systems. Among the most widely known of these studies is Culhane and colleagues' evaluation (2002) of the New York/New York Initiative. In this study, the researchers found that supportive housing was attributable with decreases in use of homeless shelters, inpatient hospitals, emergency rooms, and jails and prisons among supportive housing tenants as compared with a matched comparison group. These reductions in service utilization resulted in an annualized savings of \$16,282 per unit, which if reinvested would offset 95% of the cost of providing supportive housing. Table 1 shows the savings generated by NY/NY housing for each system. As illustrated, the biggest savings were due to reductions in inpatient psychiatric hospitalizations, which resulted in an annualized savings of \$8,260 per unit. Large savings were also generated as a result of reductions in shelter use and inpatient Medicaid services. Costs of Medicaid outpatient services actually went up, presumably as a result of tenants getting better access to appropriate primary and preventative health care.¹

Table 1: Cost Savings in the NY/NY Supportive Housing Initiative

Service	Annualized Savings Per NY/NY Unit
DHS Shelter System	\$3,779
OMH Hospital	\$8,260
HHC Hospital	\$1,771
Medicaid – Inpatient	\$3,787
Medicaid – Outpatient	- \$2,657
VA Hospital	\$595
NYS Prison	\$418
NYC Jail	\$382
TOTAL	\$16,282

New York State Leads the Nation in Supportive Housing Policy and Development

The State of New York can boast that it is both the birthplace of, as well as the national leading public investor in supportive housing. The first supportive housing project was

established in 1980, a project known St. Francis Assisi Friends of the Poor, founded and operated by two Franciscan Friars, Fr. John McVeen and Fr. John Felice. In 1991, the innovativeness of this idea of integrating permanent affordable housing with case management, counseling, and rehabilitative services became state policy with the establishment of the New York/New York Agreement to House the Homeless Mentally Ill, which created 3,615 units of supportive housing. CSH was founded in the same year both to assist the State and City of New York to implement this Agreement, as well as to take New York's idea national.

In the decade and a half that followed, the State of New York continued to increase its commitment to supportive housing, launching a Second New York/New York Agreement in 1999, and a pair of similar Agreements, known as the High Service Needs Agreements I and II in 2000 and 2003, respectively. Altogether, these agreements created 6,715 units of housing for persons with mental illness who were either homeless or leaving state psychiatric institutions.

In addition, New York has maintained steady or growing investments in several funding streams that help create supportive housing. New York State Office of Temporary and Disability Assistance's (OTDA) Homeless Housing Assistance Program (HHAP) has remained an effective vehicle for financing supportive housing statewide, and has been funded at steady baseline of \$30 to 40 million for the past several years. In addition, OTDA's SRO Support Subsidy, funded at a current baseline of \$19.8 million, provides an important foundation of funding for supportive services for thousands of supportive housing units. In 2002, New York State filled a significant gap in supportive housing needs by creating the Supportive Housing for Families and Young Adults (SHFYA) funding stream for services in projects that serve homeless families and transition-age young adults. In 2006, SHFYA was expanded from a baseline of \$2 million to \$5 million.

In 2005, New York affirmed its belief in the effectiveness of supportive housing by enacting the New York/New York III Agreement (NY/NY III) to create 9,000 units of supportive housing. With a \$1 billion investment of capital and \$150 million in annual operating and services funding when fully implemented, NY/NY III represents the largest investment in the country and historically by any State and local jurisdiction in supportive housing. It is also one of the most impressive examples of interagency and intergovernmental collaboration, involving a partnership between the Governor and Mayor along with five State and five City agencies.

NY/NY III also extends the reach of this effective policy vehicle for financing the creation of supportive housing to reach new homeless sub-populations. Whereas previous agreements were targeted at the homeless mentally ill, NY/NY III includes specific units for homeless families headed by people with chronic health challenges, young adults aging out of foster care or the state children's psychiatric system, as well as homeless persons with substance use issues alone. Moreover, NY/NY III bespeaks the State and City's belief in supportive housing's ability to solve public problems. By prioritizing those singles and families who are the longest-term homeless, NY/NY III is intended and designed to end or significantly reduce homelessness in New York City.

Build on New York's Success by Expanding Investment in Supportive Housing

To continue and build on New York's success as the national leader in supportive housing, the Spitzer Administration should increase their investments in the key funding programs that help create supportive housing:

- Increase HHAP capital allocation from \$30 million to \$60 million
- Allocate an additional \$50 million to OMH capital housing development and authorize additional operating and services funding for 1,500 Supported Housing beds
- Increase Supportive Housing for Families and Young Adults (SHFYA) from \$5 million to \$6.5 million
- Increase SRO Support Subsidy from \$19.8 million to \$22 million

By Extending Supportive Housing's Reach to High Cost Users of Public Systems, New York Can Offset its Projected Budget Deficit

Increasing investments of any kind may seem challenging to consider in the face of a projected \$4.3 billion budget deficit. However, investing in supportive housing takes on a different calculus when it is recognized that supportive housing can actually help decrease the State's projected deficit. As discussed earlier, traditional supportive housing, targeted at the average homeless individual with mental illness, is already a cost-effective solution, and essentially pays for itself by decreasing homeless people's use of costly emergency public services.

The Spitzer Administration can take supportive housing's ability to reduce costs even further by investing in supportive housing that is deliberately targeted at people who are the highest users of costly public systems: Medicaid-funded detox services, emergency rooms and inpatient hospital wards, psychiatric hospitals, jails, and prisons.

The Spitzer Administration has already identified these high users of emergency public services as one of their high priority policy problems:

- A study by John Billings of NYU's Wagner School found that 20% of Medicaid patients actually use of 76.2% of New York's \$3.0 billion in annual Medicaid expenditures
- The NYS Office of Alcohol and Substance Abuse Services found that during FY04-05, more than 1,600 individuals had five or more episodes of hospital detox, a service that costs approximately \$10,000 per visit. The average number of detox episodes for these 1,600 individuals was 9.7.

These individuals—often referred to as “frequent flyers,” “high users,” or “revolving door” clients—are typically homeless, transient, and have complex health and behavioral health issues. They typically use services in a chaotic and piecemeal fashion—not the way that services were intended—and at no long-term benefit to themselves. It is a classic problem of a few challenging cases using up a disproportionate amount of resources, time, attention, and the patience of front-line social service workers. Solving the State's problem of these high users could be a huge part of the answer to the projected budget deficit.

While there are currently efforts and proposals underway within the Administration's agencies, these efforts tend to look at the problem from each of their own agency perspectives and using only the kinds of solutions and strategies available to each specific

agency. Moreover, we tend to look at these individuals as if they were separate and distinct individuals, when in fact these are the same individuals that cycling in and out of multiple systems through the course of their lives.

What is needed to address the problem of these high users is a comprehensive solution, one that addresses at once, their homelessness, their lack of a medical home and comprehensive care coordination, and the underlying service needs that lead to their persistent cycling and high use of services. What is needed is permanent Supportive Housing, which is designed precisely to address all of these needs at once.

CSH decided to test this idea that supportive housing can break the cycle of emergency public system use especially among the subset of high users that tend to wind up in correctional settings. The New York City Frequent Users of Jail and Shelter Initiative is a pilot program that we launched in partnership with the New York City Department of Homeless Services and Department of Correction. The Frequent Users Initiative is a concrete example of how supportive housing, coupled with enhanced services, can break this cycle, even amongst a group known to be high users of multiple systems, and how government can work collaboratively and effectively to create this cost-effective resource to solve public problems and reduce crime.

This initiative identified individuals who have a minimum of four jail and four shelter stays over the past five years. Fifty Section 8 vouchers were provided by the New York City Housing Authority, and 50 units within supportive housing buildings financed by OMH and the City Department of Housing Preservation and Development were provided to help make available 100 units of supportive housing for these frequent users. Eight different community-based providers are working to place 100 individuals into supportive housing settings, and provide intensive wrap-around support services to address their health and mental health needs and increase their housing stability. To help these individuals achieve stability, the program layered on a one-time \$6,500 service enhancement—the Frequent User Service Enhancement (FUSE), funded by the JEHT Foundation—during the first year that these individuals were housed to fund in-reach into jails and shelters and up-front intensive supports.

Preliminary outcomes from the evaluation being conducted by John Jay College Research and Evaluation Center show promising results. Of the 73 FUSE clients examined in the preliminary evaluation, 67 of 73 (92%) remain housed. 99% avoided shelter use after placement and 85% avoided any return to jail. When contrasted with a matched comparison group over a six-month timeframe after placement, FUSE participants reduced days spent in shelter by a 99%, while the comparison group reduced shelter utilization by only 57%. The jail numbers are even more striking. The FUSE group reduced days spent incarcerated by 57%, while the comparison group increased by 39%, a relative difference of 91%. All of these differences are statistically significant.

When costs are added to these reductions in jail and shelter use, we find that FUSE is not only cost-effective, it actually results in savings. For every \$6,500 that is invested above and beyond supportive housing's typical funding, the City saves \$14,126 over two years. In other words, the City gets more than a \$2 return on every dollar that is spent. That does not even

take into account the savings that we know the program has achieved in health and Medicaid-funded services.

Based on these promising results, DOC, DHS, have funded a continuation of the program on a scale of 50 units, which will be supplemented by foundation support for a total expansion of between 75 and 100 units. Placements will begin in January of 2008, but with the most recent data match showing 1,143 frequent users currently in the system, it is clear that the need far exceeds available resources.

Enact a City-State Supportive Housing Agreement to Reach High Cost Users of Public Systems including Corrections

The Frequent Users of Jail and Shelter Initiative provides a concrete example of how supportive housing can break a costly cycle of emergency public system use, and in particular, how the housing agencies can work with social services agencies to not only solve homelessness and increase public safety, but also help make an impact on the budget deficit.

Given this tested idea that supportive housing for high cost users of public systems can help reduce the State's projected deficit, the next question is how we can take this to scale to meet the needs of the full subset of individuals who are experiencing this and other institutional circuits of homelessness, incarceration, and public system use.

The beauty of supportive housing initiatives such as the Frequent Users Initiative is that they, by necessity, require interagency collaboration and public-private partnerships. They require capital funding from housing finance agencies, services funding from service agencies, rental assistance from housing authorities, and the direct service and know-how of community based providers. They can be "jump-started" through partnerships with foundations like the JEHT Foundation, whose investment helps "prime the pump" to reinvest public dollars.

The NY/NY III Agreement is the latest example of how City and State agencies worked together to invest in the large-scale production of supportive housing. It demonstrates a belief that supportive housing is a primary vehicle for ending long-term homelessness and institutionalization. While both the City and State intended that the scope of NY/NY III include high users, including those involved in the criminal justice system, this main focus of this agreement is on chronically street or sheltered homeless persons, and the resulting eligibility definition therefore tends not to include individuals whose chronic homelessness is experienced as an institutional circuit including prisons and jails.

We urge the Spitzer Administration to invest in the creation of supportive housing for high cost users of public services. In particular, we believe that there is growing interest and momentum around the subset of high users with chronic health and mental health challenges who are involved in the criminal justice system, who cycle in and out of local jails, as well as who are discharged from prison to homelessness and who repeatedly violate the terms of their parole release and return to prison. These individuals represent not only high costs in terms of service use, but also problems of public management and public safety. Investing in a new supportive housing initiative for these high cost users of corrections and other public systems would therefore reduce homelessness, increase public safety, improve

the health and well-being of New Yorkers, and also help mitigate the State's projected deficit.

We are talking about this at a hearing about Housing because like so many policy problems, the solution often lies not in the obvious places. The premise of supportive housing is that housing is the foundation upon which services are delivered and people are made more stable and productive citizens and communities are made safer and healthier. Similarly, the first step to solving the State's problem of high costs users is by investing in affordable housing capital set-aside for the express purpose of breaking the cycle for high cost users, designed to be integrated with supportive services. In so doing, such an investment in capital can help leverage services and operating funding from other agencies.

We believe that a 500-unit supportive housing initiative targeted at high users of corrections and other public systems would require an investment in \$70 million in capital along with \$7.5 million in annual operating and services costs. This investment would create 350 units within supportive housing developments, and 150 units in scattered-site apartments rented by non-profits off the private rental market.

This \$70 million capital investment could come from an expansion of the State's Homeless Housing Assistance Program, along with an increase in the State Office of Mental Health's capital budget, and would be spent down over five years. In addition, the Spitzer Administration should invest \$7.5 million in operating and services funding, of which \$5.25 million would be paired with capital and \$2.25 million would stand alone. An initial investment in this fiscal year's budget of \$1.125 million in services and operating funding would result in the creation of 75 units of supportive housing for high-cost users of corrections and other public systems.

In sum, a commitment of \$70 million in housing capital along with an initial investment of \$1.125 million would serve as the "down payment" on the State's solution to the problem of high-cost users and the projected budget deficit.

We respectfully urge that the New York State Division of the Budget build on New York's history of leadership in the area of supportive housing to make a strategic investment in the creation of supportive housing, a proven solution to the co-occurring crises of homelessness, re-entry, and the high cost use of multiple public services in New York.

We are providing folders that provide more information on the populations and initiatives that we have discussed today, and hope that you find them useful in guiding your work in formulating an integrated strategy for successful re-entry. CSH is available to provide further information at your request. Please do not hesitate to contact Richard Cho, Associate Director, at (212) 986-2966 ext. 249 at any time. Thank you very much.