



**THE COUNCIL
OF
THE CITY OF NEW YORK
FINANCE DIVISION
250 BROADWAY, 15th FLOOR
New York, New York 10007**

MEMORANDUM

TO: Council Member Levine
CC: Aya Keefe, Chief of Staff, Council Member Levine

FROM: Sarah Gastelum, Legislative Financial Analyst
Emre Edev, Principal Legislative Financial Analyst
Nathan Toth, Deputy Director

RE: **Preliminary Fiscal Estimate for Intro. No. 214, a local law to amend the administrative code of the city of New York, in relation to providing legal counsel for low-income tenants who are subject to eviction, ejection or foreclosure proceedings**

DATE: February 3, 2015

PRELIMINARY FISCAL ESTIMATE:

	Effective Date FY 2016	FY Succeeding Effective Date FY 2017	Estimated Full Fiscal Impact FY 2016
Revenues	(\$119,948,610)*	(\$119,948,610)*	(\$119,948,610)*
Expenditures	(\$53,978,649)**	(\$53,978,649)**	(\$53,978,649)**
Net	(\$65,969,961)	(\$65,969,961)	(\$65,969,961)

IMPACT ON CITY REVENUE & EXPENDITURES: Though the legislation is to take effect 6 months after its passage, for purposes of estimation, the calculations herein are based on an assumption that the legislation would take effect on July 1, 2015.

*It is estimated that this legislation would reduce the number of evictions and thereby reduce the number people entering homeless shelters each year, thus saving the City on shelter costs. This figure represents losses in City revenue for shelter costs that would otherwise be reimbursed by State and Federal funds.

**The cost of providing free legal services to eligible individuals facing eviction in New York City Housing Court would be estimated to cost approximately \$117,376,143 per year. However, the provision of counsel to low-income households facing eviction will prevent families from seeking emergency shelter each year, and thereby save an estimated \$171,354,791 in costs for sheltering these families and individuals. Therefore,

combining the cost of the new program with the savings from homeless shelter diversions, it is estimated that the program would reduce the City's expense budget by \$53,978,649.

Program Costs

It is estimated that the cost of providing free legal services to eligible individuals facing eviction in New York City Housing Court ("Housing Court") would cost approximately \$117,376,143 per year beginning in Fiscal Year 2016. Council Finance estimated the number of eviction cases for which legal services would be provided under this legislation using a three year average of data accessed from Housing Court. Between 2011 and 2013, 468,929 eviction cases were heard in Housing Court, therefore this preliminary fiscal estimate uses a cost basis of 156,310 annual eviction cases. Due to data limitations on the income levels of tenants facing eviction in Housing Court, Council Finance used findings from a 1993 study conducted by The City-Wide Task Force on Housing Court (now Housing Court Answers) and the Community Resource and Training Center entitled "*Housing Court, Evictions and Homelessness: The Costs and Benefits of Establishing a Right to Counsel.*" The Housing Court survey estimated that around 50 percent of tenants in Housing Court have incomes at or below 125 percent of the federal poverty level. As such, it is estimated that the number of tenants that would be eligible for free legal counsel under this legislation would be 78,155 per year. Based on cost estimates provided by the Administration and various New York City Legal service providers, the cost to the City of providing legal representation to each eligible tenant in Housing Court would be about \$1,500 per case. (Note: These costs represent the City's payment to providers and do not necessarily cover the full costs of services under this legislation). As such, this preliminary fiscal estimate uses a \$1,500 per case cost estimate, though the full cost of providing representation to tenants in Housing Court could be more. The above estimate also includes personnel costs associated with a new Civil Justice Coordinator position to establish and implement the program. The annual cost associated with the creation of this civil service position would be \$143,893, including fringe benefits.

In addition to eviction proceedings, this legislation would provide free legal services to tenants facing foreclosure and ejection. However, due to data limitations, Council Finance was unable to estimate the costs associated with providing legal representation in these types of cases. However, while data specifically on the incomes of households facing foreclosure is unavailable, the Independent Budget Office has estimated that 9 percent of New York City homeowners have incomes at or below 125 percent of the federal poverty level. In addition, the most recent data on ejections indicate that only 20 ejections took place in 2013. Thus, providing legal services for these types cases is not likely to significantly impact program costs, but, total costs are likely to be slightly above the \$117,376,143 cost estimate cited above for City spending on the program.

Cost Savings

This legislation is intended and expected to reduce the number of evictions and thereby reduce the number people entering homeless shelters each year, thus saving the City on shelter costs. Based on data available in the Mayor's Management Report, the weighted average length of stay for family shelter facilities in Fiscal Year 2014 was 440 days and the cost per day for family shelter facilities was \$101.50, for a total average annual cost of \$44,672 per family in the shelter system. According to findings from the pilot program "Housing Help Program" (HHP), conducted between DHS, United Way, the court and Legal Aid Society between 2005 through 2008, about 5 percent of families receiving a mix of legal services (full legal representation in some cases; "brief" legal services in others) avoided shelter entry. Using this data point, it is estimated that the provision of counsel to 78,155 low-income households facing eviction will prevent 3,836 families from seeking emergency shelter each year, and thereby save a total of \$171,354,791 in costs for sheltering these families and individuals. Combining the cost of the new program with the savings from homeless shelter diversions, the program would reduce the expense budget by \$53,978,649.

The Independent Budget Office estimates that about 30 percent of total shelter savings accrue to City tax levy dollars. The remaining \$119,948,610 in shelter savings are costs reimbursed by State and Federal funds and are therefore considered losses in revenue.

In addition, there are costs of related services- namely medical, criminal justice, and other social service aid - that may be influenced by homeless shelter entry rates and therefore this program would provide cost savings from reductions in use of those services. While current research shows a correlation between the homeless shelter entry rate and the costs of providing these related services, it is not clear whether the costs are caused by homelessness itself, or if the underlying issues creating these costs are what is creating the homelessness as well. Accordingly, the savings from other programs cannot be accurately estimated at this time, it is anticipated that the City could expect to see some further cost savings in the above mentioned areas if this bill were to be enacted.

SOURCE OF FUNDS TO COVER ESTIMATED COSTS: General Fund

SOURCE OF INFORMATION: New York City Council Finance Division
New York City Human Resources Administration
Various Legal Service Providers

LEGISLATIVE HISTORY: Intro. No. 214 was introduced to the full Council on March 26, 2014 and referred to the Committee on Housing and Buildings.