



BLOG | HOUSING

4 Fast FHEPS Facts

May 8, 2023

New York City is unique among its peers both for having a right to shelter and for running some of the country's largest locally-funded rental assistance programs. Each year, the City provides financial assistance to thousands of households to help those who are homeless, at-risk of homelessness, or exiting shelter find and pay for permanent housing.

The cost of these rental assistance programs—including rental housing vouchers, one-time assistance, and placement in NYCHA housing—has increased immensely, from \$16 million in fiscal year 2015, when the City re-instituted its rental assistance programs, to an anticipated \$636 million in fiscal year 2023. While there have been different rental assistance programs in recent years, in fiscal year 2022, more than 80 percent of placements were supported by City Family Homelessness and Eviction Prevention Supplement (CityFHEPS) rental assistance vouchers.¹

The City budget does not include the current cost of these programs beyond fiscal year 2023. This fiscal cliff is significant, nearly \$450 million in fiscal year 2024, and is likely to grow as rents increase and if the City provides more vouchers to households in homeless shelters or at-risk of homelessness.

While vouchers are an effective component of a multi-pronged housing affordability strategy, the City does not have the fiscal capacity to fund the difference between incomes and rent for all rent burdened New Yorkers. An effective, holistic strategy should include appropriate voucher funding from the federal and State governments.

The City Council has considered three bills that would expand eligibility for CityFHEPS, which would drive program costs higher than they are now. Budget amounts and allocation decisions, including any expansion to CityFHEPS, should be grounded in realistic utilization and cost

estimates for the current program, most of which is unfunded in the future. Any proposed expansion to CityFHEPS should include a fiscal impact statement that shows how much it would increase costs and identifies recurring revenues to pay for it.

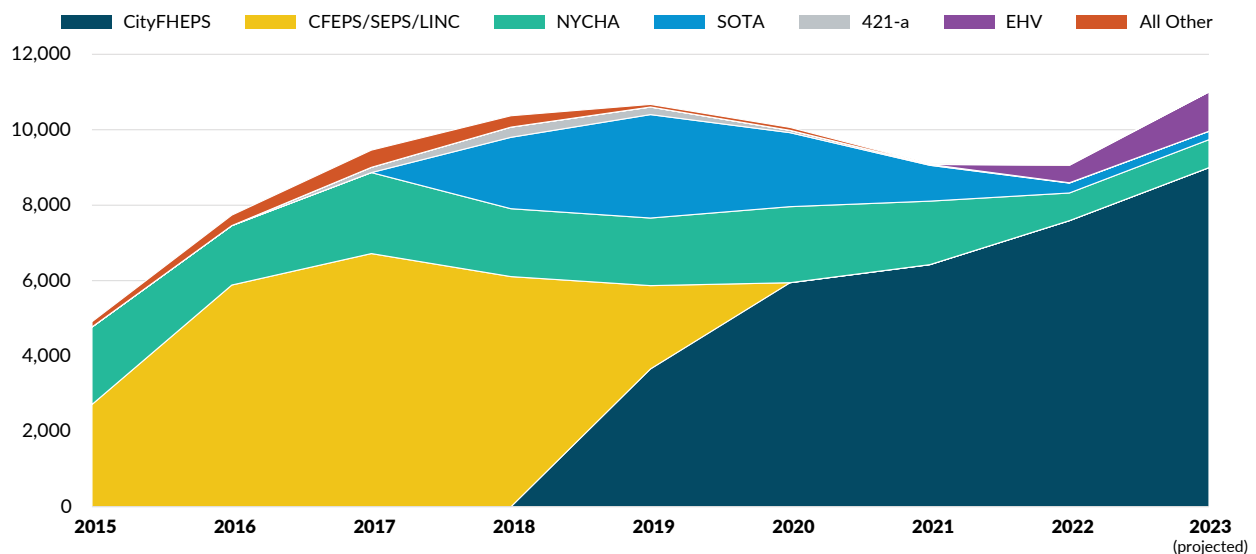
Reviewing housing voucher utilization and spending, CBC finds that:

1. After a slight decline during the pandemic, rental assistance placements are projected to return to or exceed pre-pandemic levels in fiscal year 2023.

The City’s rental assistance programs are primarily allocated to households who are currently homeless or are living in a shelter; a smaller share goes to households at risk of homelessness. Based on the number of rental assistance placements between July and December 2022, the City will likely provide assistance to 11,000 households exiting shelter this fiscal year, the highest level since the onset of the COVID-19 pandemic. (See Figure 1.)

Between fiscal years 2015 and 2019, the prior peak, the number of households exiting shelter with assistance or placed in permanent housing increased from 4,905 to 10,673. The number of households assisted declined during the pandemic due to the eviction moratorium and increased federal safety net spending, which provided both income supports, additional federal emergency housing vouchers, and funding for tenants who fell behind on rent.²

Figure 1: Special Initiatives Moveouts and Placements by Program



Notes: 2023 annual levels annualized based on actual data for July to December 2022. CityFHEPS is City Family Homelessness and Eviction Prevention Supplement; SEPS is Special Exit and Prevention Supplement; LINC is Living in Communities; EHV is Emergency Housing Voucher; and SOTA is Special One-Time Assistance.

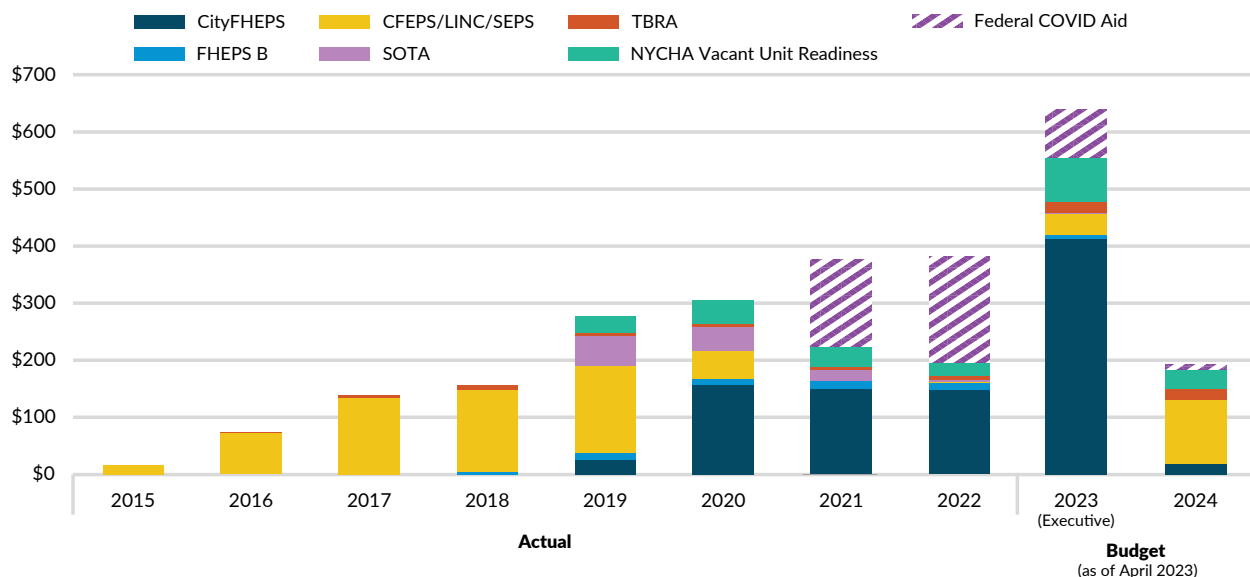
Source: CBC analysis of data from NYC OpenData. "Special Initiatives Moveouts and Placements" (accessed April 29, 2023; last updated March 28, 2023).

Over time, the mix of rental assistance programs has shifted. The CityFHEPS voucher program was launched in fiscal year 2019, consolidating and replacing the City’s predecessor rental assistance programs including Living in Communities (LINC), Special Exit and Prevention Supplement (SEPS), and City Family Eviction Prevention (CFEPS). CityFHEPS now accounts for over 80 percent of placements. The City is also placing fewer households in New York City Public Housing (NYCHA) units due to the availability of one-time Emergency Housing Vouchers allocated to NYCHA as well as the increased time needed to renovate vacant NYCHA units. (The City provides NYCHA with operating funding to renovate vacant units in lieu of providing direct assistance to tenants.)

2. Rental assistance expenditures increased from \$16 million in fiscal year 2015 to a projected \$636 million in fiscal year 2023.

Program costs have grown as the number of households served by City rental assistance programs increased. The City spent \$380 million on rental assistance in fiscal year 2022, including City and federal funds.³ Spending increased from \$16 million in fiscal year 2015, when the City re-launched its rental assistance programs, to \$154 million in fiscal year 2018, the year before it launched CityFHEPS. (See Figure 2.) Costs increased due to both the increasing number of

Figure 2: Actual and Projected Spending on Rental Assistance by Program, FY 2015-2024
(dollars in millions)



Notes: CityFHEPS is City Family Homelessness and Eviction Prevention Supplement; SEPS is Special Exit and Prevention Supplement; LINC is Living in Communities; TBRA is HOME Tenant Based Rental Assistance; and SOTA is Special One-Time Assistance. Excludes spending on FHEPS A, which is funded through the cash assistance budget. Actual spending on LINC/Rental Supplement Program/SEPS was -\$2 million in fiscal year 2021.

Sources: CBC analysis of data from Office of the New York City Comptroller, *Checkbook NYC*; and City of New York, Mayor’s Office of Management and Budget, “Fiscal Year 2024 Executive Budget: Supporting Schedules” (April 26, 2023); and City of New York, Mayor’s Office of Management and Budget, email to Citizens Budget Commission staff (May 4, 2023).

placements and changes to program rules that allowed households to retain their vouchers for longer periods of time providing they met specific eligibility criteria.

In the Fiscal Year 2024 Executive Budget, the City increased City-funds spending on CityFHEPS for fiscal year 2023 by \$160 million to meet growing costs. With that addition, the City's budget projects that spending on rental assistance will reach \$639 million in fiscal year 2023, including \$410 million in City funding for CityFHEPS, \$83 million in federal COVID-19 aid, \$78 million for NYCHA's homeless unit readiness program, and \$65 million for legacy voucher programs.

3. Higher rent standards and other recent CityFHEPS program changes contribute to increasing costs.

Expanding rent limits, eligibility rules, and time limits have contributed to CityFHEPS cost increases. Local Law 71 of 2021 increased the CityFHEPS rent standard to match Section 8 Housing Choice Voucher rent levels, which are based on the U.S. Department of Housing and Urban Development's Fair Market Rent (FMR) levels.⁴ (The FMR is the 40th percentile rent in New York City.) Previously, CityFHEPS rents had been set by the City, and allowable rents lagged behind FMR levels and the market generally.⁵ The City Council intended to increase utilization since the higher rent limit would expand number of apartments that could be rented with a CityFHEPS voucher.

Since tenants pay 30 percent of their income toward rent, any increase in the allowable rent increases the City's cost per voucher. Combined with an increased utilization rate, this drove up the program's cost. The bill's fiscal impact statement anticipated \$178 million in additional costs in fiscal year 2023, rising to \$340 million in fiscal year 2026, with only modest savings from avoided shelter spending (an estimated \$27 million in savings in 2023, or 15 percent of the additional cost).⁶

Tying CityFHEPS to FMRs could drive up future costs as rent increases with inflation and overall market conditions, independent of City control. HUD calculates FMRs for New York City based on a November 2021 survey of local rents, which are inflated to current conditions based on Consumer Price Index (CPI) for the New York metro region. High inflation has already increased FMR levels: the FMR for a two-bedroom apartment increased 14 percent between 2021 and 2022 and another 5 percent from 2022 to 2023.⁷

The City has also amended the CityFHEPS program rules, most recently in 2021, to allow households to retain their project-based voucher indefinitely if they remain in compliance with program requirements and meet certain eligibility standards, most notably that their income

remains below 80 percent of the Area Median Income.⁸ Many of the predecessors to CityFHEPS were time-limited, typically expiring after five years. Eliminating the five-year limit increases the recurring cost of the program, particularly if the City continues to increase the number of vouchers it funds.

4. Rental assistance spending faces a massive, double whammy fiscal cliff: expiring federal COVID-19 aid and City non-recurring funding.

While projecting to spend \$636 million in fiscal year 2023, the Executive Budget only provides \$192 million for rental assistance programs in fiscal year 2024. (See Figure 2.) This nearly \$450 million fiscal cliff stems from two factors: a \$75 million decrease in federal COVID-19 aid that supported the programs in fiscal year 2023, and a \$370 million dramatic drop in City-funding.

The recent rapid increase in costs was enabled in part by the City's decision to use non-recurring federal COVID-19 aid for recurring programs. The City allocated flexible State and Local Fiscal Recovery Funds (SLFRF) from the American Rescue Plan to support rental assistance programs: \$152 million in fiscal year 2021 and \$185 million in fiscal year 2022, covering 41 percent of rental assistance spending in fiscal year 2021 and 49 percent in fiscal year 2022. According to the City Council, the Department of Social Services used the SLFRF funds to support CityFHEPS predecessors and intends to use \$83 million of SLFRF funds to offset CityFHEPS costs also in fiscal year 2023.⁹ With those federal funds running out, just \$8 million is budgeted for fiscal year 2024.

Rental assistance also faces a City funds fiscal cliff. CityFHEPS funding drops \$392 million, from \$410 million in 2023 to \$18 million in 2024. That drop is offset by a combined \$23 million increase in spending for all other programs. By only funding a recurring program in the current year, the City's budget understates its spending commitments, budget gaps, and structural imbalance.

Conclusion

Vouchers can be an effective, well targeted method to support the housing needs of the lowest-income New Yorkers. However, the scale of the problem exceeds the City's ability to pay for it. While City-funded vouchers can supplement federal programs like public housing and the Section 8 Housing Choice Vouchers, only the federal government has the capacity and should appropriately bear a substantial responsibility to address the needs.

The budget for rental assistance, driven by the rising cost of the CityFHEPS program, already

faces a double whammy fiscal cliff. The City will need to identify hundreds of millions of dollars simply to maintain the current level of spending on rental assistance in the future. The City should provide realistic estimates of the program's cost and reflect those in the City budget.

Likewise, consideration of the three pending bills that would expand eligibility for CityFHEPS should be based on their impact on City spending and from where the resources would come, including what other program spending may be reduced. The City already faces budget shortfalls totaling \$6.8 billion in fiscal year 2025, increasing to \$10.0 billion by fiscal year 2027.¹⁰

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Endnotes

- [1] Mayor Bill de Blasio's Administration revived the City's rental assistance programs in fiscal year 2015, creating three programs for families and single adults who were homeless or at risk of homelessness (LINC, CityFEPS, and SEPS). It consolidated those programs into the CityFHEPS program in fiscal year 2019. See: The Council of the City of New York, *Committee Report of the Legislative Division: Oversight: The CityFHEPS Rental Assistance Program* (January 18, 2023), <https://legistar.council.nyc.gov/View.ashx?M=F&ID=11585474&GUID=CA963EAC-7AA7-477C-99EE-87E6CAB5715B>.
- [2] City of New York, Mayor's Office of Operations, *Preliminary Mayor's Management Report: Fiscal Year 2023* (January 2023), https://www.nyc.gov/assets/operations/downloads/pdf/pmmr2023/2023_pmmr.pdf.
- [3] FHEPS A is State funded via the cash assistance budget and not included here. Spending in fiscal year 2022 was around \$100 million.
- [4] Local Laws of the City of New York for the Year 2021: Local Law No. 71 of 2021 (June 2021), <https://legistar.council.nyc.gov/View.ashx?M=F&ID=9759372&GUID=2E2D9243-0C12-42C3-BD8C-BFCAEADAA2D4>.

- [5] The City Council estimated that CityFHEPS rents were approximately 80 percent of FMR levels “The maximum rent allowed under CityFHEPS for a three- or four-person household, for example, is \$1,580 per month, much below the fiscal year 2020 FMR for a two-bedroom apartment in New York City (\$1,951 per month).” See: New York City Council Committee on General Welfare and Committee on Civil and Human Rights, *Oversight: Rental Assistance and Source of Income Discrimination* (September 15, 2020), <https://legistar.council.nyc.gov/View.ashx?M=F&ID=8788472&GUID=D6DF6880-B5F7-4238-B3D5-36787ABBAED9>.
- [6] The Council of the City of New York Finance Division, *Fiscal Impact Statement: Proposed Intro No. 146-C* (May 25, 2021), <https://legistar.council.nyc.gov/View.ashx?M=F&ID=9434287&GUID=6B2FE077-929E-42E5-88FE-0AF8A73B2CD5>.
- [7] The FMR for a two-bedroom apartment increased from \$2,053 in 2021 to \$2,340 in 2022, and \$2,451 in 2023. U.S. Department of Housing and Urban Development, Office of Policy Development and Research, “Fair Market Rents (40th Percentile Rents)” (accessed May 2, 2023), <https://www.huduser.gov/portal/datasets/fmr.html>.
- [8] The 2021 rule change applied to project-based CityFHEPS vouchers only. The Rules of the City of New York, Title 68, Section 10-08, <https://codelibrary.amlegal.com/codes/newyorkcity/latest/NYCrules/0-0-0-110037>.
- [9] The Council of the City of New York, *Committee Report of the Legislative Division: Oversight: The CityFHEPS Rental Assistance Program* (January 18, 2023), <https://legistar.council.nyc.gov/View.ashx?M=F&ID=11585474&GUID=CA963EAC-7AA7-477C-99EE-87E6CAB5715B>.
- [10] Citizens Budget Commission, *Statement on the New York City Fiscal Year 2024 Executive Budget* (April 26, 2023), <https://cbcny.org/advocacy/statement-new-york-city-fiscal-year-2024-executive-budget>.