National Alliance to End Homelessness

A Plan: Not A Dream

How to End Homelessness in Ten Years

Executive Summary

Thirty years ago there was not wide-spread homelessness in America. Tonight nearly a million people will be homeless, despite a two billion dollar a year infrastructure designed to deal with the problem. Can homelessness be ended?

While the seeds of homelessness were planted in the 1960s and 1970s with deinstitutionalization of mentally ill people and loss of affordable housing stock, wide-spread homelessness did not emerge until the 1980s. Several factors have affected its growth over the last two decades. **Housing** has become scarcer for those with little money. **Earnings** from employment and from benefits have not kept pace with the cost of housing for low income and poor people. **Services** that every family needs for support and stability have become harder for very poor people to afford or find.

In addition to these systemic causes, social changes have exacerbated the personal problems of many poor Americans, leading to them to be more vulnerable to homelessness. These social trends have included new kinds of illegal drugs, more single parent and teen-headed households with low earning power, and thinning support networks.

These causes of homelessness must be addressed. People who are homeless must be helped, and the current system does this reasonably well for many of those who become homeless. But the homeless assistance system can neither prevent people from becoming homeless nor change the overall availability of housing, income and services that will truly end homelessness.

Mainstream social programs, on the other hand, do have the ability to prevent and end homelessness. These are programs like welfare, health care, mental health care, substance abuse treatment, veterans assistance and so on. These programs, however, are over-subscribed. Perversely, the very existence of the homeless assistance system encourages these mainstream systems to shift the cost and responsibility for helping the most vulnerable people to the homeless

assistance system. This dysfunctional situation is becoming more and more institutionalized. Can nothing be done?

Ending Homelessness in Ten Years

The Board of Directors of the National Alliance to End Homelessness believes that, in fact, **ending homelessness is well within the nation's grasp**. We can reverse the incentives in mainstream systems so that rather than causing homelessness, they are **preventing** it. And we can make the homeless assistance system more **outcome-driven** by tailoring solution-oriented approaches more directly to the needs of the various sub-populations of the homeless population. In this way, homelessness can be ended within ten years.

To end homelessness in ten years, the following four steps should be taken, simultaneously.

Plan for Outcomes

Today most American communities plan how to manage homelessness – not how to end it. In fact, new data has shown that most localities could help homeless people much more effectively by changing the mix of assistance they provide. A first step in accomplishing this is to collect much better **data** at the local level. A second step is to create a **planning process that focuses on the outcome** of ending homelessness – and then brings to the table not just the homeless assistance providers, but the mainstream state and local agencies and organizations whose clients are homeless.

Close the Front Door

The homeless assistance system ends homelessness for thousands of people every day, but they are quickly replaced by others. People who become homeless are almost always clients of public systems of care and assistance. These include the mental health system, the public health system, the welfare system, and the veterans system, as well as the criminal justice and the child protective service systems (including foster care). The more effective the homeless assistance system is in caring for people, the less incentive these other systems have to deal with the most troubled people – and the more incentive they have to shift the cost of serving them to the homeless assistance system.

This situation must be reversed. The flow of **incentives** can favor helping the people with the most complex problems. As in many other social areas, investment in **prevention holds the promise of saving money** on expensive systems of remedial care.

Open the Back Door

Most people who become homeless enter and exit homelessness relatively quickly. Although there is a housing shortage, they accommodate this shortage and find housing. There is a much smaller group of people which spends more time in the system. The latter group – the majority of whom are chronically homeless and chronically ill – virtually lives in the shelter system and is a heavy user of other expensive public systems such as hospitals and jails.

People should be helped to exit homelessness as quickly as possible through a **housing first approach**. For the chronically homeless, this means **permanent supportive housing** (housing with services) – a solution that will save money as it reduces the use of other public systems. For families and less disabled single adults it means getting people very quickly into permanent housing and linking them with services. People should **not spend years in homeless systems**, either in shelter or in transitional housing.

Build the Infrastructure

While the systems can be changed to prevent homelessness and shorten the experience of homelessness, ultimately people will continue to be threatened with instability until the supply of affordable **housing** is increased; **incomes** of the poor are adequate to pay for necessities such as food, shelter and health care; and disadvantaged people can receive the **services** they need. Attempts to change the homeless assistance system must take place with the context of larger efforts to help very poor people.

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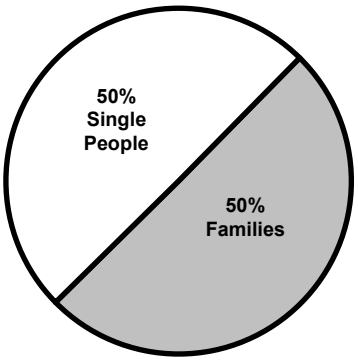
Taking these steps will change the dynamic of homelessness. While it will not stop people from losing their housing, it *will* alter the way in which housing crises are dealt with. While it will not end poverty, it *will* require that housing stability be a measure of success for those who assist poor people. The National Alliance to End Homelessness believes that these adjustments are necessary to avoid the complete institutionalization of homelessness. If implemented over time, they can lead to an end to homelessness within ten years.

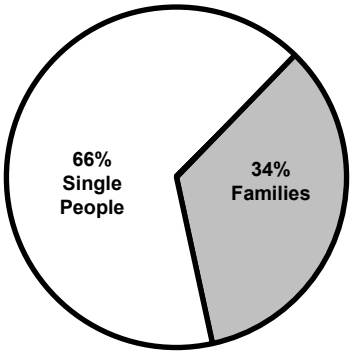
A Snapshot of Homelessness

Between 700,000 and 800,000 people are homeless on any given night. Over the course of a year between 2.5 and 3.5 million people will experience homelessness in this country.[i] In order to end homelessness, it is necessary to understand the needs and characteristics of the sub-populations of this large group. The most significant sub-groups are people who experience homelessness as part of a family group, and those who are single adults.

Homeless Population (over a year)



Homeless Population (point in time)



Source: America's Homeless II: Populations and Services, February 1, 200, Urban Institute, Washington, DC - paper presented by Dr. Martha Burt

Families

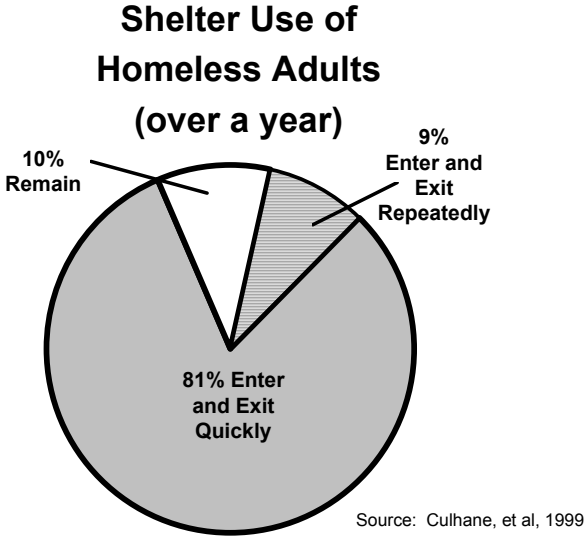
Most families become homeless because they are having a housing crisis. Their primary, immediate need is for housing. Certainly they are likely to have other needs -- for services and to increase their incomes. However, these needs are best met, once the family is in permanent housing – not while they are temporarily housed in shelter or transitional housing. Most homeless families get themselves back into housing as quickly as they can after they become homeless.

- About half of the individuals who experience homelessness over the course of a year live in family units.[ii]
- About 38% of people who are homeless in the course of a year are children.[iii]
- Most people in homeless families have personal problems to overcome, but these problems are not appreciably different from those of poor, housed families.[iv]
- Services delivered in the homeless system seem to have little effect on eventual stability of these families in housing.[v]

- Homeless families report that their major needs are for help finding a job, help finding affordable housing, and financial help to pay for housing. The services they most often receive, however, are clothing, transportation assistance, and help in getting public benefits. Only 20% of families report that they received help finding housing.[vi]

In cases in which a family is fleeing from a domestic violence situation or in which the head of household has been in residential treatment or detoxification for drug or alcohol abuse illness, a transitional period may be required prior to housing placement.

Single Homeless People



About half of the people who experience homelessness over the course of a year are single adults. Most enter and exit the system fairly quickly. The remainder essentially live in the homeless assistance system, or in a combination of shelters, hospitals, the streets, and jails and prisons.

- 80% of single adult shelter users enter the homeless system only once or twice, stay just over a month, and do not return. 9% enter nearly five times a year and stay nearly two months each time. This group utilizes 18% of the system's resources. The remaining 10% enters the system just over twice a year and spends an average of 280 days per stay – virtually living in the system and utilizing nearly half its resources.[vii]
- The main types of help homeless single adults felt they needed were help finding a job, help finding affordable housing, and help paying for housing. The major types of assistance they received were clothing, transportation and help with public benefits. Only 7% reported receiving help finding housing.[viii]

There are also single homeless people who are not adults – runaway and throwaway youth. This population is of indeterminate size, and is often not included in counts of homeless people. One study that interviewed youth found that 1.6 million had an episode of homelessness lasting at least one night over the course of a year.[ix]

The Cost of Homelessness

For mayors, city councils and even homeless providers it often seems that placing homeless people in shelters, while not the most desirable course, is at least the most inexpensive way of meeting basic needs. This is deceptive. The cost of homelessness can be quite high, particularly for those with chronic illnesses. Because they have no regular place to stay, people who are homeless use a variety of public systems in an inefficient and costly way. Preventing a homeless episode, or ensuring a speedy transition into stable permanent housing can result in a significant cost savings.

- *In Minnesota, there was a **$9,600 per person reduction in costs** to the state once formerly homeless people were housed in supportive housing (comparing the annualized cost of supportive housing with that of mental health, detoxification, corrections, and health systems costs over two years). Further, such housing resulted in a 26% increase in employment.*[x]

Following are some of the ways in which homelessness can be costly.

Hospitalization and Medical Treatment

People who are homeless are more likely to access costly health care services.

- *According to a report in the New England Journal of Medicine, homeless people spent an average **of four days longer per hospital visit** than did comparable non-homeless people. This extra cost, approximately $2,414 per hospitalization, is attributable to homelessness.*[xi]

- *A study of hospital admissions of homeless people in Hawaii revealed that 1,751 adults were responsible for 564 hospitalizations and $4 million in admission cost. Their rate of psychiatric hospitalization was over 100 times their non-homeless cohort. The researchers conducting the study estimate that the **excess cost for treating these homeless individuals was $3.5 million** or about $2,000 per person.*[xii]

Homelessness both causes and results from serious health care issues, including addictive disorders.[xiii] Treating homeless people for drug and alcohol related illnesses in less than optimal conditions is expensive. Substance abuse increases the risk of incarceration and HIV exposure, and it is itself a substantial cost to our medical system.

- *Physician and health care expert Michael Siegel found that the average cost to cure an alcohol related illness is approximately $10,660. Another study*

found that the average cost to California Hospitals of treating a substance abuser is about $8,360 for those in treatment, and $14,740 for those who are not.[xiv]

Prisons and Jails

People who are homeless spend more time in jail or prison -- sometimes for crimes such as loitering -- which is tremendously costly.

- *According to a University of Texas two-year survey of homeless individuals, each person **cost the taxpayers $14,480 per year**, primarily for overnight jail.*[xv]

- *A typical cost of a prison bed in a state or federal prison is **$20,000** per year*[xvi]

Emergency Shelter

Emergency shelter is a costly alternative to permanent housing. While it is sometimes necessary for short-term crises, it too often serves as long-term housing. The cost of an emergency shelter bed funded by HUD's Emergency Shelter Grants program is approximately **$8,067,**[xvii] **more than the average annual cost of a federal housing subsidy** (Section 8 Housing Certificate).

Lost Opportunity

Perhaps the most difficult cost to quantify is the loss of future productivity. Decreased health and more time spent in jails or prisons, means that homeless people have more obstacles to contributing to society through their work and creativity. Homeless children also face barriers to education.

Dr. Yvonne Rafferty, of Pace University, wrote an article which compiled earlier research on the education of homeless children, including the following findings:

-Fox, Barnett, Davies, and Bird 1990: 79% of 49 homeless children in NYC scored at or below the 10th percentile for children of the same age in the general population.

-1993: 13% of 157 students in the sixth grade scored at or above grade level in reading ability, compared with 37% of all fifth graders taking the same test.

-Maza and Hall 1990: 43% of children of 163 families were not attending school.

-Rafferty 1991: attendance rate for homeless students is 51%, vs. 84% for general population.

-NYC Public Schools 1991: 15% of 368 homeless students were long-term absentee vs. 3.5% general population.[xviii]

Because many homeless children have such poor education experiences, their future productivity and career prospects may suffer. This makes the effects of homelessness much longer lasting than just the time spent in shelters.

Elements of a Plan to End Homelessness[xix]

Plan for Outcomes

Localities can begin to develop plans to end, rather than to manage, homelessness. There are two components. Every jurisdiction can collect **data** that allows it to identify the most effective strategy for each sub-group of the homeless population. Second, jurisdictions can bring to the **planning** table those responsible for mainstream as well as homeless-targeted resources.

Close the Front Door

Homeless can be **prevented** by making mainstream poverty programs more accountable for the outcomes of their most vulnerable clients and wards.

Open the Back Door

Where homeless people are already accommodating the shortage of affordable **housing**, this should be facilitated and accelerated. Where there is no housing, particularly for those who are chronically homeless, an adequate supply of appropriate housing should be developed and subsidized.

Build the Infrastructure

Ending homelessness can be a first step in addressing the systemic problems that lead to crisis poverty:

- shortage of affordable **housing**
- **incomes** that do not pay for basic needs
- lack of appropriate **services** for those who need them.

Planning for Outcomes

Since the demographics of homelessness, and therefore its solutions, vary in every locality, ending homelessness will require the development of local plans to systematically and quickly re-house those who lose their housing. The replacement housing should be permanent -- having no artificial limits on how long a person can stay. If an individual or family requires some type of temporary housing such as residential treatment (for illness) or residential separation (for victims of domestic violence, for chronically homeless people, for people in recovery) such interim housing should be firmly linked to eventual placement in permanent housing.

In order to develop local systems that do not tolerate homelessness, two things must happen. Accurate administrative data must be developed to understand the nature of homelessness and its solutions, and long range planning must take place with the goal of ending homelessness (defined as getting people into permanent housing).

DATA

Every jurisdiction needs solid information on who is homeless, why they became homeless, what homeless and mainstream assistance they receive and what is effective in ending their homelessness. This information is needed on a city- or state-wide basis, not just a program-by-program basis. This allows trends to be monitored to determine what is causing homelessness, to assess what types of assistance are available to address homelessness, and to fill the resulting gaps.

Questions that can be answered with such data include:

- With what mainstream public systems have homeless people interacted, and did this interaction result in homelessness (example: poor discharge planning, inadequate after-care, etc.)?
- How many units of supportive housing are needed to eliminate chronic homelessness?
- For those who enter and exit the system fairly quickly, what assistance is most effective in facilitating their re-housing?
- What mainstream services do families need after they are housed so that they do not become homeless again?

Columbus, Ohio faced the need to relocate two downtown shelters due to a redevelopment effort. The Community Shelter Board had developed a jurisdiction-wide data collection system which showed that some 300 men more or less lived in these shelters – the chronically homeless. Rather than relocate these individuals to new shelters, Columbus will create permanent supportive housing (housing with services) to house them. This will reduce the need for replacement shelter.

Surprisingly, very few places have this kind of fundamental data upon which to base decisions. Accordingly, the approach to homelessness is more often intuitive and general than strategic and outcome driven.

Planning

At present, there is very little local planning to end homelessness, utilizing the full range of resources that is available at the local and state levels. A first step toward such an effort, the Continuum of Care process of applying for funds from the U.S. Department of Housing and Urban Development, has succeeded in increasing the level of cooperation and analysis at the local level. But genuine planning efforts are still rare.

Local planning should go beyond the effort to create a full spectrum homeless assistance system which manages people's experience of homelessness. Local jurisdictions should develop long term plans whose goal is to immediately re-house anyone who becomes homeless. Such a system will involve agencies and programs far beyond the scope of the homeless assistance providers. The following agencies should be involved in local (and state) planning to end homelessness.

- State/local mental health department
- Mental health providers
- State/local public health department
- Health care providers
- State/local corrections department
- State/local veterans affairs department
- State/local labor or employment department
- Employment services providers
- Employers
- State/local substance abuse department
- Substance abuse providers
- Homeless assistance providers
- Governor's/Mayor's office
- County official(s)
- State/local public assistance department
- State/local housing department
- Nonprofit housing developers/operators
- For-profit housing developers/operators

The San Francisco/Oakland Bay Area has undertaken a major planning effort to coordinate the response to homelessness. Mental health, public health, housing and other agencies – both public and nonprofit sector – have been involved. An integrated strategy for addressing homelessness has resulted.

The Homeless Assistance Centers (HACs) in Miami/Dade County, Florida are replacing the area's shelter system. All homeless people go through intake and assessment in these large centers. Their immediate needs are met, but the goal is to assess and evaluate overall needs and re-house people immediately in either permanent housing or a residential service program – to reduce the length of their homeless experience.

Closing the Front Door

The majority of people who enter the homeless assistance system receive help and exit the system relatively quickly. But no sooner do people successfully exit the system than they are replaced by others. This is why the number of homeless people does not go down. If we are going to end homelessness we must prevent people from becoming homeless – we must close the front door to homelessness.

In the past, homelessness prevention focused primarily on stopping eviction or planning for discharge from institutions like jail or mental hospitals. These are important, but we must take a more comprehensive view.

Most homeless people are clients of a host of public social support systems, often called the "safety net." Others are the wards of programs in the criminal justice system or the child welfare system (foster care). Together these programs and systems are called the mainstream system. In a way, homelessness is a litmus test – it can show whether the outcomes of the mainstream system are positive or negative. Insofar as their clients or wards end up homeless, the programs have bad outcomes.

Generally speaking, these mainstream systems, while large in terms of scope and funding, are over-subscribed and under-funded relative to their responsibilities. It is not surprising, therefore, that they are quick to shift responsibilities and costs elsewhere, when they are able. The homeless assistance system provides one such opportunity. To the degree that homeless programs take responsibility for a whole host of very poor people, the mainstream system does not have to. However, the homeless system is not large and well-funded. It can meet immediate needs, but it cannot prevent people becoming homeless, and it cannot address their fundamental need for housing, income and services. Only the mainstream system has the resources to do this.

To end homelessness, the mainstream programs must prevent people from becoming homeless. A sample of the major programs that could be expected to help prevent homelessness follows:[xx]

Temporary Assistance for Needy Families (TANF)
Mental Health Performance Partnership Block Grants
Social Services Block Grant
State Children's Health Insurance Program
Substance Abuse Prevention and Treatment Block Grant
Community Health Centers

Community Services Block Grants
Medicaid
Community Development Block Grant
Home Investment Partnerships Program (HOME)
Public and Indian Housing
Section 8 Rental Certificate and Voucher Programs
Section 811 Supportive Housing for Persons with Disabilities Program
Job Training for Disadvantaged Adults
Welfare to Work Grants to States and Localities
Supplemental Security Income
Veterans Benefits
Veterans Medical Centers
Youth Employment and Training Program
Job Training for Disadvantaged Youth
Veterans Employment Program

Others with which poor people also interact, but which have a lesser impact are:

Ryan White Care Act
Emergency Food Assistance Program
Food Stamp Program
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Maternal and child Health Services Block Grant
Housing Opportunities for People With AIDS (HOPWA)

In order to Close the Front Door to Homelessness, we must prevent homelessness. This can be done in two ways. The first is to demonstrate that although shifting responsibility for homeless people to the homeless system may *seem* to be cost efficient, it is actually more costly over all. For example, sending parolees to shelters rather than half-way houses may seem cost efficient. However, it can increase recidivism, and result in use of other costly systems such as hospital emergency rooms.

The Illinois Department of Corrections has invested funds in housing for parolees under the theory such stabilizing housing is less costly than recidivism.

Second, we can reward systems for improving their outcomes, as measured by homelessness. This could be done by providing incentives to programs which reduce the number of their clients or wards who become homeless. Conversely, it could be accomplished by penalizing these systems when a client becomes homeless.

The State Legislature of the Commonwealth of Massachusetts adjusted the contract of the State's managed care provider to require a reduction in discharges to shelters. Failure to reduce such discharges will result in financial penalties in the reimbursement scheme. Hospital social workers now seek housing for those being discharged from the hospital.

Opening the Back Door

A key step in ending homelessness is to quickly re-house everyone who becomes homeless – open the back door out of homelessness. Different subpopulations of homeless people require different housing strategies. The two major groups to consider are homeless families and homeless single adults. Both groups face system-based barriers to "getting out the back door."

Chronically Homeless People

The first and most important group to address when seeking to end homelessness is the group that lives in the shelter system – the chronically homeless. They represent 10%[xxi] of the single homeless population, which itself represents approximately 50%[xxii] of homeless people, over time. Applied to a national yearly estimate of 3 million homeless people[xxiii], there are thought to be some **150,000 chronically homeless people** in the nation.

Few people in this chronic group are likely to ever generate significant earnings through wages. While they may have *some* income from wages and/or public benefits, they will require long term subsidization of both housing and services because of their disabilities.

Permanent supportive housing -- housing with appropriate and available services and supports -- is highly successful in stabilizing this population. To end homelessness for chronically homeless people would take 150,000 units of permanent supportive housing. We estimate the cost of creating and sustaining 150,000 units of permanent supportive housing to be $1.3 billion per year at the end of ten years. It is important to consider this cost on the context of savings that will be generated in spending on homeless services, Medicaid, incarceration and the like. (See attached **The Cost of Permanent Supportive Housing**.)

Episodically Homeless Group

The people who use shelter repeatedly, often called the episodically homeless group, constitute approximately 9% of the homeless single population or around 135,000 people[xxiv]. This group is has a high public cost when housed in shelter because its members seem frequently to interact with other very costly public systems, particularly jails and prisons and hospitals. Many are active users of substances. They are young relative to the chronically homeless group.

This group requires a flexible strategy that addresses both their housing needs (both when in treatment and in relapse) and their need for treatment. When they

are in treatment, or compliant with treatment regimens (i.e., clean and sober), supportive housing or private sector housing are good options. When they are unable to find acceptable treatment, or unwilling to partake in treatment or treatment regimens, other housing options must be found. Current policies in which episodically homeless people sleep in the street, in shelters, hospitals and penal institutions jeopardize public safety (primarily for them) and/or have high public costs.

There are different views about how best to address episodic homelessness. There are those who believe that many episodically homeless people are those currently unwilling to engage in treatment for addiction disorders. Therefore they believe that it is necessary to create a type of housing that recognizes the addiction, makes services available, but does not require sobriety. Models of so-called "low demand" housing exist, and it has further been suggested that low cost hostel or dormitory type housing with daily or weekly rental terms be developed. Others believe that most available treatment for addiction disorders is not appropriate for this group (too short term, no follow-up recovery or sober housing) and that the solution for the episodic group is a sufficient supply of appropriate treatment. Both options are probably needed, but further examination of this problem will be required before the most appropriate mix is identified.

Transitionally Homeless

Those who have relatively short stays in the homeless assistance system, exit it and return infrequently if at all have been called by Culhane the "transitionally" homeless[xxv]. The majority of families and single adults who become homeless fall into this category. They have had a housing crisis that has resulted in their homelessness. Despite the near universal shortage of affordable housing for poor people, they will find a way to house themselves. Since the homeless system is unable to address the real cause of their problem – the overall national shortage of affordable housing – its best course of action is to facilitate their accommodation to this shortage and help them make it more quickly.

The Alliance recommends a HOUSING FIRST approach for most families. The focus is upon getting families very quickly back into housing and linking them with appropriate mainstream services – reducing their stay in housing to an absolute minimum. The components of such a plan are:

- Housing services: to clear barriers such as poor tenant history, poor credit history, etc.; identify landlords; negotiate with landlord; etc.

- Case management services: to ensure families are receiving public benefits; to identify service needs; to connect tenants with community-based services.

- Follow-Up: To work with tenants after they are in housing to avert crises that threaten housing stability and to problem-solve.

There are exceptions to this strategy for which an interim type of housing is necessary prior to placement in permanent housing. Families in which the head of household has a chronic and longstanding illness such as alcohol or substance abuse disorder or mental illness may require treatment, with housing for family members, followed by an intermediate level of supportive housing that has appropriate services attached. This would follow the model described above for chronically homeless, chronically ill single people.

For families fleeing an immediate domestic violence situation, a Housing First approach is also unlikely to be effective. Such families typically need a period of from four to six months in a sheltered and secure environment in order to sever ties with the batterer. A major component of this transition, however, must be the identification of housing available at its completion.

Similarly for transitionally homeless single adults, the emphasis should be placed upon facilitating their move to permanent housing. Housing services, case management services and follow-up services can be effectively utilized to maximize housing stability.

California's Homeless Assistance Program (HAP) provided 30 days of hotel accommodation plus move-in costs (rent deposits) for newly homeless families which were receiving welfare income support. The philosophy of the program was to prevent families experiencing a housing crisis from entering the shelter by giving them the financial resources to get quickly back into housing. Accordingly, virtually no services or referrals were provided. The cost was low – about $700 per family, but more than 60% of families were stabilized after six months. [1]

Dealing differently with these major components of the homeless population will drastically change the dynamic of homelessness.

The current orientation is to keep people in the system for long periods of time, either because there is no place for them to go (chronically and episodically homeless), or because it is assumed that people are homeless because of some set of personal problems that can be "fixed" by the homeless system (families, transitionally homeless single adults). To end homelessness, a different approach can be taken. People should be placed in housing as rapidly as possible and linked to available services.

The Cost of Permanent Supportive Housing

Providing 150,000 units of permanent supportive housing for those who are chronically homeless will be costly. Providing such housing will require a long-term commitment from Federal, State, and local governments, and private providers. However, it also holds the promise of savings when total public investment is considered.

Currently, permanent supportive housing is financed through several federal funding programs combined with conventional financing. The major programs that have funded such housing are the Shelter Plus Care, Single Room Occupancy, and Supportive Housing (Permanent) programs at the US Department of Housing and Urban Development. To date around 50,000 units of supportive housing have been produced.[xxvi]

We have estimated the cost of increasing this supply by 150,000 units of permanent supportive housing over ten years. We have calculated the cost of providing and sustaining this house using a project-based rent subsidy for supportive housing providers. This subsidy would include operating expenses such as maintenance, utilities, interest, and property management, and would also include principal payments.

The total cost the operating subsidies depends on the average per unit cost. The cost per unit of permanent supportive housing will vary widely depending on the cost of housing and services in a given geographic area. Based on the costs of similar housing programs, we estimate that the housing component of the units would average approximately $8,500 per unit per year.[xxvii] The initial and renewal costs of the subsidies required to meet the 10-year goal, *including the costs of renewing the current stock of supportive housing*, are listed in the following table:

Cost of Supportive Housing Component of 10-Year Plan (millions).

Year	First Year Rent Subsidy	Renewal Cost	Total Cost	Total Units (New and Current)
1	$128	$300	$428	55,000
2	128	428	556	80,000
3	128	556	684	95,000
4	128	684	812	110,000
5	128	812	940	125,000
6	128	940	1,068	140,000
7	128	1,068	1,196	155,000
8	128	1,196	1,324	170,000
9	128	1,324	1,452	185,000
10	128	1,452	1,580	200,000

At the end of ten years, the annual cost of renewing the 150,000 units would be $1.3 billion, and the total cost of sustaining both the incremental and the existing subsidies would be approximately $1.58 billion.

Construction and Rehabilitation

In some localities, new supportive housing will have to be produced to meet this need, in others, existing housing can be rehabilitated, and in still others, there may be adequate facilities already in place or tenant-based subsidies can be used in existing housing. The subsidy described above covers the amortized cost of constructing or rehabilitating units, but in some areas a rental subsidy may not be enough to ensure financing. In that case, several mechanisms for supporting financing are possible:

- FHA could insure financing for construction or rehabilitation.
- HUD could enter into a long-term contract with the provider to guarantee the subsidy, thus a financing agency would feel more confident in providing capital.
- Localities could use HUD funding from CDBG, HOME, or another program to help finance construction.
- The value of the subsidy could be increased in areas where construction financing is problematic.

An alternative to providing a single subsidy to cover all of the costs would be to provide separate financing for construction/acquisition and operating expenses. The cost of producing a unit is between $50,000 and $100,000 depending on whether you acquire and rehabilitate an existing unit or construct a new one.[xxviii] Funding the construction of 150,000 would require about $11.4 billion,[xxix] but the subsidy per unit would be reduced significantly. Any funding for construction could potentially be matched with funds from a variety of sources including private donations and State and local funding.

Supportive Services

The supportive services, which are crucial for properly serving this population, can be funded through traditional revenue streams for mental health, medical care, substance abuse treatment, education, and vocational rehabilitation and job training. Preferable would be an independent funding stream to support the cost of services in supportive housing, including case management. The cost of services will vary greatly depending on the geographic area and the individual needs of each resident. Current estimates from providers range from $3,000/year/person to $8,000/year/person for services.

While the total cost of supportive housing appears high, it must be considered in conjunction with the fact that homeless services would be freed up for other homeless individuals and families, and there would be significant cost savings resulting from better service delivery and stability in housing.

Building Infrastructure

A primary reason that wide-scale homelessness did not exist twenty-five years ago is that the infrastructure of housing, income and services that supports poor people has changed. Remedies to homelessness must take place within the context of re-building this infrastructure. Although we can stop people who lose their housing from spending lengthy periods of time homeless, ultimately we will not be able to stop people from having housing emergencies until we address their housing, income and service needs.

Housing

Most poor people rent housing, and a great many poor renter households are at an extremely high risk of homelessness. This is because so many of them, 12.3 million individuals or 5.4 million families[xxx], have a housing affordability crisis. They pay more than half of their income for rent, and therefore have no buffer to deal with unforeseen expenses such as car breakdowns, the need to leave a job to care for a sick child, or school costs. Should such economic crises arise, they are vulnerable to losing their housing and becoming homeless.

Part of this problem is income-related, but there is also an extreme and growing shortage of affordable housing units in the country. In 1995, the number of low-income renters exceeded the number of low-cost units by 4.4 million.[xxxi] This problem is getting worse. While the number of households needing housing support has increased, the number of units affordable to them has decreased. 370,000 unsubsidized units affordable to extremely low income renters were lost between 1991 and 1997[xxxii] Federal housing subsidy can help address the problem, but here again supply does not keep up with demand. The number of units receiving direct federal subsidies has dropped by 65,000 in the past four years.[xxxiii] Even where housing subsidy is available, it does not always solve housing problems. According to HUD, 1.3 million households that receive some sort of housing assistance still have a severe rent burden.[xxxiv]

In short, housing is a serious problem for lower income Americans including those who work. Yet stable housing is essential to achieve national goals of improved education, safety, health care and employment. There are existing housing programs to address these issues, but they are not adequate. Of those people who are eligible for housing assistance (based on income or status), as many do NOT receive assistance as DO receive it, because of inadequate funding.

People become homeless because of the lack of affordable housing. The supply of housing that is affordable and available to low income people should be increased. In addition, subsidies that allow people to achieve stability in decent housing should be regarded as good investments in a productive society.

Income

Work does not pay for housing. According to the National Low Income Housing Coalition, there is no community in the nation in which a person working at minimum wage can afford (using the federal standard of affordability) to rent a one-bedroom unit. Averaging across the nation, a full-time worker would have to make $11.08 per hour (215% of the minimum wage) in order to afford a two-bedroom rental unit. Alternatively, a person could work at minimum wage for an average of 86 hours per week[xxxv].

For the poorest Americans, reduced incomes are part of a long-term trend. Wages for the lowest-paid workers have gone down substantially in real terms over the past 20 years. The wage for a worker at the tenth percentile (i.e. with wages that were higher than ten percent of workers, and lower than 90 percent) was $6.52 per hour (in 1998 dollars) in 1979. By 1998 it had declined to $5.84, up from a low of $5.37 in 1996. This drop mirrors a drop in the purchasing power of the minimum wage, which declined from $6.29 in 1979 (1997 dollars) to $5.15 in 1997, where it has remained.[xxxvi]

The decline in real wages has gone along with an even greater deterioration in the availability and purchasing power of public benefits for the poorest and most afflicted people. In 1995, Congress amended the Supplemental Security Income program so that drug and alcohol addiction could not be considered grounds for disability. As a result, approximately 140,000 people, whose addictions and other disabilities were so severe that they made it impossible to work, lost benefits immediately. From the mid-1980s through the mid-1990s, many states eliminated programs of “General Assistance” or “General Relief,” that provided minimal benefits to unemployed people who were not eligible for any other benefit program. Then, in 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act, which affected food stamp allocations for many people, eliminated SSI eligibility for some children, and turned the administration of welfare programs for families over to the states, through the Temporary Assistance for Needy Families program.

While there has been much controversy about the overall impact of welfare reform, one fact that all concerned seem to agree on is that incomes of the very poorest families have gone down. Despite a superbly healthy economy, for example, the income of the poorest 20% of female headed families with children (six million people) fell $580 per family between 1995 and 1997.[xxxvii] The erosion of income was caused largely by sharp reductions in government cash and food assistance for poor families.

The rising tide of the strong economy is indeed lifting boats. However, poor people are experiencing far less benefit than those of higher incomes. Most importantly, any benefit they may experience is not adequate to meet

the increasing cost of housing. We must continue to support efforts to create a wage and benefits that allow households to pay for basic expenses, including housing, food and health care.

Services

People often need services, and low-income people must turn to public systems to secure the services they need. Some need services in order to work and earn the money to pay rent. Others need services, regardless of their income, in order to meet their basic responsibilities as a tenant and remain in housing.

Mental health treatment is essential so that people with mental illness can earn money and pay rent, and for those with the most severe illnesses, so they can meet other responsibilities as tenants. A great deal of current chronic homelessness can be traced to the lack of a system of community treatment, linked with housing, to replace the system of state hospitals that have been closed in large numbers in recent decades. The National Association of State Mental Health Program Directors estimated that 57,000 people were cared for in state psychiatric hospitals in 1997, down 37% from that number in 1990. This decline is part of a long-term trend that began in the 1950s. Community-based mental health treatment has not kept up with this decline.

The substance abuse treatment system is facing a severe treatment gap. The National Association of State Alcohol and Drug Abuse Directors indicates that 50% of those who need treatment receive it.[xxxviii] Waiting times for treatment at publicly-funded clinics preclude effective help for those without stable housing.

Child care is another important service. As welfare becomes less relevant to low-income communities, single parents must work in order to stay housed. Public child care is especially important for those at risk of homelessness – homeless parents are less likely to have functioning networks of social supports, such as family members or friends who could care for their children, than are poor parents in general. Nationally, however, only one out of ten children who is eligible for child care assistance under federal law receives any help.[xxxix]

Everyone uses services. Those with the lowest incomes rely on public systems to supply medical care, job training, education, mental health treatment, child care, substance abuse treatment, transportation and many other services. Those systems are almost uniformly overburdened, and in many cases are not keeping up with new demands. These public systems require realistic funding and good policies to address new challenges.

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[xviii] Rafferty, Yvonne *The Legal Rights and Educational Problems of Homeless Children and Youth* pp 42-45. As reported on the website of the National Law Center on Homelessness and Poverty, May 8, 2000.
[xix] These steps should be undertaken simultaneously.
[xx] *Homelessness: Coordination and Evaluation of Programs Are Essential.* Report to Congressional Committees, United States General Accounting Office, February, 1999.

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analysis of the data in the former.
[xxiii] Burt (2000) estimates between 2.2 and 3.5 million people homeless over the course of a year. We use the midpoint.
[xxiv] Culhane et al, 1999.
[xxv] Culhane et al, 1999.
[xxvi] These units are, on the whole, subject to refunding every 3, 5 or 10 years, depending on the program. Because of the extraordinary process required to renew these units, relative to how most housing subsidy is renewed, units may be lost.
[xxvii] This figure is based on the convergence of several estimates. The average cost of a HUD funded SRO unit is approximately $6,000. The average cost of other tenant and project based housing that HUD subsidizes is $7,000 to $10,000. The operating cost of public housing managed is approximately $4,500, and the amortized cost of construction (principal and interest) for an average rental unit is approximately $4,500 for a total of $9,000.
[xxviii] This is calculated in two ways. First, the average cost of producing a rental unit in the HOME program is approximately $50,000. Second using the cost of acquisition and rehabilitation information from the evaluation of the Supportive Housing Demonstration Program, and adjusting for inflation, the cost is about $53,000.
[xxix] This assumes that 50% of units would be newly constructed at $100,000 per unit, 25% of units would be acquired and rehabilitated at $55,000 per unit, and 25% of units would be acquired at $50,000 per unit.
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[xxxviii] Robert Anderson, National Association of State Alcohol and Drug Abuse Directors, Testimony before the Subcommittee on Health and the Environment, Committee on Commerce, U.S. House of Representatives, August, 1999.
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