



# **Beyond Homeless: Good Intentions, Bad Outcomes, Transformative Solutions**

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## FOREWORD

Scott Ackerson, LMSW

My 30-year career as a social worker has spanned growing child welfare, enabling young adults to exit the foster care system, developing and operating homeless and behavioral health programs, and promoting affordable housing. I have learned firsthand that even though we often treat it as one, homelessness is not a homogeneous phenomenon; its causes are broad and varied. There is no one-size-fits-all solution because of these variations. There is no linear path into or out of homelessness and if we try to treat it that way, we set ourselves up for failure. Since it is not a homogeneous phenomenon, we cannot expect that standardized, one-size-fits-all interventions will be effective.

With that, I am pleased to see the Independent Institute tackle the issue of homelessness in the broad manner of this volume.

Causes of homelessness are many and often attached to trauma with a strong correlation to mental health issues. Other progressions into homelessness could involve compounded health issues, hospitalization later in life, losing resources, or becoming financially homeless. Each needs long-term personalized and customized care for success.

A big part of the current homelessness crisis stems from the unintended consequences of the 2009 HEARTH Act. Our nation shifted from providing funding for emergency shelters to focusing solely on permanent housing and supportive services. Theoretically, this is not a bad way to approach homelessness—but as described in more detail herein, Housing First is only effective if you have the housing capacity to make sure people have a home and the necessary resources to provide wraparound services.

In reality, this funding shift caused many cities to either downsize or eliminate shelters due to lack of available financial resources and created a ripple effect where people on the street did not have any safe, secure places to go.

A larger part of the problem is the lack of affordable housing across the nation. The authors describe the factors driving California's housing crisis with many of these replicating in cities across the country, resulting in unobtainable housing for the middle class. When dual phenomena of the lack of emergency shelters and an inadequate housing supply occurs, the eventual alternative is the street.

It is important that the solutions offered herein address both homelessness policies as well as housing. Homeless intervention does not end or prevent homelessness, it only helps individuals currently experiencing homelessness. To end homelessness, we must address and solve the upstream issues, which include access to safe, affordable housing.

The “Beyond Homeless” report includes profiles of a few sample programs across the country that are achieving positive outcomes, and I am proud of my association with one of them, Haven for Hope of Bexar County located in San Antonio, Texas. As with most cities dealing with homelessness, San Antonio had the police department, emergency medical services, hospital systems, mental health systems, and nonprofit services providers all working in silos and not working collectively to have an impact. In creating Haven for Hope, we were able to bring all these systems together to collaboratively move in the same direction, thus making Haven a community-wide model.

Most cities do not have this complete integration of police and fire departments, emergency services, hospitals, psychiatric providers, and all other homeless service providers. Communities across the United States could benefit substantially from looking at the homelessness issue through a more systemic lens.

Ultimately, homelessness in itself is not the problem; it is a symptom of larger systems-level problems. We need to enact systems-level solutions to truly address the root causes of homelessness.

As a nation, we can overcome homelessness. In order to do so, we have to stop dealing with the symptoms and start dealing with the real issues. This report offers a good starting point for doing so.



**Scott Ackerson, LMSW**

Scott Ackerson is the Executive Vice President of Strategic Relationships and Services for Prospera Housing Community Services in San Antonio, and previously worked at Health Management Associates, Haven for Hope of Bexar County, and SAMMinistries.

## 1. INTRODUCTION

Adam B. Summers and Mary L. G. Theroux

At this point, it has become self-evident that homelessness is a substantial—and growing—problem in California, even as it declines in many other parts of the country. It is a growth not only in sheer numbers, but also in visibility, with even well-to-do neighborhoods, such as Cupertino<sup>1</sup> and parts of Orange County,<sup>2</sup> experiencing the rise of tent cities—along with the crowded, unsanitary conditions that have fueled outbreaks of diseases otherwise rarely heard of in modern, developed nations.

From Governor Gavin Newsom<sup>3</sup> to the authors of various news reports,<sup>4</sup> more and more people are decrying “Third World” conditions in California and the return of “medieval” diseases in encampments for people experiencing homelessness. In recent years, we have seen these encampments ravaged by a typhus outbreak in downtown Los Angeles, as a result of accumulations of piles of trash and rat infestations,<sup>5</sup> and by a hepatitis A outbreak in San Diego that sickened nearly 600 people and killed 20.<sup>6</sup> San Francisco has become the poster child for unhygienic street living due to the proliferation of human feces and used drug needles littering so many of its sidewalks. The city gained national notoriety in 2018 when it felt compelled to establish a “Poop Patrol” for regular cleanup of waste after it received nearly 15,000 complaints during the previous seven and a half months.<sup>7</sup> (And, because this is a city just up the peninsula from Silicon Valley, the problem even spawned the development of the colorfully named SnapCrap app to allow San Franciscans to more quickly and easily take a picture of sidewalk waste and report it to the city for cleanup.)

It is little wonder then, that for the first time, Californians rated homelessness as the number one issue facing the state in a September 2019 Public Policy Institute of California (PPIC) poll (tied with the perennial concern of jobs and the economy). “Democrats, Republicans, independents all had it in the first tier of concern,” reported PPIC president Mark Baldasare. The related issue of housing was close behind.<sup>8</sup>

Newsom, who as mayor of San Francisco in 2004 pledged to “abolish” chronic homelessness in

the city within 10 years,<sup>9</sup> devoted the vast majority of his 2020 State of the State address to this issue. He described the homelessness situation as “a blight on the soul of America,” calling it a “disgrace that the richest state in the richest nation ... is failing to properly house, heal, and humanely treat so many of its own people” and asserting that addressing homelessness “must be at the top of our agenda.”<sup>10</sup>

**At the state level.** Although homelessness has actually declined across the nation in recent years, falling from more than 647,000 in 2007 to approximately 568,000 in 2019 (a decline of more than 12 percent), it has continued to increase in California, from about 139,000 to more than 151,000 during the same period (a rise of nearly 9 percent).<sup>11</sup> Among the 12 other states (along with the District of Columbia) to see increases in their homeless populations over the past 12 years, Minnesota’s numbers also increased by 9 percent, while Massachusetts and Washington, DC, experienced a jump of more than 22 percent and New York a whopping 47 percent. On the positive side, Florida, Georgia, New Jersey, and Texas each saw dramatic declines of between 35 and 49 percent in their homeless populations.<sup>12</sup>

Despite the fact that California comprises only 12 percent of the nation’s population,<sup>13</sup> it now has 27 percent of the nation’s homeless population (New York has the second-highest percentage with 16 percent—the only other state to top 5 percent), 41 percent of those experiencing chronic homelessness, and 53 percent of those experiencing homelessness who are unsheltered.<sup>14</sup> California’s 38 people experiencing homelessness per 10,000 population is also second only to New York’s 46 per 10,000—and more than double the national average (17 per 10,000). Among other large states, Florida and Texas post below-average rates of 14 per 10,000 and 9 per 10,000, respectively.<sup>15</sup> Furthermore, the 72 percent of people experiencing homelessness who are also unsheltered in California is the highest rate in the nation, followed by Oregon (64 percent), Hawaii (57 percent), Nevada (53 percent) and Arkansas (52 percent).<sup>16</sup>

**At the local level.** Approximately one-quarter of those experiencing homelessness in the United States reside in the nation’s two largest cities: New York City (14 percent) and Los Angeles (10 percent).<sup>17</sup> And in

terms of the fraction of the homeless population that is also unsheltered, the top five major metropolitan areas are all located in California—Fresno County/Madera County (82.5 percent), Santa Clara County (81.6 percent), Alameda County (78.7 percent), Los Angeles County (75.5 percent), and Sacramento County (70.1 percent). California cities and counties also feature prominently in the “other largely urban,” “largely suburban,” and “largely rural” area categories.<sup>18</sup>

**The issue at hand.** Homelessness is an incredibly complex problem with many and varying causes. Some of these are predictable (housing policies that restrict the supply of housing and otherwise raise prices, economic policies that make it difficult to earn a living), while others are not (the loss of a job, mental illness, or substance abuse—sometimes as a result of untreated childhood trauma; sudden health emergencies, including disability or the death of a head of household, and even a subpopulation that simply prefers to pursue a vagabond lifestyle or to disconnect from traditional society). As such, and in light of the fact that different people respond in different ways to various approaches and incentives, there is no one thing that will fix all of the myriad underlying issues. Furthermore, merely throwing more money at the problem has not been working.

**Housing First.** In recent years, federal, state, and local officials have rushed to adopt the “Housing First” approach to the problem—whereby people experiencing homelessness are placed in permanent housing. Although supportive services are supposed to be offered, in practice they oftentimes are not. Accordingly, participating individuals have continued to struggle with the underlying causes of their homelessness. Housing First may help a certain portion of those experiencing homelessness, such as many of those who are experiencing chronic homelessness, but it may not be the best approach for many others, who would choose, and benefit from, more transformational programs including longer-term residential programs offering wraparound recovery services, workforce development, and other life skills that enable them to reach their full potential. In

fact, by establishing congregate developments housing individuals with continuing addiction and mental health challenges, and failing to treat each person experiencing homelessness as a unique individual with unique needs, Housing First discourages many of its participants from maximizing their human potential. In addition, an overly accepting or resigned attitude toward homelessness and related troubling issues, such as illicit drug use in public, encampments on public sidewalks, aggressive panhandling, and littering of used drug needles, bodily waste, and trash, has only exacerbated the problem.

Given these issues, a critical analysis of Housing First and other alternative approaches constitutes an important part of this report. In these pages, we analyze the various causes of and potential solutions to homelessness in an attempt to help devise more effective strategies to minimize the problem. Because San Francisco and the larger Bay Area have become such a dramatic and visual representation of homelessness in California, special emphasis is placed on this region.

In Section 2, Lawrence J. McQuillan dives deeper into the numbers and the scope of the problem at both the state and local levels. Next, Hovannes Abramyan and Adam B. Summers consider the factors contributing to homelessness in Section 3, while in Section 4 Adam B. Summers takes a look at the Housing First approach—and why putting all of our eggs in this one basket might not be the best strategy for resolving the problem of homelessness. The related issue of harm reduction is addressed in Section 5 by Jonathan Hofer and Mary L. G. Theroux. In Section 6, Lawrence J. McQuillan examines the “homeless-industrial complex” and why California continues to fall behind on the homelessness problem despite significantly increasing the amount of taxpayer money spent on it. In Section 7, Scott Beyer discusses some alternative approaches and spotlights some successful programs both within and outside California. Finally, we present our recommendations and concluding thoughts in Section 8 and provide a list of definitions for terms used in discussing homelessness issues in Appendix A.



## 2. THE TRAGEDY OF HOMELESSNESS: BY THE NUMBERS

Lawrence J. McQuillan

Anyone who lives in the San Francisco Bay Area, or has visited it, knows that homelessness is a serious “doorstep” problem. People sleeping on sidewalks and living in tent encampments serve as constant reminders of a failure to tackle the problem effectively.

Indeed, homelessness in California is so pervasive that it is common to talk about it in terms of numbers and percentages, as this section does. But it is important to keep in mind that behind every number is an individual with a unique story—a husband, wife, father, mother, son, daughter, brother, sister, friend, or family member, all deserving of human dignity.

This section looks at the extent of homelessness in the state, beginning with an overview of California and its unique characteristics, and then drilling down, using succinct summaries, to local cities and counties in the Bay Area. The sheer numbers highlight the severity of the crisis and its rapid growth in recent years. The data also show clearly that the current approach to addressing homelessness has failed.

**The State of California.** Total homelessness has trended upward in the Golden State during the past decade.<sup>19</sup> According to the US Department of Housing and Urban Development (HUD), as of January 2019,

151,278 people were counted as experiencing homelessness in California, or about 27 percent of the nation’s total homeless population.<sup>20</sup> Nine years earlier, in 2010, California had 123,480 people experiencing homelessness.

For the decade as a whole, **Figure 1** shows that homelessness was high but relatively stable in California from 2010 through 2016 before increasing significantly over the past few years. This suggests a possible new—and alarming—trajectory.

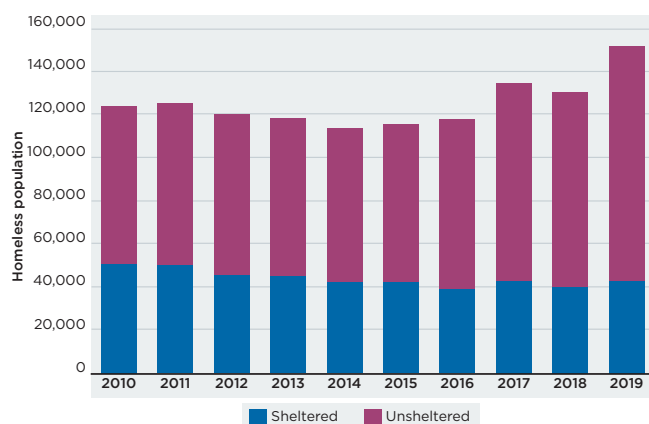
Tragically, California’s entire homeless population now rivals in size the total population of prominent California cities. For example, there are now more people experiencing homelessness throughout California than there are people living in Berkeley, Burbank, Inglewood, Pasadena, or Thousand Oaks. If all of those experiencing homelessness in California were collected into one place, they would represent the state’s 39th-largest city, based on 2019 population numbers.

California is home to 12 percent of the nation’s population, but a 2018 survey of people experiencing homelessness found that the state accounts for about half of the chronically unsheltered population in the United States—people living on sidewalks, in cars, in parks, or in other public spaces.<sup>21</sup> In addition, 34 percent of the nation’s unaccompanied youth experiencing homelessness are in California.<sup>22</sup>

Critical to this discussion is the fact that the homelessness figures most frequently cited are the result of counts conducted on a single night—a point-in-time count—which, according to the National Law Center on Homelessness and Poverty and others, underestimates the true number of people experiencing homelessness.<sup>23</sup> This approach, which is used to determine federal funding allocations, is wholly unscientific and should be reexamined.

One reason for the undercount is that many people cycle in and out of homelessness throughout a calendar year. A point-in-time snapshot, therefore, captures only a portion of the true extent of the problem. One study estimates that homelessness is 2.5 to 10.2 times higher than point-in-time counts indicate.<sup>24</sup> Nevertheless, point-in-time figures generally are considered the best available data for comparison purposes. Moreover, despite their methodological limitations, point-in-time counts are extremely important because they

**FIGURE 1. THE GROWING PROBLEM OF HOMELESSNESS IN CALIFORNIA, 2010-2019**



**SOURCE:** Matt Levin and Jackie Botts, “California’s Homelessness Crisis—and Possible Solutions—Explained,” CalMatters, December 31, 2019, <https://calmatters.org/explainers/californias-homelessness-crisis-explained/>. Based on data from the US Department of Housing and Urban Development.



shape funding, research, and policy decisions. HUD and other government agencies use these counts to measure changes in homelessness over time, which often drives funding to regions experiencing increases.

**San Francisco.** The San Francisco Bay Area is a hotspot for this humanitarian crisis, and the city of San Francisco is associated with homelessness perhaps more than any other US counterpart. People experiencing homelessness and related quality-of-life problems are seemingly everywhere: living on sidewalks and in doorways, with rampant public drug and alcohol abuse leading to public health concerns of disease and sanitation. Nobody would wish this lifestyle on anyone, especially a family member or friend, yet it exists in the open throughout San Francisco and other parts of the Bay Area.

San Francisco is unique because it is both a city and a county. Historically, San Francisco also has adopted a broader definition of homelessness than the federal HUD definition: local officials include people experiencing homelessness in jails, hospitals, and residential treatment centers in their homelessness counts. Regardless of the definition, as shown in **Figure 2**, homelessness has spiked in San Francisco.

In fact, San Francisco has experienced a 17 percent increase in homelessness since 2017, using the federal government’s definition. These numbers surged a stag-

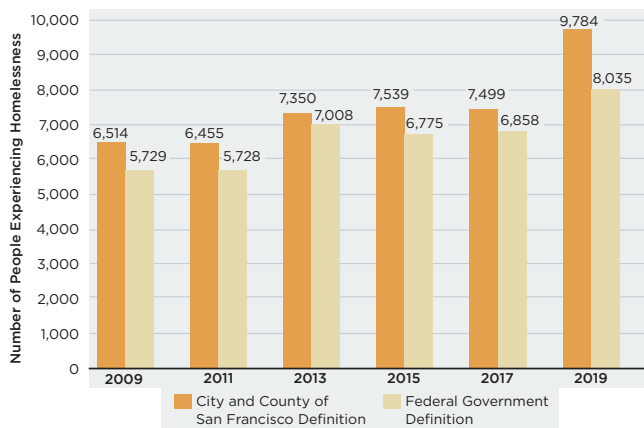
gering 31 percent using the city’s expanded definition of homelessness, to 9,784 in 2019, the highest of any city in the Bay Area. What is particularly troubling is that the city’s unsheltered homeless population jumped from 4,353 in 2017 to 5,180 in 2019 (a 19 percent increase).<sup>25</sup> In addition, the number of people living in vehicles swelled 45 percent in two years.<sup>26</sup>

**Oakland and San Jose.** Homelessness is also surging in the Bay Area’s other major cities, and at rates much higher than San Francisco’s. As illustrated in **Figure 3**, Oakland’s homeless population has soared by 47 percent in a two-year span: from 2,761 in 2017 to 4,071 in 2019. This increase was driven by a wave of people experiencing homelessness who are unsheltered, which grew by 69 percent in just two years.

Likewise, as shown in **Figure 4**, homelessness in San Jose—the nation’s tenth-largest city—has jumped dramatically, increasing by a stunning 40 percent from 2017 to 2019. In contrast, from 2009 to 2017, homelessness in the city was roughly stable. Overall, however, homelessness in San Jose increased by 45 percent during the decade as a whole, from 4,193 in 2009 to 6,097 in 2019.

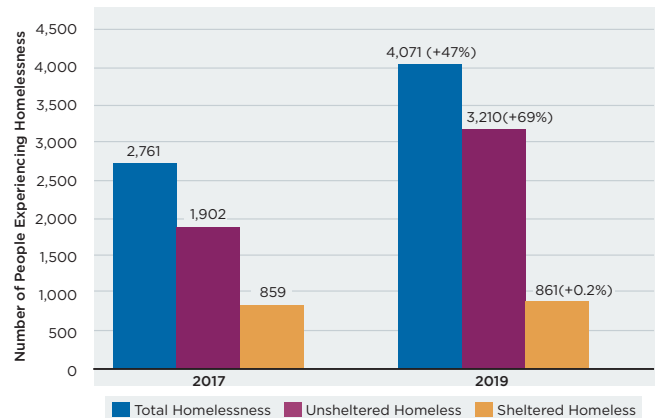
Taken together, Oakland and San Jose have more than an estimated 10,000 people experiencing homelessness. But, again, the true number of people experi-

**FIGURE 2. THE SURGE IN SAN FRANCISCO’S POPULATION OF THOSE EXPERIENCING HOMELESSNESS, 2009-2019**



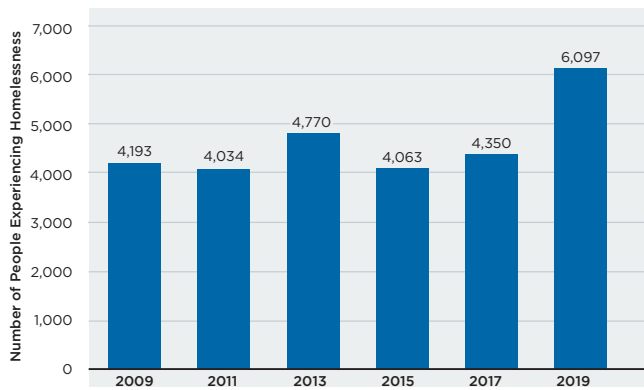
**SOURCES:** City and County of San Francisco, Department of Homelessness and Supportive Housing, San Francisco Homeless Point-in-Time Count Reports, 2009–2019, <http://hsh.sfgov.org/research-reports/san-francisco-homeless-point-in-time-count-reports/>, and City and County of San Francisco, City Performance Scorecards, Safety Net, Homeless Population, Point-in-Time Homeless Count, 2009–2019, <https://sfgov.org/scorecards/safety-net/homeless-population>.

**FIGURE 3. OAKLAND’S POPULATION OF THOSE EXPERIENCING HOMELESSNESS SOARS, 2017-2019**



**SOURCES:** Marisa Kendall, “Oakland’s Homeless Population Grows 47 Percent in Two Years: New Data Underscores City’s Homelessness Crisis,” The Mercury News, Bay Area News Group, July 23, 2019, <https://www.mercurynews.com/2019/07/23/oakland-saw-a-47-percent-spike-in-homelessness-this-year/>. Based on data from Alameda County Homeless Count & Survey, Comprehensive Report: 2019, [https://everyonehome.org/wp-content/uploads/2019/07/2019\\_HIRDReport\\_Alameda\\_FinalDraft\\_8.15.19.pdf](https://everyonehome.org/wp-content/uploads/2019/07/2019_HIRDReport_Alameda_FinalDraft_8.15.19.pdf).

**FIGURE 4. SAN JOSE'S SURGE IN HOMELESSNESS, 2009-2019**



**SOURCE:** City of San Jose Homeless Census & Survey, Comprehensive Report: 2019, <https://www.sanjoseca.gov/home/showdocument?id=38890>.

encing homelessness throughout a calendar year may be many times larger than point-in-time counts reveal.

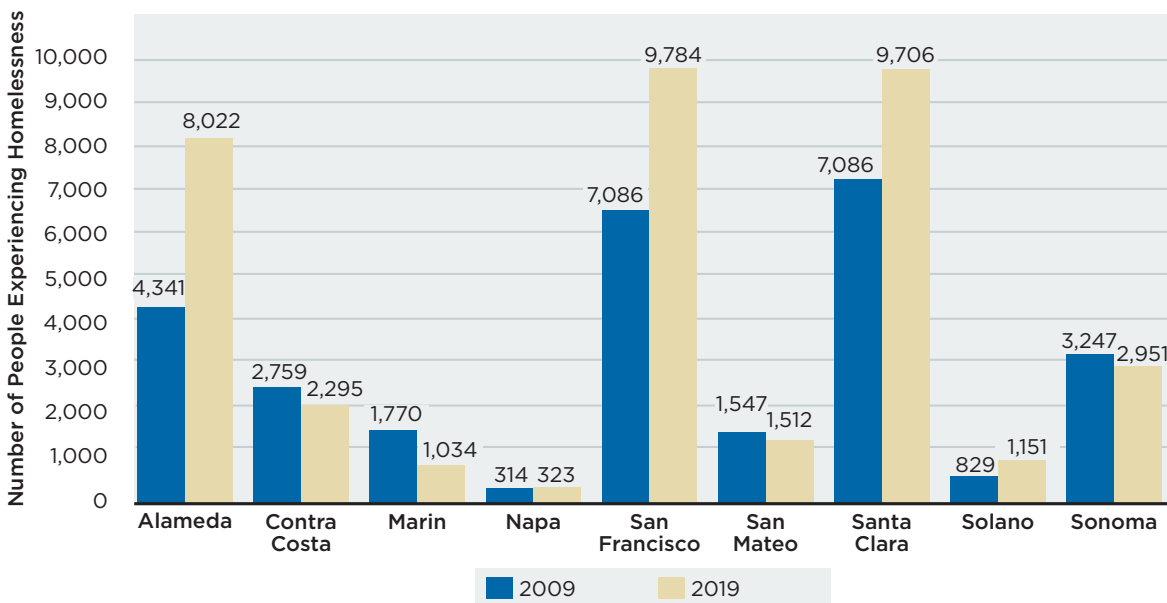
**The San Francisco Bay Area.** The San Francisco Bay Area is composed of nine counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma. **Figure 5** presents data on homelessness for each county in both 2009 and 2019.

In three of the four most populous counties—Alameda, San Francisco, and Santa Clara—homelessness surged dramatically during the decade. Napa and Solano counties, on the other hand, experienced smaller increases, while in Contra Costa, Marin, San Mateo, and Sonoma counties, homelessness fell slightly. Marin County experienced the largest reduction (736 people). It is clear, however, that few counties can claim they have a handle on the problem, especially the Bay Area’s largest counties.

Overall, in the nine Bay Area counties combined, total homelessness increased by a staggering 30 percent, from 28,407 in 2009 to 36,778 in 2019. From 2017 to 2019 alone, total Bay Area homelessness increased 27 percent.<sup>27</sup> Tragically, more people experiencing homelessness live in the Bay Area than the entire population of Beverly Hills.

**People experiencing homelessness who are unsheltered in California.** A large percentage of those experiencing homelessness in California are unsheltered. Statewide, the percentage of people experiencing homelessness who are unsheltered is 72 percent, the highest of any state.<sup>28</sup> Nationally, 35 percent of those experiencing homelessness are unsheltered, a striking difference.<sup>29</sup>

**FIGURE 5. THE WAVE OF HOMELESSNESS IN SAN FRANCISCO BAY AREA COUNTIES, 2009 AND 2019**



**SOURCES:** Kate Eby, "History of How Many People Are Homeless in the Bay Area," ABC7News.com, August 13, 2019, <https://abc7news.com/5260657/>, and City and County of San Francisco, City Performance Scorecards, Safety Net, Homeless Population, Point-in-Time Homeless Count, 2009-2019, <https://sfgov.org/scorecards/safety-net/homeless-population>.

Unsheltered homelessness is a huge problem in the Bay Area as well, with 67 percent of this population going unsheltered.<sup>30</sup> Among those experiencing homelessness in the region's major cities, 64 percent are unsheltered in San Francisco,<sup>31</sup> 79 percent in Oakland,<sup>32</sup> and 84 percent in San Jose,<sup>33</sup> which was home to the largest encampment for people experiencing homelessness in the continental United States, known as "The Jungle," until it was dismantled in 2014.<sup>34</sup> In Los Angeles, 75 percent of people experiencing homelessness are unsheltered,<sup>35</sup> many on Skid Row in downtown Los Angeles.

In contrast, 26 percent of people experiencing homelessness are unsheltered in Chicago, 16 percent in Denver, 15 percent in Washington, DC, and just 5 percent in New York City.<sup>36</sup>

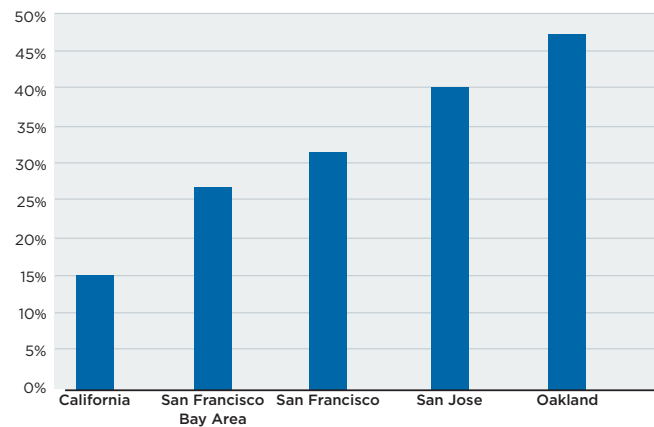
One obvious factor driving the high rate of people experiencing homelessness who are also unsheltered in California is the weather. California has a moderate climate, which makes it possible to live unsheltered with fewer life-threatening weather conditions during the winter months.

But the weather does not tell the whole story. Florida and Texas have moderate weather as well, yet each has much lower rates of homelessness and unsheltered homelessness than California.<sup>37</sup> Clearly, other factors are at work. One such factor is California's—and especially San Francisco's—cultural permissiveness regarding homelessness, and its accompanying quality-of-life problems. San Francisco's political class tolerates it, and even subsidizes it, while many other cities do not.

As a consequence of the large percentage of unsheltered people experiencing homelessness in California, many troubling issues are in public view, including defecation, urination, and needle use; severe substance abuse; severe mental illness; violence and other crimes; and unsanitary living conditions. The public health implications are frightening, as exemplified by the recent spread of typhus and tuberculosis throughout encampments and shelters in Los Angeles for people experiencing homelessness.<sup>38</sup>

Merely sheltering people, if done incorrectly, can create other serious problems, and may not reduce homelessness in the long run. Simply hiding the behaviors of those experiencing homelessness inside shelters or public housing may not improve mat-

**FIGURE 6. THE STUNNING SURGE IN CALIFORNIA HOMELESSNESS, 2017 TO 2019**



**SOURCES:** US Department of Housing and Urban Development, "2019 Point in Time Estimates of Homelessness in the US," <https://www.hud.gov/2019-point-in-time-estimates-of-homelessness-in-US>; Kate Eby, "History of How Many People are Homeless in the Bay Area," ABC7News.com, August 13, 2019, <https://abc7news.com/homeless-homelessness-bay-area-number-of-people/5260657/> (based on data from HUD and Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties); City of San Jose Homeless Census & Survey, Comprehensive Report: 2019, <https://www.sanjoseca.gov/home/showdocument?id=38890>; and Alameda County Homeless Count & Survey, Comprehensive Report: 2019, [https://everyonehome.org/wp-content/uploads/2019/07/2019\\_HIRDRReport\\_Alameda\\_FinalDraft\\_8.15.19.pdf](https://everyonehome.org/wp-content/uploads/2019/07/2019_HIRDRReport_Alameda_FinalDraft_8.15.19.pdf).

ters, especially if underlying causes are not addressed (**4. Housing First**). That said, in California, more than in other places, the negative quality-of-life consequences of homelessness are more visible.

**One step forward, three steps back.** Whether at the state level or in the Bay Area's cities and counties, homelessness has surged dramatically in recent years, with an accompanying increase in quality-of-life problems. Figure 6 illustrates the sudden spikes in homelessness since 2017, ranging from a 15 percent increase statewide to a nearly 50 percent jump in Oakland.

Equally troubling is the continuous churn of people. For every person experiencing homelessness who is newly housed each year in San Francisco and in Alameda County (where Oakland is located), three more people begin experiencing homelessness.<sup>39</sup> One step forward and three steps back is not a recipe for success.

Clearly, the current approach to addressing homelessness has not worked. In fact, the humanitarian crisis has gotten much worse. In order to devise a plan to better address the tragedy of homelessness, we must first identify its main causes and contributing factors.

### 3. FACTORS CONTRIBUTING TO HOMELESSNESS

Hovannes Abramyan and Adam B. Summers

How is it that the San Francisco Bay Area, one of the nation's wealthiest metropolitan areas, with an annual median household income nearly twice the national average, finds itself with the third-largest homeless population in the country?<sup>40</sup> The data on homelessness offer some guidance for understanding the nature and origins of this epidemic of people experiencing homelessness in the Bay Area.

**Composition of the homeless population in San Francisco.** In late January 2019, San Francisco released its most recent Homeless Count & Survey, a report on the number and composition of individuals experiencing homelessness within the City and County of San Francisco.<sup>41</sup> Aside from the staggering growth in the homeless population highlighted (an increase of more than 17 percent since the previous report in 2017), the survey also reveals several eye-opening aspects of homelessness in the region.

**Age.** San Francisco's homeless population is aging, but homelessness often is a lifelong problem that is also experienced by the young. In 2017, a slim majority (51 percent) of the county's individuals experiencing homelessness were more than 40 years old. By 2019, that number had grown to 57 percent.<sup>42</sup> According to estimates, almost half of senior citizens experiencing homelessness did so after the age of 50.<sup>43</sup> However, among those individuals surveyed for the countywide study, 45 percent reported first experiencing homelessness at an age younger than 25 years.<sup>44</sup>

**Gender.** Most individuals experiencing homelessness who reside in San Francisco County are men. Nearly six in ten (59 percent) identified themselves as male in the 2019 survey, while a little more than one-third (35 percent) identified as female. The remainder identified as transgender (4 percent), nonbinary (1 percent), or some other gender (1 percent).<sup>45</sup> The figures are very similar to those reported in the county's previous report two years earlier, signaling some consistency in the gender aspect of homelessness, though the individ-

uals experiencing homelessness in 2019 were not necessarily the same people who were experiencing it in 2017.

**Race.** The majority of the homeless population in San Francisco is nonwhite, and a plurality is African American. Despite composing only 6 percent of the county's population, African Americans account for 37 percent of the total homeless population. Multiracial individuals are also overrepresented among those experiencing homelessness, composing 21 percent of the count but only 5 percent of the total county population. In contrast, it is estimated that about three in ten individuals experiencing homelessness are white, even though nearly half (47 percent) of the county's population is white. Asian Americans likewise are underrepresented among those experiencing homelessness, composing only 5 percent despite representing one-third of the total population.<sup>46</sup>

This demographic profile of San Francisco County's homeless population demonstrates that the problem is neither distributed uniformly nor borne proportionally by all social groups. Rather, certain groups appear more vulnerable to ending up on the streets. The region's homeless population is older, more often male, and much more likely to be nonwhite or non-Asian than the typical resident of San Francisco County. The reasons why these groups are more susceptible to homelessness are varied, and they compound to create an epidemic that plagues the region.

**Job loss and the lack of affordable housing.** Many people experience homelessness for economic reasons. According to San Francisco's 2019 Homeless Count & Survey, the number one self-reported cause of a person's homelessness was the loss of a job (26 percent).<sup>47</sup> Alcohol or drug use was the second most common reason (18 percent), followed by more economic factors related to the inability to afford housing: eviction (13 percent) and being kicked out of one's residence after an argument with family or friends (12 percent).<sup>48</sup>

**Cost of living.** Such situations are exacerbated by the high cost of living in California, particularly in the San Francisco Bay Area. Although this has affected nearly all residents in some form, its impact has been borne especially heavily by more economically and socially vulnerable people.



The costs are numerous, varied, and cumulative. For example, on top of facing the highest statewide sales tax in the nation (7.25 percent), Bay Area residents pay additional local sales taxes.<sup>49</sup> In 2019 the City of San Francisco, the combined sales tax rate is 8.5 percent, while in South San Francisco, it is 9.875 percent in 2021.<sup>50</sup> Californians in general also face the fifth-highest per capita personal income tax in the country<sup>51</sup> and pay the highest gasoline tax in the country.<sup>52</sup> When all sources of taxation are accounted for, Bay Area residents—especially those living paycheck to paycheck—are stretched thin on money for essentials.

One of the most widely felt burdens is the high cost of housing in the Bay Area, which has grown well beyond the means of many ordinary residents, including families with children. Second only to New York City in rental costs, the San Francisco Bay Area recently has experienced multiple annual double-digit increases in rents, far outpacing growth in other parts of the country.<sup>53</sup> According to Zumper, a rental listing site, the median rent for a two-bedroom apartment in San Francisco currently is \$4,500 per month, or \$54,000 per year.<sup>54</sup> That is nearly half the median annual household income in San Francisco (\$112,449).<sup>55</sup>

Recent research demonstrates that housing costs are a major determinant of homelessness. For example, a December 2018 study by Zillow found that homelessness rises in places where rents consume more than 22 percent of income, and it increases at an even higher rate when rent's share of income exceeds 32 percent.<sup>56</sup> A 2015 American Enterprise Institute paper also found that “a 10 percent increase in median rent is associated with a contemporaneous 4 percent increase in homelessness, which grows to 9 percent after one year.”<sup>57</sup> This link between a lack of affordable housing and homelessness exists locally as well, according to the Bay Area Council Economic Institute.<sup>58</sup> Because most San Franciscans face very high—and generally increasing—rental costs, it is not surprising that the city is suffering such a great homelessness problem.

Indeed, out-of-control housing prices have pushed many people to leave the Bay Area in favor of other, much less expensive, cities, such as Sacramento or Seattle.<sup>59</sup> But many others in the Bay Area's most vulnerable communities have been pushed onto the streets. Accord-

ing to the Bay Area Council Economic Institute report, for extremely low-income households (those earning less than 30 percent of the area's median income), the high cost of housing “dramatically narrows the margin between housing insecurity and homelessness.”<sup>60</sup> Such low-income households typically allocate the majority of their monthly incomes to rent, oftentimes leaving them with less than \$1,000 for other basic expenses.<sup>61</sup>

*Supply shortage.* The sky-high housing costs in the San Francisco Bay Area are driven by a shortage in the supply of housing, relative to demand. Between the 1970s and the 2000s, thousands of single-room occupancy hotels were torn down and low-income apartments were taken off the market as part of an “urban renewal” movement.<sup>62</sup> These actions removed low-income housing from the market, providing fewer options for the economically disadvantaged and placing an upward pressure on prices. In more recent years, San Francisco has failed to add enough new housing units to meet even the demands of new jobs in the city, much less tackle existing shortages. For example, between 2015 and the end of 2019, the city added approximately 59,600 new jobs,<sup>63</sup> but permitted only about 23,700 new housing units.<sup>64</sup>

This problem is well known and well understood, even if it has not been well addressed. The state's nonpartisan Legislative Analyst's Office (LAO) identifies the housing shortage as the key driver of the state's growing housing costs, especially in coastal communities such as the San Francisco Bay Area. As the LAO notes, the link between the supply of housing and the cost of housing is a matter of simple economics:

Some of California's most sought after locations—its major coastal metros (Los Angeles, Oakland, San Diego, San Francisco, San Jose, and Santa Ana-Anaheim), where around two-thirds of Californians live—do not have sufficient housing to accommodate all of the households that want to live here. A shortage of housing along California's coast means households wishing to live there compete for limited housing. This competition bids up home prices and rents.<sup>65</sup>

Removing the governmental constraints that limit homebuilding could have dramatic positive effects. A

September 2019 report from the White House Council of Economic Advisers estimates that housing deregulation in 11 metropolitan areas with significantly supply-constrained housing markets would reduce overall homelessness in the United States by 13 percent. “Homelessness would fall by much larger amounts in these 11 large metropolitan areas; for example, by 54 percent in San Francisco, by 40 percent in Los Angeles, and by 23 percent in New York City,” the report concludes. “On average, homelessness would fall by 31 percent in these 11 metropolitan areas, which currently make up 42 percent of the United States homeless population.”<sup>66</sup>

The high cost of housing in the San Francisco Bay Area not only pushes ever-larger shares of people toward homelessness, it also hinders any plausible opportunity for individuals experiencing homelessness to get back on their feet. When asked what kept them from securing permanent housing, nearly two-thirds (63 percent) of individuals experiencing homelessness indicated that they would not be able to afford rent.<sup>67</sup> This of course assumes that enough housing units would be available to accommodate them in the first place.

**Government regulation.** There are many regulatory hurdles that raise the costs of building new housing units and suppress housing development. One primary example is zoning laws, which restrict the types and densities of housing development that may be built in various sections of the city or county. These and other regulatory hurdles limit the supply of housing, reduce consumer choice, and violate property rights by dictating what can—and what cannot—be built on a property owner’s land.

In addition to standard zoning ordinances, many local governments also impose “inclusionary zoning,” or affordable housing mandates, which require housing developers to either offer a certain portion of a new development’s housing units at below-market prices or pay “in lieu” fees to the government, which are supposed to be dedicated to affordable housing programs. Like many well-intentioned laws, however, the unintended consequences of such set-asides are largely the opposite of the intended effect: development is restricted, which makes housing even more expensive.

By making housing development less profitable, inclusionary zoning laws discourage homebuilding,

resulting in fewer housing units (including fewer affordable units) and higher prices for market-rate units, as developers try to make up for losses from the below-market-rate units. One study found that, after cities adopted inclusionary zoning laws, new housing production declined dramatically—by 31 percent in the first year, on average—and the cost of market-rate homes typically increased by tens of thousands of dollars. In some Bay Area cities, costs jumped by more than \$100,000.<sup>68</sup> These negative effects far outweighed the measly 6,836 below-market-price units provided through inclusionary zoning across the entire Bay Area over a 30-year period.<sup>69</sup>

Such revelations prompted Jerry Brown, both when he was mayor of Oakland and when he was governor of California, to oppose inclusionary zoning mandates. As governor, in 2013 he vetoed Assembly Bill 1229, which would have expressly authorized local governments to impose inclusionary zoning mandates on new housing developments.

“As Mayor of Oakland, I saw how difficult it can be to attract development to low- and middle-income communities,” Brown wrote in his veto message. “Requiring developers to include below-market units in their projects can exacerbate these challenges, even while not meaningfully increasing the amount of affordable housing in a given community.”<sup>70</sup>

Another type of zoning law that has significant ramifications for housing development is the urban growth boundary, which seeks to concentrate development in city cores within the boundary line, thereby ostensibly protecting farmland and open space outside the boundary. Such arbitrary boundaries limit the amount of developable land, encourage higher-density development, and drive up housing prices in city centers. As with other forms of zoning, this limits consumer choice—and even contravenes consumer preferences, as many people prefer the larger, more affordable properties (particularly single-family homes) that are available farther from city centers.<sup>71</sup> Even those who prefer to live in the city near their jobs may be negatively affected, as the higher prices caused by urban growth boundaries force them farther away from the city center, leading to longer commutes, more traffic congestion, and increased tailpipe emissions. Thus, as a 1999 Reason Foundation policy study

concludes, urban growth boundaries raise housing prices, “produce lower-quality housing and amenities,”<sup>72</sup> and “[reduce] the quality of life for many people.”<sup>73</sup>

Urban growth boundaries have been popular across the San Francisco Bay Area, and are in effect in places such as Alameda, Contra Costa, Marin, and San Mateo counties, as well as in the cities of Antioch, Fairfield, Fremont, Hayward, Napa, Richmond, San Jose, Santa Rosa, and Vallejo.<sup>74</sup> For this reason, development of vast swaths of the Bay Area is restricted, including much of the East Bay and South Bay.<sup>75</sup> Urban growth restrictions, promoted by environmental organizations such as the Greenbelt Alliance, seek to confine urbanization—but at the cost of a housing crunch that affects low- and middle-income residents disproportionately.<sup>76</sup>

Moreover, zoning regulations that restrict the development of multifamily units, such as apartments, make matters worse. Supported by homeowners for the sake of boosting home values and keeping out unwanted newcomers, such zoning laws exacerbate the affordable housing crunch by preventing the supply of total housing units from increasing in order to meet communities’ varied and changing housing needs.<sup>77</sup>

It is not as if land were in short supply in the Bay Area.<sup>78</sup> And, despite professed concerns about urban sprawl, only 18 percent of the region’s approximately 4.5 million acres (roughly 7,000 square miles) is developed, with parks and open space accounting for more than one-quarter of the land and with agricultural lands making up nearly half of the total.<sup>79</sup> But despite very low population growth, projected at only about 1 percent a year over the next 20 years,<sup>80</sup> “the competitive market for land no longer works, in large measure because of land-use regulation,” concludes Wendell Cox, economic and demographic researcher and founding senior fellow at the Urban Reform Institute.<sup>81</sup>

It should come as little surprise that Bay Area metropolitan areas have among the worst housing affordability multiples (defined as median house price divided by median household income) in the nation. The San Jose metro area posts an affordability multiple of 8.5, with San Francisco close behind at 8.4. (Only Los Angeles rates worse among US cities, with the median house price a full nine times median household income.<sup>82</sup>) It was not always this way, however,

and the sharp decline in housing affordability began in earnest only in the 1970s,<sup>83</sup> coinciding with the rise in stricter environmental and urban containment policies.

“Before the evolution toward urban containment policies began, the median multiples in these metropolitan areas (and virtually all in the United States) were around 3.0 or less,” Cox notes. “The decades-old Bay Area housing affordability crisis, and that of other urban containment metropolitan areas that are now seriously unaffordable (median multiples over 5.0) seeking to force higher densities, is more the result of policy than nature.”<sup>84</sup>

Numerous other state and local laws also reduce the supply—and increase the cost—of housing in California. Environmental regulations, such as the California Environmental Quality Act (CEQA), are exploited to slow or kill new developments by tying them up in red tape and litigation.<sup>85</sup> Prevailing (union) wage mandates, high development impact fees, and a web of overly restrictive building codes and historic preservation rules at different levels of government stall housing construction and renovation, and also increase the costs associated with building new housing.<sup>86</sup>

Another impediment to homebuilding is California’s labyrinthine affordable housing financing process. Although affordable housing funding is handled by a single department in many large states, California has five different departments with financing responsibilities, each of which reports to different elected officials.

“Developers have to file a series of applications to access a dozen different funding programs that ... have their own regulations determining what projects win,” the Los Angeles Times reported recently. “To make matters more confusing, there are three separate programs to finance homeless housing, and four geared toward affordable housing near mass transit—each with different rules.”<sup>87</sup>

These obstacles to the construction of more housing hurt Californians broadly, but are especially detrimental to those experiencing homelessness and those on the brink of homelessness.

**Other individual-level factors contributing to homelessness.** Many of the more visible problems associated with homelessness are individual in nature, reflecting circumstances that affect the individuals living on the streets directly, but not necessarily the community at large in the same manner. We have



discussed catastrophic financial situations, such as the loss of a job, as major contributors to homelessness, but there are other individual-level factors that may also lead to life in a shelter or on the streets.

**Substance abuse.** Alcohol and illicit drug abuse are other significant factors leading to homelessness. Such substance abuse oftentimes stems from unresolved trauma. Although producing accurate estimates of substance abuse from self-reports collected in interviews often is difficult (given the sensitivity of the topic and the fear of repercussions),<sup>88</sup> surveys such as those included in San Francisco’s 2019 Homeless Count & Survey offer insightful (if necessarily conservative) estimates. The report finds that nearly one-fifth (18 percent) of all individuals experiencing homelessness,<sup>89</sup> and nearly one-fourth (24 percent) of those experiencing chronic homelessness,<sup>90</sup> identify drugs or alcohol as the primary cause of their condition.

Put differently, a significant portion of San Franciscans experiencing homelessness attribute their homelessness directly to having a substance abuse problem before they ended up on the streets. For many of these individuals, drugs and alcohol produced cascading negative effects on their careers, finances, and personal relationships. The issue is particularly acute in San Francisco, where Health Department officials estimate that drug addicts outnumber high school students,<sup>91</sup> and the gateway to homelessness appears to be as open as ever.

But drug and alcohol abuse are more pervasive and harmful among San Francisco’s homeless population than even those numbers suggest. In the county’s most recent survey, 42 percent of individuals experiencing homelessness—and 63 percent of those experiencing chronic homelessness—self-reported alcohol or drug abuse,<sup>92</sup> and some independent estimates range even higher.<sup>93</sup> These estimates reflect the reality that oftentimes the depression and hopelessness associated with homelessness lead people to drug and alcohol abuse, rather than the other way around. This negative feedback loop of dependency impairs people’s agency over their own lives and keeps them on the streets, despite any desire they may have to improve their situation. In some regions of San Francisco, such as the Tenderloin, substance abuse is both rampant and open, with fentanyl dealers

lining the sidewalks and syringes commonly littering the ground, highlighting the extent of the problem.<sup>94</sup>

**Mental health issues and physical disabilities.** Tragically, a staggering number of people on the streets also suffer from physical or mental disabilities—problems that hinder successful reintegration into the workforce and society at large. Nearly one-third (31 percent) of those experiencing homelessness report having chronic health problems, and more than one-quarter (27 percent) have a physical disability—including 15 percent who say they suffer from a traumatic brain injury.<sup>95</sup> While 8 percent attribute their homelessness primarily to a mental health issue,<sup>96</sup> 39 percent report a psychiatric or emotional condition, and 37 percent report having post-traumatic stress disorder (PTSD).<sup>97</sup> A nontrivial portion of these individuals (about 9 percent of those experiencing chronic homelessness) are military veterans.<sup>98</sup>

Although some of those experiencing homelessness developed a physical or mental handicap while living on the streets, a large number of them found their way onto the streets following the deinstitutionalization movement that began in the 1960s. The Lanterman-Petris-Short Act of 1967, signed by then Governor Ronald Reagan, ended the state’s indefinite institutionalization of patients against their will for a host of mental health and developmental issues.<sup>99</sup> It sought to end unjustified, indefinite (sometimes lifetime) commitments, protect individual rights through judicial review of involuntary commitments, adopt the least restrictive means of treating those suffering from mental illness, and shift treatment from state institutions (and similar facilities), which had been criticized for being abusive and inhumane, to a community-based approach. It also allowed law enforcement officers to write an application for a 72-hour involuntary hold (commonly known as a “5150” after the number of the section of the act that authorized it) for assessment and treatment at an appropriate facility for cases where there was probable cause that a person was suffering from a mental health condition that rendered them either a danger to themselves or to others or else “gravely disabled.” However, the dearth of effective community programs for treating the mentally ill led many onto the streets or into the criminal justice system, eventually to be dumped onto the streets.<sup>100</sup>

Thus a significant part of the homelessness problem may be attributed to poor care options for mental illness.

*Accommodating policies toward people experiencing homelessness.* In addition to the aforementioned factors, homelessness is exacerbated by a resigned public attitude toward it, as well as related troubling issues, such as open drug use and dealing on the streets and the widespread dangers of used drug needles, human feces, and other public filth. The increase of these conditions has made San Francisco the poster child for homelessness and the failure to effectively deal with the problem. Given the city's generous public services; state laws such as Propositions 47 and 57, which essentially decriminalize public drug use and petty crime; and city policies institutionalizing street encampments, it should come as little surprise that people who wish to engage in such behavior—and take advantage of these services—gravitate to San Francisco.

During the early 2000s, San Francisco reconsidered such policies and eventually cut direct cash payments to those experiencing homelessness, with proponents such as then Mayor Gavin Newsom suspecting that they were causing an influx of people experiencing homelessness into the city from neighboring counties.<sup>101</sup> In recent years, programs in San Francisco that provide people experiencing homelessness with a range of free services and resources likewise have come under attack, being labeled “magnets” for those individuals.<sup>102</sup> For example, a controversial policy by the San Francisco Department of Public Health to provide limited amounts of free tobacco, drugs, and alcohol to quarantined individuals experiencing homelessness during the COVID-19 crisis has generated a great deal of opposition from people alleging that, in enabling destructive habits, the city has gone

too far to accommodate those experiencing homelessness (see more on this in the **Project Roomkey: Another Application of Housing First** text box in Section 4).<sup>103</sup>

The data provide some evidence to support the claim that San Francisco's permissive attitude is making it a magnet for people experiencing homelessness. The 2019 survey of the city's homeless population found that nearly one-third (30 percent) reported living outside the city when they most recently became homeless. The figure includes 22 percent who traveled to San Francisco from another county in California, and 8 percent who came from out of state.<sup>104</sup>

As a 2016 *San Francisco Chronicle* editorial lamented, the city suffers from “an influx of about 450 chronically homeless people a year [and] needs to shed any perception that it is a sanctuary for people who are unwilling to participate in programs designed to get them off, and keep them off, a life in the streets.”<sup>105</sup>

Although a significant portion of San Francisco's homeless population has migrated from elsewhere, the vast majority (70 percent) report that their experience began while already residing in the city—indicating that the epidemic is still largely a homegrown problem, resulting from substance abuse, physical or mental health problems, a systemic housing shortage, and other economic factors.

But whether the individuals experiencing homelessness are locals or newly relocated, a new approach is needed to ensure that public intoxication, camping on public sidewalks, aggressive panhandling, and other disruptive behaviors are not a viable option. Mitigating homelessness will also require a change in housing policies and a dedication to more effective substance abuse and mental health treatment.

## 4. HOUSING FIRST

Adam B. Summers

One of the primary approaches to addressing the homelessness problem currently favored by government policymakers and some homelessness advocates (particularly those who participate in government-funded efforts) is “Housing First,” a form of permanent supportive housing. As the name implies, this approach emphasizes placing those experiencing homelessness in housing immediately, with the idea that access to supportive services and connections to the community-based supports people need to keep their housing and avoid returning to homelessness will follow. In practice, however, oftentimes such services are either not provided or are not availed of by most residents. As a result, the underlying issues that led to their homelessness remain unaddressed, and many end up returning to the streets.

A similar approach, known as “rapid rehousing,” provides short-term rental assistance and various wraparound services for up to two years. Like Housing First, these services are optional and offered without preconditions.

By contrast, transitional housing programs, also known as transformational housing programs, use an approach known as “housing readiness,” which aims to provide temporary housing and wraparound services to help individuals experiencing homelessness address underlying issues until they reach the point at which they are able to secure permanent housing and achieve their full potential. Such programs may last up to about three years. Critically, transitional housing programs typically include wraparound recovery, workforce development, and other services, as well as sobriety and other expect-

tations, in order to continue in the program. As already noted, although such services may be offered by Housing First programs, to the extent that they are not accessed, participants in Housing First do not address the underlying causes of their homelessness effectively (see **Table 1**).

Historically, transitional housing programs have been “high barrier,” meaning only those ready to commit to sobriety and a rigorous program will utilize them. Further, they have traditionally entailed draconian consequences for even fairly minor offenses. Participants might be kicked out with nowhere to go solely for missing a class, for example. Failing alcohol or drug tests would also routinely result in participants being expelled, generally constituting a sentence of a return to life on the streets.

Many current transitional/transformational housing programs are more flexible, however. Model programs, such as Haven for Hope (see **7. Alternative Models**) and the one currently being piloted by the San Francisco Salvation Army, for example, take a more tolerant approach and work with participants facing challenges to create plans for getting back on track. For those who determine they are truly not yet ready for a transformational program, they provide a soft landing at a lower-barrier facility.

**History of the Housing First policy.** The Housing First model was developed during the late 1980s and 1990s, although its popularity among policymakers did not really take off until the model was embraced by the George W. Bush administration in 2004. At the time, this approach was tailored toward those experiencing chronic homelessness, which consisted primarily of single men with substance abuse, mental illness, or physical disability issues.

**TABLE 1. COMPARISON OF HOMELESSNESS ASSISTANCE PROGRAM APPROACHES**

	TRANSITIONAL HOUSING	HOUSING FIRST & PERMANENT SUPPORTIVE HOUSING	RAPID REHOUSING
<b>Housing Type</b>	Short-term (programs may last up to three years)	Long-term (unlimited)	Short-term rental assistance (up to two years)
<b>Services</b>	Typically requires sobriety, participation in services	Optional, with focus on harm reduction	Optional, with focus on harm reduction
<b>Primary Focus</b>	Underlying issues that lead to one’s homelessness	Housing	Housing

The federal government’s support for Housing First programs expanded significantly under the Obama administration. The Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009 changed HUD’s definitions of homelessness and chronic homelessness and established the Continuum of Care Program, which consolidated three existing homelessness grant programs. According to the National Alliance to End Homelessness, a “continuum of care (CoC) is a regional or local planning body that coordinates housing and services funding for homeless families and individuals.”<sup>106</sup> The HEARTH Act also changed the Emergency Shelter Grants program, renaming it the Emergency Solutions Grants program and allowing funds to be used for homelessness prevention and rapid rehousing, in addition to emergency shelter services.<sup>107</sup> This effectively facilitated a change to more of a Housing First approach and resulted in fewer federal funds being used for short-term emergency shelter and related services.

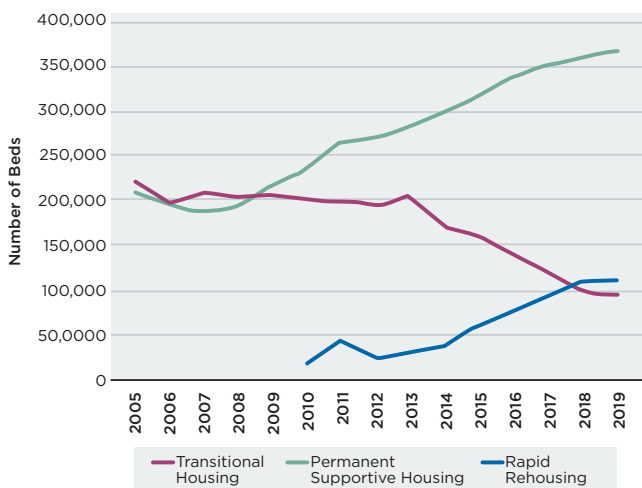
In 2013, the Department of Housing and Urban Development essentially adopted Housing First as the solution for all people experiencing homelessness by

including it in HUD’s Notice of Funding Availability, which details the requirements that applicants must meet to receive grants. This policy has continued into the Biden administration. The State of California followed suit, adopting Housing First as its policy in 2016 when the legislature and Governor Jerry Brown approved Senate Bill 1380, which declared, “It is the intent of the Legislature to adopt a ‘Housing First’ model for all state programs funding housing for people experiencing homelessness or at risk of homelessness.”<sup>108</sup> Many local governments, such as Los Angeles, San Francisco, and Sacramento, have also adopted the Housing First approach.

These policy decisions have had severe ramifications for the provision of services to individuals experiencing homelessness. It now is effectively impossible for transitional housing programs or other models to receive government funding in these jurisdictions, unless they are paired with a rapid rehousing program. (See 7. **Alternative Models** for more on how this requirement impairs the emergence of successful alternative programs.)

Current policy has forced many programs to face difficult decisions about whether to lose or forgo funding and scale back operations or switch to the Housing

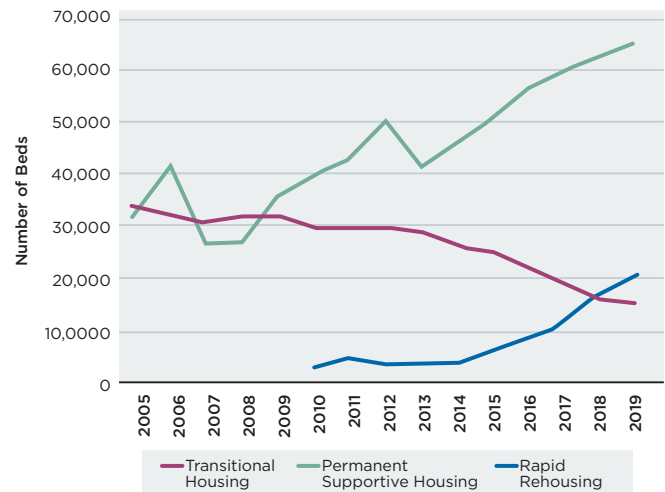
**FIGURE 7. NUMBER OF US BEDS TO ASSIST INDIVIDUALS EXPERIENCING HOMELESSNESS (BY PROGRAM TYPE), 2005–2019**



**NOTE:** Does not include “other permanent housing,” emergency shelter, or safe haven beds.

**SOURCE:** US Department of Housing and Urban Development, Continuum of Care Homeless Assistance Programs, Housing Inventory Count Reports, undated (accessed May 21, 2020), [www.hudexchange.info/programs/coc/coc-housing-inventory-count-reports/](http://www.hudexchange.info/programs/coc/coc-housing-inventory-count-reports/).

**FIGURE 8. NUMBER OF CALIFORNIA BEDS TO ASSIST INDIVIDUALS EXPERIENCING HOMELESSNESS (BY PROGRAM TYPE), 2005–2019**



**NOTE:** Does not include “other permanent housing,” emergency shelter, or safe haven beds.

**SOURCE:** US Department of Housing and Urban Development, Continuum of Care Homeless Assistance Programs, Housing Inventory Count Reports, undated (accessed May 21, 2020), [www.hudexchange.info/programs/coc/coc-housing-inventory-count-reports/](http://www.hudexchange.info/programs/coc/coc-housing-inventory-count-reports/).



First model. It is little surprise, then, that Housing First programs have flourished ever since, while transitional housing programs have gone into steep decline. The number of permanent supportive housing (PSH) beds rose by a striking 76 percent, from nearly 209,000 beds in 2005 to more than 367,000 in 2019. Meanwhile, the number of transitional housing beds dropped a precipitous 57 percent, from approximately 220,000 to less than 95,000 in the same period. The number of rapid rehousing beds also has risen substantially, from fewer than 20,000 in 2010 to nearly 113,000 in 2019 (see **Figure 7**).

A similar pattern has emerged within California, although the increase in Housing First beds here has been even more dramatic. The number of transitional housing beds fell 55 percent, from nearly 34,000 in 2005 to fewer than 15,000 in 2019, while the number of PSH beds more than doubled, from roughly 32,000 to more than 65,000, and the number of rapid rehousing beds now exceeds 20,000 (see **Figure 8**).

**Housing First criticisms.** Despite its political popularity, evidence of Housing First's effectiveness in meeting the needs of people experiencing homelessness and reducing region-wide homelessness is mixed, at best. Homelessness did decline during the late 2000s and early 2010s, lending some initial support and enthusiasm for the Housing First strategy. However, the explosion of homelessness in recent years—even as Housing First has continued to be the predominant policy (preferred by HUD and numerous state and local governments) and spending on homelessness has swelled—calls the efficacy of this approach into serious question.

There is some evidence that Housing First can have some positive outcomes, particularly with regard to housing retention. A 2013 American Public Health Association article written by several Pathways Vermont researchers reported that their organization's Housing First program saw a housing retention rate of 85 percent over three years by adopting "hybrid assertive community treatment-intensive case management teams."<sup>109</sup> A 2016 *Journal of Community Psychology* article also found that, for participants in a Housing First program targeted at those suffering from chronic street homelessness or limited homelessness with serious mental health issues, 90 percent of residents were housed after one

year, versus 35 percent for the comparison group. In addition, the participants spent significantly less time experiencing homelessness or hospitalization in psychiatric facilities.<sup>110</sup> Moreover, a 2017 study reported in PLoS ONE found that participants in Vancouver, British Columbia, Canada, who (1) were experiencing homelessness or precariously housed with histories of homelessness; (2) suffered from mental illness and moderate or severe disability; and (3) experienced other problems, such as substance abuse or legal issues, spent much more time in stable housing—74 percent of the time, compared with 26 percent for the "treatment-as-usual" group—over a two-year period.<sup>111</sup>

**One-size-fits-all approach is ineffective.** There is not convincing evidence, however, that Housing First is effective when applied to the entire homeless population, as governments at the federal, state, and local levels have claimed. Indeed, even some of the studies supportive of Housing First have cautioned against interpreting the results too broadly or exaggerating the benefits of the approach.<sup>112</sup> "Many of the claims about Housing First overreach what the evidence actually says," warned a 2012 report for the Australian Housing and Urban Research Institute. "While much can be learned from Housing First, it is also clear that in the process of transferring Housing First to Australia important findings have been ignored, factors contributing to its success have been oversimplified, and claims about its effectiveness overstretched."<sup>113</sup>

A review of a number of studies and articles supportive of Housing First found that they suffered from methodological issues, concluding, "Low retention rates, failure to collect data consistently across experimental conditions, and vulnerability to recall bias all weaken the current studies' ability to fairly assess Housing First programs."<sup>114</sup> Others have questioned the objectivity of certain Housing First studies, noting that they generally are conducted by a relatively small group of academics, many of whom have ties to organizations that advocate for Housing First policies.<sup>115</sup>

Many other studies have identified shortcomings in Housing First programs themselves. A study of chronically unsheltered individuals in Boston, published in April 2021 in *Medicare Care*, for example,

found that housing retention was 82 percent after one year, but fell dramatically to 36 percent after five years, and to just 12 percent after 10 years.<sup>116</sup>

“Long-term outcomes for this permanent supportive housing program for chronically unsheltered individuals showed low housing retention and poor survival,” concluded researchers from the Harvard T. H. Chan School of Public Health, Boston Health Care for the Homeless Program, and Massachusetts General Hospital in Boston. “Housing stability for this vulnerable population likely requires more robust and flexible and long-term medical and social supports.”<sup>117</sup> Moreover, the Boston researchers found, the supposedly “permanent supportive housing” was anything but permanent for a large portion of the participants.

“Nearly half in our study required [more than one] apartment to remain housed, with many requiring 3–6 apartments. While only 8 persons were evicted, 28 tenants were moved a total of 45 times to avoid eviction,” they found.<sup>118</sup>

The researchers concluded, “Each subsequent housing relocation increased the risk of a tenant returning to homelessness. Three or more housing relocations substantially increased the risk of death.”<sup>119</sup>

In addition, a 2018 National Academies of Sciences report concluded, “Overall, except for some evidence that PSH improves health outcomes among individuals with HIV/AIDS, the committee finds that there is no substantial published evidence as yet to demonstrate that PSH improves health outcomes or reduces health care costs.”<sup>120</sup> Other studies have found that Housing First generally performs no better than other approaches for treating substance abuse or mental illness,<sup>121</sup> and it tends to be more expensive than alternative approaches.<sup>122</sup> And a 2017 Washington Legal Clinic for the Homeless study criticized Washington, DC, for its overreliance on the related approach of rapid rehousing, finding that

- 45 percent of families in such programs ended up in eviction court,
- only 10 percent of families were able to increase their incomes over a one-year period,
- only two out of every five families were able to maintain their housing without assistance, and
- four out of five reported poor conditions in their apartments.<sup>123</sup>

According to a 2015 study by Kevin Corinth, permanent supportive housing is correlated with a very small immediate reduction in the homeless population, but even this effect disappears after one year.<sup>124</sup> Moreover, using this approach, one would have to add at least 12.6 PSH beds to reduce the homeless population by one person in the long run.<sup>125</sup>

Thus, Corinth concluded, “Investment in permanent housing may lead to small short-run reductions in homelessness, but if there are no long-run effects, limited funds will be tied up in serving people who otherwise could have escaped homelessness with more temporary assistance.”<sup>126</sup>

“Permanent supportive housing ... is not associated with any long-run reduction in homelessness,” Corinth added. “The muting effect driven by the non-chronically homeless suggests that PSH should be better targeted to the chronically homeless, although the lack of affirmative evidence that PSH reduces even the chronically homeless population suggests that plans to end chronic homelessness using PSH should be more modest.”<sup>127</sup>

Housing First might be an appropriate approach for some subpopulations of those experiencing homelessness, such as individuals experiencing chronic homelessness, who were the original targets of this approach, or others so traumatized and distrustful of public officials or service providers that they would not otherwise agree to participate in higher barrier programs, such as transitional housing. However, it appears that the approach’s benefits have been exaggerated and that it has been overprescribed for the entire homeless population at large. Addressing the needs of various populations dealing with different causes of homelessness and different severities of underlying issues is, of course, a complex problem, and any one-size-fits-all approach is likely to be counterproductive and fail to effectively serve certain portions of the homeless population.

Thus, policymakers responsible for funding homelessness programs should recognize that homelessness is an individualized problem that needs to be addressed on an individualized basis. They should focus on rewarding successful outcomes—whether Housing First, transitional housing, or other models—and leave private sector/nonprofit organizations free to best determine how to meet the needs of the people in their communities.

**Neglecting care of the individual.** Perhaps the most damning criticism of Housing First is that it largely neglects the “supportive” component as originally designed, leaving unaddressed the trauma, substance abuse, and other root causes that lead people into homelessness, and prevent them from escaping it. This approach applies a Band-Aid to a severe wound. By not emphasizing long-term stabilization, Housing First too often acts as a revolving door between housing and homelessness. As a Salvation Army officer who works directly with people experiencing homelessness terms it, “They’re inside, but culturally homeless.”<sup>128</sup>

Such harms are not easy to quantify, nor are the effects of a successful transformational program. But a lax attitude on the part of Housing First programs toward treatment and life skills training and their tolerance of destructive behaviors—even if such behaviors are reduced slightly—still facilitate the cycle that robs individuals of their dignity and prevents them from realizing their full potential.

“Since HUD started emphasizing ‘Housing First’ over services and not requiring participation in programs, national homelessness has increased,” said Robert Marbut, founding president and CEO of the successful Haven for Hope transitional housing facility in San Antonio, Texas (spotlighted in **7. Alternative Models**). “It’s not working. We’ve got to get back to addressing the root causes of homelessness, and engaging people in services—not enabling them.”<sup>129</sup>

The late Bob Coté, a man who, after experiencing homelessness, got off the streets and went from participant to leader of the Step 13 Evolution Process (later renamed Step Denver) transitional housing program in Denver, likewise criticized the optional services approach. Coté touted the very high success rate of his “no drugs, no booze, find a job” program (profiled in **7. Alternative Models**). “My biggest adversaries are government homeless shelters that don’t ask people to do anything for themselves, and Social Security Disability programs that allow people to continue the same mistakes they’ve been making,” he told columnist John Fund.<sup>130</sup>

The Housing First approach “is basically saying the cause and solution of homelessness is housing, regardless of [one’s] behaviors,” added Paul Webster in October 2019 when he was vice president of

Solutions for Change in San Diego County. (Webster later became senior policy adviser at the US Department of Housing and Urban Development.) “This takes away the incentive to become self-sufficient” and eliminate sociopathological behavior in order to become a productive member of society, he added.<sup>131</sup>

By funding Housing First programs exclusively, Webster continued, policymakers are rewarding failed behavior and effectively preventing homelessness organizations from serving people who are on the brink of homelessness, while they still have custody of their children. Housing First forces a cycle of waiting until people are desperate enough to need more services and more dramatic interventions, resulting in not only higher costs to governments (and, ultimately, taxpayers), but also a “catastrophic loss of human potential.” Moreover, transitional housing programs are not “tough love,” as they sometimes are described; they simply prohibit self-destructive behavior. Such programs help people reach their full potential, rather than treating them as victims, Webster noted.<sup>132</sup>

Then there is the question of whether people who have severe mental health issues or are addicted to drugs or alcohol can even make rational, self-interested decisions about the kinds of treatment and other services they require. Many may be afflicted with anosognosia, a misperception or lack of awareness of one’s condition, which affects a substantial portion of people with mental health issues.<sup>133</sup>

Drew Pinsky, MD, a board-certified physician and addiction medicine specialist who has spent most of his career working in a psychiatric hospital, stresses that “motivated care” is preferred to “mandated care,” and recommends presenting those suffering from anosognosia with limited choices: “Sorry, you can’t live in the street. We’re going to arrest you for drug use. But you don’t have to go to jail; you can go to this drug treatment facility.”<sup>134</sup> For those truly unable to care for themselves, conservatorship may be the best answer; for, as he also notes, letting people stay on the street “is a death sentence.”<sup>135</sup>

Although confining people to treatment facilities against their will should be an absolute last resort, it may be a necessary option in extreme cases when someone has broken laws repeatedly or is deemed by a judge to present a serious threat to public health or other-



wise pose a significant danger to themselves or others. As such, conservatorship laws should be reexamined to determine if they strike the right balance between individual rights and the health and safety of others.

California passed a pair of bills, SB 1045 in 2018 and SB 40 in 2019, both introduced by state Senator Mark Weiner (D-San Francisco), which allow the counties of Los Angeles, San Diego, and San Francisco—where 40 percent of those experiencing homelessness in the state reside—to establish pilot programs in order to seek a judge’s approval of conservatorship after an individual’s eighth “5150” emergency crisis hold within a year.<sup>136</sup> Critics note, however, that the laws are so restrictive that they apply only to a very small number of people, and thus are likely to have little effect.

**Expensive and inefficient.** Even if the Housing First approach worked for everyone, it simply would not be financially or practically feasible, given that the demand far outstrips the supply of affordable housing.

This is particularly true in California, where state and local government policies have reduced the supply of housing and dramatically increased the costs of building new housing—affordable or otherwise. As noted in Section 3 of this report, policies such as zoning restrictions, environmental regulations, high development impact fees, prevailing (union) wage mandates, lengthy and labyrinthine planning/approval processes, and litigation all serve to raise housing prices or prevent needed housing from being built in the first place. And this is especially true for Housing First units that are scattered about, as opposed to those grouped in a single facility to take advantage of economies of scale.

As a result, even “affordable” housing developments in California can cost \$500,000, \$700,000, or even close to \$1 million per unit. The average cost to build a government-subsidized apartment for low-income residents in the state is \$500,000, according to a Los Angeles Times analysis of state data. Even after adjusting for inflation, that price tag is 26 percent higher than it was just a decade ago.<sup>137</sup>

Residents of Los Angeles approved Proposition HHH in the November 2016 election to provide \$1.2 billion in subsidies for supportive housing for individuals and families experiencing homelessness. But after

three years, only one project had been completed and the median cost of the units was more than \$531,000—nearly the same as the median condominium sales price in the city (\$546,000)—according to a report from City of Los Angeles Controller Ron Galperin. That is far more than the \$350,000 to \$414,000 that the city touted prior to Proposition HHH’s passage. More than 1,000 units funded by Proposition HHH will top \$600,000 per unit, and one project will exceed an average of \$700,000 for its 41 units—more than the median price of a single-family house in Los Angeles County (\$628,000). Moreover, the controller found, developments are spending approximately 40 percent of their budgets on “soft costs,” such as development fees, consultants, and financing—about three and a half times the cost of land, and nearly as much as the cost of actual construction (labor and materials), which eats up nearly half of total project costs.<sup>138</sup>

The price tags get even more shocking in the Bay Area, where at least six current or recently completed projects surpassed \$900,000 per apartment.<sup>139</sup>

“We can all look ourselves in the mirror and say if the price of these units keeps going up, whether it’s \$400,000 or \$550,000, we’re going to run out of money for these kinds of things from a purely public sector, philanthropic stance,” said Gary Painter, director of the Sol Price Center for Social Innovation at the University of Southern California. Painter also decried project delays that “cause some of these projects to take five to seven years when they should, if everything was moving smoothly, take 12 to 18 months.”<sup>140</sup>

These high costs and lengthy project timelines make Housing First an untenable solution, on its own, to adequately address homelessness and housing affordability. The inability of Housing First to put much of a dent at all in homelessness in San Francisco and Los Angeles—despite many years of such efforts—and the difficulty of getting new units built in the first place demonstrate that this strategy cannot effectively be scaled to such large populations. We simply do not have the time or the money to build a new home for every person experiencing homelessness. Even at the average going rate of \$500,000 per unit, and assuming we could build every unit needed right away (because costs will only increase the longer

it takes to build new units), providing housing for the estimated 151,000 Californians experiencing homelessness would carry a price tag of more than \$75 billion. People experiencing homelessness would be better served by utilizing Housing First on a more modest scale for those subpopulations best suited to it, and taking advantage of other more efficient and cost-effective solutions.

### Project Roomkey: Another Application of Housing First

In early April 2020, Governor Gavin Newsom announced the launch of Project Roomkey. This program was intended to protect the most vulnerable people experiencing homelessness from the coronavirus outbreak and prevent further spread of the disease by getting them off the streets, or out of crowded shelters, and isolating them in hotel and motel rooms, many of which became vacant because of state and local government lockdowns in response to the pandemic.<sup>141</sup> Those eligible for the program include people experiencing homelessness who have tested positive for COVID-19 but do not require hospitalization, those who have been exposed to the disease, and those who are asymptomatic but who are at high risk due to age (65 or older) or underlying health conditions.

The Federal Emergency Management Agency (FEMA) covers 75 percent of the state and local government costs, which, in addition to the rooms, include expenses for support services such as meals, security, and custodial services. Local governments and community groups provide health care, behavioral health, and case management services.

At a May 29, 2020, press conference, Governor Newsom announced that the state had met its initial goal of securing at least 15,000 hotel and motel rooms, which he reported had a 60 percent occupancy rate.<sup>142</sup> In a separate, but similar, effort, the state has embarked on a plan to purchase and deploy approximately 1,300 trailers to local governments for the same purpose.

Although Project Roomkey may be a temporary arrangement (the hotels' lease contracts initially ran for three months, but were then extended, with FEMA announcing in December 2020 that it would continue to fund such "shelter-in-place" programs throughout the duration of the COVID-19 emergency),<sup>143</sup> as opposed to permanent supportive housing, the program incorporates PSH's Housing First/

harm reduction approach, which offers housing without any sobriety or other treatment requirements. This led to some controversy when it was reported in May 2020 that San Francisco was delivering and administering alcohol, cannabis, and methadone to drug addicts staying in Project Roomkey facilities.<sup>144</sup>

In an article for *City Journal*, reporter Erica Sandberg detailed shocking conditions at hotels used to temporarily house those experiencing homelessness in San Francisco, including high-end lodgings, such as the InterContinental San Francisco and InterContinental Mark Hopkins. The results include "destroyed rooms," "rampant illegal drug use," "used syringes ... discarded haphazardly," a lack of mental health treatment, disorganized operations, "deeply demoralized" city staff, and a number of deaths within a period of just a few days, including "a non-guest [who] was recently found dead in the hallway, still clinging to a crack pipe."<sup>145</sup>

"You are talking drug-fueled parties, overdoses, deaths. People are being assaulted. You have sexual assaults going on. It is pandemonium," Sandberg said during a recent interview. "It is extremely bad and it needs to stop."<sup>146</sup>

The San Francisco Police Department even arrested two people for operating a meth lab in a room at a hotel used for housing those experiencing homelessness and others at risk for contracting the coronavirus.<sup>147</sup>

There are cost and efficiency considerations as well. The program is not fiscally sustainable, Abigail Stewart-Kahn, the interim director of the San Francisco Department of Homelessness and Supportive Housing, told KQED in November 2020. The average room cost of \$260 per night is at least three times the \$70 to \$90 daily cost for other types of housing.<sup>148</sup> Nonetheless, the city extended its homeless hotel program until early 2022.<sup>149</sup>

New York City Mayor Bill de Blasio announced in August 2020 that the city was going to put an end to a similar program, and was in the process of trying to relocate thousands of people experiencing homelessness who were at that point staying in hotel rooms. The move came on the heels of a sharp increase in crime in and around the participating hotels and reports of costs estimated at as much as \$28 million per month (in addition to the substantial federal subsidies provided through FEMA).<sup>150</sup> The city has had trouble winding down the program and transitioning residents from hotels to tra-

ditional shelters, however; and as of April 2021 still only offered a vague timeline, stating that the move could take several more months.<sup>151</sup>

Other problems have arisen as well in California, such as suicide attempts, concerns about access to mental health treatment, limited access to personal protective equipment for workers, lax security, and a spike in police activity (which was five times greater than in the previous year) at a San Diego hotel used for COVID-19 isolation, including people experiencing homelessness.<sup>152</sup>

Despite the free lodging, meals, laundry service, and other amenities, the program has experienced an attrition rate of at least 20 percent, and about one-third of the remaining guests have been ignoring shelter-in-place rules and staying outside all day. As if this were not bad enough, San Francisco has used confidentiality clauses in hotel contracts and emergency disaster law to prevent reporters from entering properties housing those experiencing homelessness, thus keeping the public in the dark about which hotels are participating in the program and what their new guests have been doing during their stays.<sup>153</sup>

The question arises of what will happen to individuals experiencing homelessness once Project Roomkey's leases expire, the lockdowns end, and business starts getting back to usual—and whether these individuals will even be willing to leave their accommodations, particularly those placed in swanky hotels, such as The Palace or the InterContinental hotels in San Francisco. As Sandberg notes in a separate *City Journal* article, California law offers tenants' rights protections for those who stay in a hotel room longer than 30 days.<sup>154</sup>

“What keeps me up at night is what happens when [shelter-in-place measures] recede,” said Kathleen Clanon, MD, medical director of Alameda County Care Connect, a program of the county's Health Care Services Agency to coordinate health and social services.<sup>155</sup> Clanon indicated that she would like to keep some of those hotel properties for long-term housing of people experiencing homelessness, but conceded that doing so still would not be enough to address the problem adequately.

Yet this is just what California has decided to do. In addition to the \$150 million the state

made available to local governments in March 2020 for using hotels and motels to house those experiencing homelessness who are also at high risk for COVID-19, the state budget that Governor Newsom signed at the end of June 2020 included \$550 million in federal Coronavirus Aid Relief Funds to purchase and rehabilitate hotels, motels, vacant apartment buildings, residential care facilities, and tiny homes for the purpose of housing individuals experiencing homelessness. The federal funds came with the caveats that they had to be used for one-time capital expenditures, such as building acquisition and improvements—not ongoing operational expenses—and they had to be spent by December 30, 2020. This accelerated timeline prompted the state to exempt such projects from California Environmental Quality Act (CEQA) review. In addition, \$50 million of state funds were dedicated to ongoing support services for the program, and another \$300 million in general state homelessness funding may also be used for this purpose.

To reflect the permanent nature of the homelessness housing program after the coronavirus pandemic has passed, the program's name was changed from Project Roomkey to Project Homekey. Governor Newsom included an additional \$750 million for the Homekey program in his initial fiscal year 2021-22 budget proposal.<sup>156</sup> Then a historic projected budget surplus and the promise of tens of billions of dollars more from the federal government via the American Rescue Plan coronavirus relief package, signed into law in March 2021, allowed Newsom to significantly expand his proposal. Under the state budget signed by Newsom in July 2021, California will spend \$12 billion on homelessness programs over the next two years, including \$5.8 billion to expand Project Homekey, which is anticipated to add an estimated 42,000 homeless housing units, and \$150 million to stabilize and rehouse Project Roomkey clients.<sup>157</sup>

“We've long dreamed about scooping up thousands of motel rooms and converting them into housing for our homeless neighbors,” Newsom said in a statement. “The terrible pandemic we're facing has given us a once-in-a-lifetime opportunity to buy all these vacant properties, and we're using federal stimulus money to do it.”<sup>158</sup>

## 5. HARM REDUCTION

Jonathan Hofer and Mary L. G. Theroux

As its name implies, “harm reduction” is a series of policies and practices intended to reduce harm from the use of drugs.

“Harm reduction is a set of practical strategies and ideas aimed at reducing negative consequences associated with drug use,” according to the National Harm Reduction Coalition. “Harm Reduction is also a movement for social justice built on a belief in, and respect for, the rights of people who use drugs.”<sup>159</sup>

Because many of those experiencing homelessness—particularly those experiencing chronic homelessness—suffer from substance abuse, we will focus on the intentions and outcomes of harm reduction as it relates to homelessness and the Housing First approach.

The Drug Policy Alliance describes several key goals and features of the harm reduction approach, which are representative of the set of strategies commonly advanced by other parties as well. These strategies include the following:

- reducing the stigma associated with recreational and “problematic” drug use,
- improving access to drugs that reverse opioid overdoses, such as the generic drug naloxone,
- protecting individuals who report illicit drug use to emergency services (including self-reporting),
- operating supervised consumption services (SCSs), also referred to as supervised injection facilities (SIFs), which are “legally sanctioned facilities designed to reduce the health and public order issues often associated with public drug consumption by allowing onsite, supervised use of drugs,”
- expanding syringe access in order to lower transmission of infectious diseases, and
- encouraging drug checking, also referred to as adulterant screening, which includes policies that permit the use and distribution of drug testing supplies to assist individuals in identifying specifically what a particular substance contains.<sup>160</sup>

**Substance abuse and homelessness.** According to a July 2009 National Coalition for the Homeless brief on substance abuse based on the Substance Abuse and Mental Health Services Administration’s 2003 estimates, “38 percent of people experiencing homelessness were dependent on alcohol and 26 percent abused other drugs.”<sup>161</sup> Moreover, as noted in Section 3, among those experiencing chronic homelessness, 63 percent reported drug or alcohol abuse.<sup>162</sup>

According to one public health researcher who has conducted surveys of drug users in San Francisco for the past quarter century, the percentage of people in these surveys who are homeless has risen from roughly 25 percent when he first began his research to about 80 percent today.<sup>163</sup>

**Harm reduction results.** In order to provide improved access to drugs that reverse opioid overdoses, the Drug Overdose Prevention and Education Project, an initiative funded by the City and County of San Francisco, gave out more than 50,000 doses of naloxone in 2020. About 4,300 overdoses were reversed using the lifesaving drug.<sup>164</sup>

Unfortunately, there were still a record 712 fatal overdoses in the city during 2020, mostly from fentanyl.<sup>165</sup> That represents a 61 percent increase from the previous year and a 175 percent increase since 2018.<sup>166</sup> The drug overdose death toll is more than three times the number of people that died in San Francisco due to the coronavirus outbreak during the same period.<sup>167</sup> As the *New York Times* reports, “San Francisco’s overdose death rate is higher than West Virginia, the state with the most severe crisis, and three times the rates of New York and Los Angeles.”<sup>168</sup>

An April 2021 *City Journal* article revealed that nearly three quarters of these 2020 drug overdose victims “perished while isolated inside hotel rooms and supportive housing provided by the city. Six died in the Hotel Whitcomb, a designated Shelter-in-Place (SIP) hotel, in a single month.”<sup>169</sup>

Given the vastly greater toxicity of fentanyl and the speed with which death from overdose of fentanyl occurs—compared with, for example, heroin—unless someone equipped with naloxone is in the immediate vicinity of a victim, the likelihood of



a successful intervention is very slim. The isolation imposed by SIP hotels is thus an additional contributor to the recent higher overdose death rate.

Safe injection sites and needle exchange programs have had some documented successes in public health, such as helping to reduce HIV transmission. The National Research Council and Institute of Medicine Panel found that, with the availability of a needle exchange program, reported needle sharing among injection drug users declined sharply, from 66 percent to 35 percent, between 1987 and 1992. Moreover, participants who utilized the program more than 25 times during the past year were less likely to share needles than the control population.<sup>170</sup>

In the 12 weeks following the opening of North America's first safe injection site in Vancouver, British Columbia, Canada, on September 22, 2003, public injection of drugs and biohazardous waste declined.<sup>171</sup> A follow-up analysis showed a reduction in fatal overdoses associated with the introduction of the safe injection site, reporting, "The fatal overdose rate in this area decreased by 35 percent after the opening of the SIF, from 253.8 to 165.1 deaths per 100,000 person-years."<sup>172</sup> And a meta-analysis of 28 studies found that needle exchange and syringe programs were associated with lower rates of hepatitis C acquisition in Europe.<sup>173</sup>

Safe injection sites and needle and syringe exchange programs may result in a cost that is lower on net than equivalent hospital treatment. A cohort study of the Integrated Soft Tissue Infection Services Clinic in San Francisco reports that opening the clinic "resulted in a 47 percent decrease in surgical service admissions and an estimated savings of over \$8 million for costs related to [cutaneous injection-related infections]." The study also reports that a wound management clinic in Oakland "found that the average cost per individual treated ... was \$5, substantially lower than equivalent hospital costs of \$185 and \$360."<sup>174</sup>

That said, no evidence currently is available showing reductions in crime following the introduction of a safe injection site or needle exchange program, despite crime reduction being a stated intention of the strategy.<sup>175</sup>

With an estimated 24,500 injection drug users in San Francisco, according to the city's Department of

Public Health—a figure that is more than 50 percent greater than the number of high school students<sup>176</sup>—the City and County of San Francisco has implemented a needle distribution program in an attempt to minimize the harm to drug users and the general public. The city distributed 5.8 million needles in 2018, often with no requirement to turn the used ones in.<sup>177</sup> The city ended up collecting 3.8 million (66 percent) of those needles, leaving approximately 2 million syringes unaccounted for.<sup>178</sup> As the *San Francisco Examiner* reported, "Of the collected syringes, 3.1 million were returned to syringe access sites, 59,000 were dropped off at syringe disposal kiosks, and 107,136 [were] picked up through cleanup sweeps."<sup>179</sup> That year, Mayor London Breed proposed spending an additional \$13 million over two years for the city's street cleaning efforts.<sup>180</sup>

As the San Francisco example illustrates, clean new needles distributed without the requirement that they be exchanged for used needles can result in an increase in biohazardous waste. In other words, needle exchange programs amounting to needle distribution programs can have adverse effects on the general population.

**Harm reduction and Housing First.** Housing First incorporates a harm reduction approach that can range from no supportive services to the provision of paraphernalia to reduce the harm from drug use, but does not include recovery services. Because many Housing First units utilize harm reduction, with residents suffering from unaddressed traumas, addiction, or mental health issues, the lack of the effective provision of these services contributes to many Housing First buildings becoming the subject of frequent calls to emergency services. By not adequately treating the underlying issues that led residents to become homeless in the first place, Housing First facilities risk becoming places where the homeless merely come to die more slowly.

Additionally, graduates from a 60- or 90-day recovery program may be placed in a mixed Housing First community among active drug users, undermining their efforts to stay clean, and contributing to a "washing machine" effect, whereby individuals cycle between the streets, programs, and housing.

**Criticisms of harm reduction.** Although the intentions of harm reduction advocates might be beneficent,

such strategies actually might increase the nominal homeless population in a given area by encouraging migration to areas offering injection sites or other harm reduction programs. A Simon Fraser University study of Vancouver, British Columbia, Canada, found that the concentration of services in the city's Downtown Eastside neighborhood has substantially increased the number of opioid migrants moving to the city. In a 10-year period, the percentage of those participating in an experimental Housing First program who lived in Vancouver's Downtown Eastside neighborhood increased from 17 percent to 52 percent.<sup>181</sup>

Even if expanding access to syringes is determined to be a worthy goal, needle exchange services need not be funded or operated by government agencies. At the height of the HIV/AIDS crisis in San Francisco, for example, needle exchanges were a private endeavor that complemented public substance abuse interventions.<sup>182</sup> The most notable instance of private provision of syringes was the all-volunteer group Prevention Point, which distributed injection and hygienic supplies. It has since organized community efforts to clean up discarded syringes and other biohazardous materials.<sup>183</sup>

Addiction and recovery specialists are generally in favor of harm reduction—so long as it is employed as a means to reduce or eliminate dependence on substances.

Recovery specialist Major Mark Nelson of The Salvation Army characterizes harm reduction strategies as being “on a spectrum ranging from abstinence to managed use, with the overriding goal to reduce harm,” and “also on a spectrum ranging from negative consequences to death.”<sup>184</sup> Addictionologist Drew Pinsky, MD, is in favor of therapeutic harm reduction that “helps people get their lives back,” but not by “putting people on medication that keeps them permanently ill.”<sup>185</sup>

Harm reduction interventions have the potential to reduce the rate of adverse medical events, but not all harm reduction practices include connecting the individual with additional help. Failing to do so can greatly undermine an individual's rehabilitation. As generally practiced, harm reduction that lacks further assistance may risk the perpetuation of drug abuse, rather than the realization of any reduction of harm from drug use to individuals. For example, individuals experiencing homelessness are offered

drug paraphernalia, drug checking, or access to a safe injection site, but may not be provided with opportunities for programs offering recovery services.

One former addict, who had lived on the streets and had experience with San Francisco's harm reduction programs, reported that although he was offered drug paraphernalia by city workers, he was never offered a treatment bed nor was he offered assistance with quitting.<sup>186</sup> Fortunately, with the encouragement of a neighborhood police officer, he eventually was able to complete The Salvation Army's rehabilitation program.

To optimize harm reduction strategies, full environments of care are needed. Addictions, traumas, and illnesses vary widely. Because of this variance, services such as needle exchange programs and safe injection sites are not fully addressing the diverse array of obstacles a person may encounter. Pinsky asserts the following:

Four walls is not a treatment for psychiatric illnesses. Any legitimate environment of care always includes the necessary services to manage psychiatric patients. Wraparound services are synonymous with comprehensive psychiatric services, which people don't seem to understand. They include a psychiatrist, a psychologist, a medical doctor, a social worker, a drug counselor, a vocational rehab therapist, and an occupational therapist.<sup>187</sup>

Pinsky adds, “There are dedicated services and beds for the homeless left unused and there is plenty of money to provide these services.”<sup>188</sup>

For harm reduction to be helpful to those experiencing homelessness, its services must be utilized. Under current approaches, the onus rests largely on individuals somehow becoming aware that such services are available, and then choosing to seek them out. However, most individuals suffering from substance abuse will not choose recovery unless they face motivation to do so. San Francisco's permissive environment of open drug dealing and use, with harm reduction involving the provision of drug paraphernalia and information on its use, instead perpetuates substance abuse, especially among those experiencing homelessness.

In 2014, Californians passed Proposition 47, which reduced the penalties for most illicit drug use and serial theft of less than \$950 per crime, among

other offenses, to “cite and release.” The reduction of such crimes from felonies to misdemeanors has prompted local police and district attorneys to no longer prosecute many of these cases and resulted in the discontinuation of the practice of courts offering rehab, rather than incarceration, for those charged with crimes related to substance abuse including, for example, serial theft to support one’s drug habit.

In addition, the Lanterman-Petris-Short Act of 1967 severely limited hospital commitments through court order. Although the law is noble for trying to prevent undue commitment of patients, especially in its expansion of the role of psychiatrists to assist in identifying inappropriate involuntary commitments, it has had the unfortunate result of removing options other than the street for those with mental disorders experiencing homelessness.<sup>189</sup> Legislation such as SB 1045 and SB 40 has attempted to address the needs of those suffering from mental illness who pose a risk of harm to themselves or others, or who are “gravely disabled,” but the extremely narrow qualifications have prevented such measures from actually being applied. Nearly two years after the passage of SB 1045, the conservatorship program targeting mentally ill residents suffering from substance addiction and living on the city’s streets, San Francisco had placed only one person in court-ordered treatment.

Supervisor Rafael Mandelman, a supporter of the legislation, stated, “I said at that time that even if SB 1045 only helped one person, I believed it was

worth doing. And I still believe that, but I didn’t think it would actually literally be just one person.”<sup>190</sup>

In contrast, in San Antonio, judges offer prisoners suffering from mental illness or substance abuse and facing criminal charges a choice: prison or participation in the recovery program operated by local transformational homeless service provider Haven for Hope. Results for those entering Haven for Hope from the court program are reportedly as good as for those entering voluntarily.<sup>191</sup> (See **7. Alternative Models** for more information on Haven for Hope and its service offerings for those experiencing homelessness.)

Conservatorship should be considered only in the most extreme cases, in which people experiencing homelessness have a diminished capacity for reason or understanding the consequences of their actions. Strict safeguards must accompany the use of conservatorship to prevent its abuse. Because there can be significant differences in how counties, cities, and hospitals interpret the law, the legislature could also provide some clarification to ensure the law’s original intent to authorize conservatorship only in the most extreme cases, and not indefinitely, is implemented.

In conclusion, in order to be an effective means of reducing homelessness, especially among the chronically homeless, harm reduction needs to be practiced as its name implies: reducing the long-term harm of substance abuse by motivating individuals to recover and enabling that recovery.



## 6. SPENDING MORE BUT FALLING FURTHER BEHIND

Lawrence J. McQuillan

The failure to adequately address homelessness is clearly not due to a lack of government programs or taxpayer funding. Rather, it is due to poorly designed policies and programs with the wrong priorities. Governments across California are spending record amounts of taxpayer dollars on such programs, yet homelessness continues to grow, along with the accompanying quality-of-life problems. We are only falling further behind.

There is a large and tangled web of government spending programs intended to “end homelessness.” Unfortunately, these programs oftentimes fail to provide successful intervention for those who are already experiencing homelessness or to adequately address the factors that lead to homelessness, including substance abuse, mental health issues, and a lack of affordable housing. Government initiatives are continually being created and more taxpayer money is being spent, yet the problem escalates. The logical conclusion is that policy ineffectiveness is the result of a program design problem, not an awareness problem or a money problem.

Indeed, the State Auditor’s office described California’s efforts to combat homelessness as “uncoordinated” and “disjointed” in a February 2021 report.<sup>192</sup> “Unlike in some other states, no single state entity in California oversees efforts to address homelessness or is responsible for developing a statewide strategic plan,” the auditor concluded. “Instead, at least nine state agencies administer and oversee 41 different programs that provide funding for purposes related to homelessness.”<sup>193</sup> Furthermore, the report noted that, four years after its creation, the Homeless Coordinating and Financing Council, established to coordinate public funding, create a statewide data system, and work with stakeholders to develop plans to end homelessness, had still failed to develop a strategic plan or priorities and timelines for achieving its goals.<sup>194</sup>

**The homelessness-industrial complex.** Homelessness has spawned a vast network of well-intentioned programs staffed by sincere individuals who want to end homelessness. These include govern-

ment programs at the federal, state, and local levels, along with for-profit and nonprofit programs that provide funding and services for people experiencing homelessness. Though their hearts may be in the right place, these organizations and bureaucracies have become entrenched interests that perpetuate the status quo, a homelessness-industrial complex. Those experiencing homelessness are not well served, and even harmed, by the current strategies and approach.

It is difficult to know exactly how many agencies, programs, and taxpayer dollars target homelessness because the programs are overlapping, intersecting, and opaque. Add in other systems, such as police, hospitals, emergency medical services, and the like, which expend resources on people experiencing homelessness but cover many other people as well, and the calculus gets even more complicated. A cynic might argue that the lack of transparency is intentional in order to limit public oversight and accountability. Regardless of motives, a full accounting is impossible. California Assemblyman David Chiu (D-San Francisco) admits, “No one today can tell me how much money is being spent on homelessness in California on all levels.”<sup>195</sup>

This section explores spending on homelessness in one key city, San Francisco, to provide a glimpse into the complexities, dollar amounts, and incentives. Keep in mind that money spent on programs for those experiencing homelessness is not the same as money spent on people experiencing homelessness—a crucial distinction.

**Spending by the City and County of San Francisco.** In most cities and counties nationwide, including San Francisco, services for people experiencing homelessness are typically coordinated by local governments: city and county agencies. In fiscal year 2019-20, the City and County of San Francisco spent \$365 million on programs for individuals experiencing homelessness, channeled through its Department of Homelessness and Supportive Housing (HSH), which has a full-time staff of 113 people.<sup>196</sup>

In a press release announcing the launch of HSH in 2016, the office of then Mayor Ed Lee stated, “Through the provision of coordinated, compassionate, and high-quality services, the Department of Homelessness and Supportive Housing strives to make homelessness in San Francisco rare, brief, and

one-time.”<sup>197</sup> Among its activities, HSH funds permanent housing, builds and operates shelters, and subsidizes rental payments. Surprisingly, only 7 percent of HSH’s operating budget goes to providing services for people experiencing homelessness on the streets.<sup>198</sup>

The blue line in the top graph of **Figure 9** shows that HSH spending has swelled 84 percent between fiscal years 2013-14 and 2019-20, from \$198 million to \$365 million, a significant increase. At least 85 percent of HSH’s funds are given to more than 60 nonprofit organizations through grants and contracts.<sup>199</sup> For-profit companies, such as developers who build low-income housing, also receive HSH funds.

In addition to accessing government programs that specifically target homelessness, people experiencing homelessness in San Francisco may also participate in a number of other more broad-based programs. For example, San Francisco spends \$400 million annually on its Behavioral Health Plan, which offers an array of specialty behavioral health services for people with few resources, including those experiencing homelessness.<sup>200</sup> These individuals may also participate in San Francisco’s County Adult Assistance Programs (CAAP), which offers cash and employment services to low-income adults without dependent children (i.e., the city’s “welfare system”).<sup>201</sup>

Across all city departments, therefore, San Francisco’s total city spending on homelessness in fiscal year 2017-18 was \$305 million,<sup>202</sup> of which HSH spent \$250 million. In fiscal year 2018-19, total city spending on homelessness jumped to \$365 million,<sup>203</sup> of which HSH spent \$285 million.<sup>204</sup> HSH controls the bulk of the city’s homelessness budget, but not all of it.

In addition, the California Supreme Court’s September 2020 decision siding with proponents of Proposition C, a 2018 measure authorizing the city to impose a gross receipts tax on businesses with annual revenue greater than \$50 million for the purpose of funding programs for those experiencing homelessness, will add another \$250 million to \$300 million per year.

In reality, the total amount of money spent on homelessness in San Francisco each year might be closer to \$1 billion, according to Chris Megison, president and CEO of Solutions for Change, a Southern California nonprofit that works to solve family homelessness. “Add pri-

ivate donations and state and federal funding, and you’re probably pushing a billion dollars spent on homelessness in San Francisco,” Megison told the *Marina Times*.<sup>205</sup> By some estimates, the total even exceeds \$1 billion a year.<sup>206</sup>

This figure seems reasonable, given the numerous large donations from private companies, foundations, and individuals. According to the *San Francisco Chronicle*, there are about 100 nonprofit groups in the Bay Area that provide services for those experiencing homelessness.<sup>207</sup> Many of these groups receive multimillion-dollar donations from private sources. For example, Tipping Point Community, which provides unrestricted funding to Bay Area nonprofits fighting poverty, has spent \$27 million of the \$100 million it raised in an effort to cut in half the number of people experiencing chronic homelessness in San Francisco within five years.<sup>208</sup>

In 2018, Cisco Systems committed \$50 million to fight homelessness in Silicon Valley, while Airbnb pledged \$5 million to combat San Francisco’s homelessness.<sup>209</sup> In 2019, Airbnb gave \$2 million, and Twilio contributed an additional \$700,000, to Rising Up, a public-private partnership that intends to reduce youth homelessness through temporary housing subsidies and job placement services.<sup>210</sup> The organization secured a total of \$6 million in private funding in 2019.<sup>211</sup> Community Housing Partnership, a nonprofit organization dedicated to helping those experiencing homelessness secure housing and reach their full potential, spends nearly \$33 million annually on San Francisco homelessness program services.<sup>212</sup> The list goes on.

And if San Francisco’s spending on homelessness did not quite breach the \$1 billion mark in the past, it certainly will this fiscal year. The city is increasing spending for homelessness programs by more than \$1.1 billion, including Prop. C money that was tied up for years during court challenges, over fiscal years 2021-22 (which began on July 1, 2021) and 2022-23.<sup>213</sup>

**Spending by the federal government.** Some of the money spent on homelessness in San Francisco comes from the federal government or, more precisely, from federal taxpayers. A key federal program is HUD’s Continuum of Care (CoC) Program. Since fiscal year 2013-14, CoC funding to San Francisco increased nearly 90 percent to \$44.3 million from \$23.5 million. (HUD

CoC funding is represented by the red line in **Figure 9**.) Some HUD money is allocated by HSH. Therefore some of it is included in the city's figures already discussed in this section (a disclaimer to prevent double counting).

Sometimes HUD restricts allocated money to specific nonprofit organizations in San Francisco, such as the \$169,000 grant to Catholic Charities or the \$446,000 grant to Larkin Street Youth Services. In other cases, money is allocated to the city for general services, such as the \$998,000 it received for "San Francisco Coordinated Entry Expansion."<sup>214</sup>

In addition to CoC funding, there are 35 other federal programs that target people experiencing homelessness, according to the US Interagency Council on Homelessness (USICH), which coordinates the collective federal response to homelessness.<sup>215</sup>

As with the local government programs discussed in this section, people experiencing homelessness may participate in federal programs that also serve the general public. For example, Medicaid (called Medi-Cal in California) provides health care coverage to low-income people of all ages, and is funded jointly by the state and the federal government. The Supplemental Nutrition Assistance Program (SNAP), known in California as Cal-Fresh, issues monthly electronic debit cards that allow low-income people to buy food. Another program, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), focuses on low-income women with infants or children for more specific food assistance. Supplemental Security Income (SSI) provides cash assistance to low-income elderly, blind, or disabled people, while Social Security Disability Insurance (SSDI) gives cash to disabled people who are younger than 65 and have accumulated a sufficient number of work credits. SSDI is funded by the federal payroll tax.

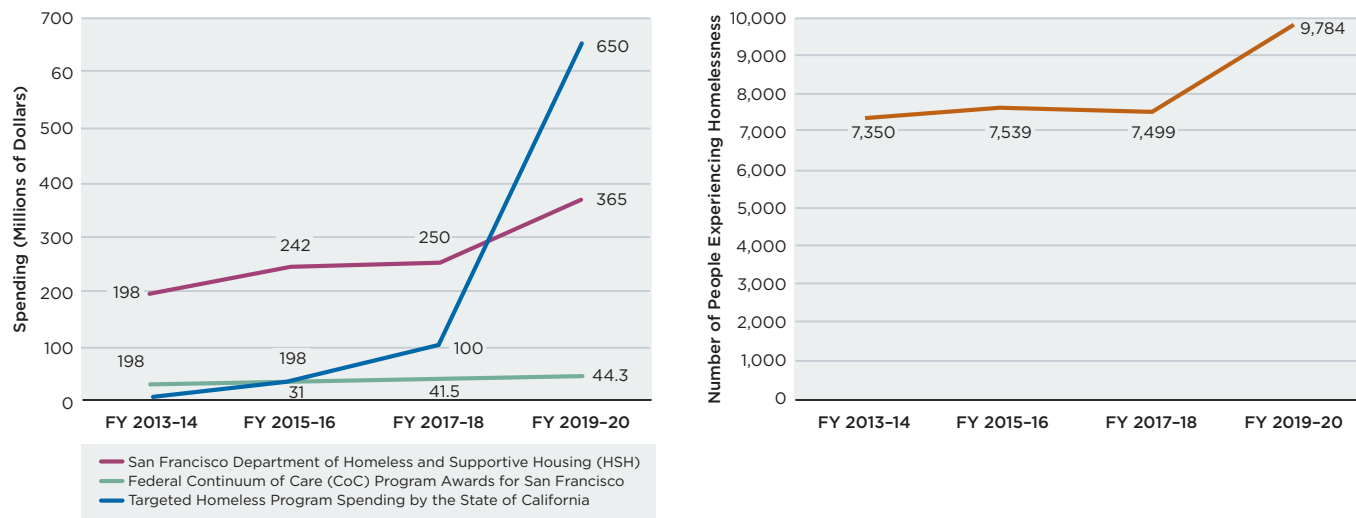
**Spending by the State of California.** Last, the green line in Figure 9 shows the taxpayer monies spent by the State of California on targeted, core programs for people experiencing homelessness since fiscal year 2013–14. As noted by the Legislative Analyst's Office, "The amount of funding available varies significantly from year to year. Recent funding has been much higher due to onetime augmentations."<sup>216</sup> State government spending jumped from \$35 million

in fiscal year 2015–16 to \$650 million in fiscal year 2019–20, a stunning increase (more than eighteenfold).

In response to the homelessness crisis, Governor Gavin Newsom signed the fiscal year 2019–20 state budget authorizing a historic \$1 billion in new aid to fight homelessness, including \$650 million to local governments for emergency aid in the form of the Homeless Housing, Assistance and Prevention (HHAP) program.<sup>217</sup> These funds are intended to open emergency shelters, build permanent housing, and provide rental assistance.<sup>218</sup> Another \$755 million was spread across six different poverty-fighting initiatives for the population as a whole, bringing the total to more than \$1.4 billion.<sup>219</sup> In July 2019, Newsom created a task force of 13 "regional leaders and state-wide experts"—primarily politicians—to advise his administration on how best to spend money appropriated in the state budget to "combat homelessness."<sup>220</sup>

Despite a slimmer budget, thought to be needed to plug a projected \$54.3 billion budget deficit owing to the coronavirus outbreak and the government's subsequent shutting down of large swaths of the economy, the fiscal year 2020–21 budget still contained \$900 million for homelessness efforts, including \$600 million to acquire hotels, motels, and other buildings to house individuals experiencing homelessness (see the **Project Roomkey: Another Application of Housing First** in **Section 4** for more details) and an additional \$300 million in general homelessness aid to local governments.<sup>221</sup> Governor Newsom's initial fiscal year 2021–22 budget proposal included \$1.75 billion for homelessness initiatives, including an additional \$750 million for the Homekey program, \$250 million for residential facilities, and \$750 million for behavioral health services.<sup>222</sup> But the expected budget deficit during the coronavirus outbreak did not materialize. In fact, the stock market remained remarkably strong, and in May 2021 Newsom announced a projected budget surplus of \$76 billion (covering the 2020–21 and 2021–22 fiscal years).<sup>223</sup> This, combined with an additional \$26 billion in federal funds from the American Rescue Plan relief package, prompted Newsom to adopt an even more ambitious—and costly—homelessness agenda. The state budget Newsom signed in July 2021 contains \$12 billion in

**FIGURE 9. SPENDING MORE BUT FALLING FURTHER BEHIND ON SAN FRANCISCO HOMELESSNESS, 2013-2020**



**NOTE:** The San Francisco Department of Homelessness and Supportive Housing began operations on July 1, 2016. Homelessness spending before then was scattered across various city departments. The spending amounts listed for “HSH” in the years before fiscal year 2016-17 were calculated by HSH to present comparable figures over time.

**SOURCES:** San Francisco Department of Homelessness and Supportive Housing, *Historic Spending on Homeless Services in San Francisco, Fiscal Years 2013-2014 and 2015-2016*, <http://hsh.sfgov.org/overview/budget/>; Heather Knight, “What It Really Costs to Help the Homeless. And How Businesses Can Do More,” *San Francisco Chronicle*, August 24, 2018, <https://www.sfchronicle.com/bayarea/heatherknight/article/Businesses-must-contribute-more-to-city-s-13178743.php>; San Francisco Department of Homelessness and Supportive Housing, *Fiscal Year 2019-20 and 2020-21 Budget*, Local Homeless Coordinating Board, July 1, 2019, [https://hsh.sfgov.org/wp-content/uploads/2019/07/2019-HSH-Budget-Presentation-for-LHCB\\_07.01.19.pdf](https://hsh.sfgov.org/wp-content/uploads/2019/07/2019-HSH-Budget-Presentation-for-LHCB_07.01.19.pdf); US Department of Housing and Urban Development, HUD Exchange, “CoC Award Summary Reports by Program Type,” HUD’s Continuum of Care Program Funding Awards, 2013-2017, CA-501, San Francisco CoC, [https://www.hudexchange.info/programs/coc/awards-by-component/?filter\\_Year=2013&filter\\_Scope=CoC&filter\\_State=CA&filter\\_CoC=CA-501&program=CoC&group=AwardComp](https://www.hudexchange.info/programs/coc/awards-by-component/?filter_Year=2013&filter_Scope=CoC&filter_State=CA&filter_CoC=CA-501&program=CoC&group=AwardComp); US Department of Housing and Urban Development, HUD Exchange, “FY 2019 CoC Competition Grants,” Fiscal Year 2019 Continuum of Care Competition Homeless Assistance Award Report, CA-501, San Francisco CoC, <https://files.hudexchange.info/resources/documents/2019-california-coc-grants.pdf>; California Legislative Analyst’s Office, *The 2015-16 Budget: California Budget Plan*, October 19, 2015, <https://lao.ca.gov/Publications/Report/3302>; Liam Dillon, “Billions of Dollars to Help California’s Homeless Population are Piling Up—and Going Unspent,” *Los Angeles Times*, March 25, 2018, <https://www.latimes.com/politics/la-pol-ca-slow-homelessness-spending-20180325-story.html>; Benjamin Oreskes, “Even If California Spends Millions More on Homelessness, Here’s Why Few Will Notice,” *Los Angeles Times*, May 24, 2019, <https://www.latimes.com/local/lanow/la-me-ln-state-homeless-count-newsom-housing-funding-grants-20190524-story.html>; Office of Governor Gavin Newsom, “Building Off Historic Investment and Action to Help Cities and Counties Tackle Homelessness, Governor Newsom Signs Series of Bills Addressing Homelessness,” September 26, 2019, <https://www.gov.ca.gov/2019/09/26/building-off-historic-investment-action-to-help-cities-and-counties-tackle-homelessness-governor-newsom-signs-series-of-bills-addressing-homelessness/>; and Kate Eby, “History of How Many People Are Homeless in the Bay Area,” *ABC7News.com*, August 13, 2019, <https://abc7news.com/5260657/>.

funding for homelessness programs over the next two years (fiscal years 2021–22 and 2022–23), including \$5.8 billion to purchase more hotels and similar properties for permanent housing under the Homekey program, \$2 billion in grants to local governments, \$1.75 billion for affordable housing construction, and \$150 million to stabilize participants in Project Roomkey hotels.<sup>224</sup>

But significant aid provided in 2018 by then Governor Jerry Brown did not prevent a surge in homelessness.<sup>225</sup> San Francisco received \$28 million from Brown’s 2018 package of \$500 million, titled the Homeless Emergency Aid Program (HEAP),<sup>226</sup> “designed to provide direct assistance to cities and counties to address the homelessness crisis throughout California.”<sup>227</sup> San Francisco also received \$1.6 million in 2018 from the \$53 million California Emergency Solutions and Housing (CESH) Program to fund

“activities to assist persons experiencing, or at risk of, homelessness.”<sup>228</sup> As with money from the federal government, state funding sent to San Francisco’s HSH is included in the city’s figures already discussed in this section (again, a disclaimer to prevent double counting).

Other state government programs that aid those experiencing homelessness (and that the general public uses regularly) include the following: the State Supplementary Payment (SSP), a state program that gives additional cash to low-income elderly, blind, or disabled people; the CalWORKS “welfare-to-work” program, operated by county welfare departments, which provides cash and services to low-income families with children; and the California Governor’s Office of Emergency Services (Cal OES), which responds to natural disasters, and which also received \$19 million in 2017 to help prevent homelessness among



youths and domestic violence survivors.<sup>229</sup> In fiscal year 2017-18, CalWORKS received \$85 million to help prevent homelessness by providing temporary housing, rental assistance, and counseling services.<sup>230</sup>

Based on past experience, there is no reason to expect that the massive infusion of new taxpayer money into this alphabet soup of homelessness programs will end—or even slow—the crisis. On the contrary, evidence suggests that this humanitarian disaster will only grow, given the current approach.

**Good intentions are not enough.** The right side of **Figure 9** shows that homelessness in San Francisco has surged a staggering 33 percent since fiscal year 2013-14 despite skyrocketing spending across all levels of government in recent years on new initiatives to “end homelessness.” Proponents of the existing government-dominated Housing First approach will say that more time is needed or more funding is needed before others pass judgment. But proponents have been saying this for years, and despite being given significantly more money over seven years, the problem has only escalated.

In San Francisco’s five-year strategic update plan on homelessness, published in 2019, the city announced a number of specific goals. They include the following: (1) reducing chronic homelessness by 50 percent by December 2022; (2) ending family homelessness by December 2022; (3) reducing youth homelessness by 50 percent by December 2022; and (4) ending large, long-term encampments for those experiencing homelessness by July 2019.<sup>231</sup> Yet encampments are thriving, chronic homelessness is worse than ever, and families continue to experience homelessness in droves. When the city misses a homelessness benchmark deadline, which occurs regularly, officials simply extend the target date and the money keeps flowing, with no accountability for failure.

A reasonable conclusion, therefore, is that homelessness program failures result from a faulty approach and flawed design, not a lack of (ever-increasing) funding. The current approach fails to tackle the problem

successfully, and it offers perverse incentives to service providers. The more that programs fail, the more that taxpayer money is poured into such programs. Organizations receive more money and power when the problem grows. But, based on San Francisco’s experience and the amounts of money dedicated to the problem, as noted by Chris Megison of Solutions for Change, “There shouldn’t be a single person left in that city who says [reducing homelessness is] about more money.”<sup>232</sup>

Some commentators argue, in fact, that government money exacerbates the problem by subsidizing counterproductive behavior among certain segments of the homeless population (see **4. Housing First** and **5. Harm Reduction**) and by addressing the symptoms, rather than effectively addressing the underlying behavioral causes of homelessness. The best hope for many people experiencing homelessness is to move “management” of the crisis away from the failed Housing-First-for-all model of government-centered control and toward alternative approaches with better success rates.

San Francisco is of course just one city in California. Encampments for people experiencing homelessness also continue to grow in Oakland, San Jose, and Los Angeles, despite new government initiatives. Now multiply this by dozens of counties and hundreds of cities across the state to arrive at the true financial toll. But the financial toll is only part of the story. A greater toll is paid by communities through quality-of-life consequences, and by the individuals experiencing homelessness themselves through trauma, despair, and unfulfilled potential.

Billions of dollars have been spent on well-intentioned programs staffed by sincere personnel, yet homelessness has only gotten worse. The dominant Housing First approach has its place, but it has proven incapable of solving all manner of problems for all people experiencing homelessness. It is time to implement and scale up alternative designs based on innovative approaches to better address homelessness in the San Francisco Bay Area and across California.

## 7. ALTERNATIVE MODELS

Scott Beyer

As discussed in preceding sections, two main models have been tried for addressing homelessness: permanent supportive housing, which utilizes a Housing First approach, and transitional/transformational housing, which operates under a housing readiness approach. This section will take a closer look at the housing readiness approach and some of the organizations that are implementing it successfully, as well as one that felt compelled to change its successful program due to government Housing First diktats.

Although Housing First programs may fail to solve underlying causes of homelessness, such as addiction or a lack of work skills—implicitly accepting that some people are destined for dependency—housing readiness works from the premise that many people experiencing homelessness have greater potential. Housing readiness facilities adopt multiphase processes intended to help participants gain greater personal responsibility and reach their full potential. Upon beginning a housing readiness program, participants typically receive on-campus temporary housing and are enrolled in programs designed to teach them addiction recovery, work skills, and other life skills. As they progress through the program, they will find employment and move to off-site transitional housing. Once they have graduated and attained stable financial footing, they will move into more permanent housing and reenter society.

The downside of housing readiness is that it imposes a higher barrier to entry and is susceptible to the argument that the programs “cherry-pick” people who already are willing to help themselves. The upside is that such programs can be quite effective, transforming people’s lives and preventing them from wasting their potential and becoming ongoing taxpayer dependents. Such programs exist and have been proven to work. The following are just a few successful examples, both in California and across the country.

**Step Denver.** This program may be one of the better-known housing readiness organizations because of its history and longtime former leader. Step 13 Evolution Process (later renamed Step Denver) opened in

Denver, Colorado, in 1983 with the mission of helping men experiencing homelessness overcome addiction. Its executive director was Bob Coté, who once was an alcoholic himself (and one of Step 13’s original residents),<sup>233</sup> but fought through to recovery with his own willpower. He believed that others could do the same.

Coté developed a messaging for Step Denver that was both philosophically conservative and critical of other groups providing services to individuals experiencing homelessness. Back then, these providers were (as many are now) more likely to enable people than to help them reach their full potential. Coté’s answer for addicted men was simpler: overcome substance abuse as he had, by getting a job. This tough-love approach helped thousands of men, and won Coté accolades from think tanks and politicians, including George H. W. Bush, who as president honored Coté.<sup>234</sup>

But by the time Coté died in 2013, his strategy had become somewhat antiquated. New research had surfaced about addiction, which by then was understood as a disease that could be tackled not just through willpower but specific medical counseling. After discussing a new direction, Step Denver’s board agreed to roll out programs that mixed Coté’s gospel of self-reliance with a scientific approach and hired Paul Scudo as the new executive director.

Step Denver has found great success with this hybrid approach. It starts when local men experiencing homelessness are referred to Step Denver by probation officers, correctional facilities, shelters, or word of mouth. On day one of entry, participants sign a contract stating that, in exchange for Step Denver’s provision of resources, they will live a life based on the “Four Pillars” of sobriety, work, accountability, and community.<sup>235</sup>

During week one, participants meet with their peer recovery coach, get job training, and become in-house custodians (to redevelop their work ethic). Beginning the following week, they are expected to seek employment. All men must leave Step Denver’s facility each morning by 7:30 a.m. to work at their jobs or look for one. They are not allowed to return until 4:30 p.m. and must be back no later than 6:45 p.m. because nightly programs start at 7:00 p.m. The programs include addiction recovery talks, peer meetings, further job training, and sessions to teach them about family

values, personal finance, and physical health. Once participants receive money from their jobs, they pay Step Denver \$250 per month for continued room and board.

“That doesn’t even scratch the surface of our costs,” says Scudo. “That’s more about the accountability piece of our program—having the individual relearn that they have to pay for where they live.”<sup>236</sup>

The stay in Step Denver’s primary facility lasts six months; participants transfer to sober living homes off-site for the final 18 months. When they graduate and reenter society after those 24 months, they must have full-time employment and be completely self-supporting—no money from family, church, or government.

“You’re required to be personally responsible for your choices, your actions, your behaviors, and your outcomes. And you cannot blame or make excuses any longer,” says Scudo.<sup>237</sup>

Step Denver has administered this hybrid model for five years. It serves 275 men annually, on average, and boasts an impressive graduation rate of 70 percent. Once participants have become alumni, many of them return to help Step Denver’s new entrants.

This means that Step Denver transforms nearly 200 men annually who otherwise would be on the streets, in jail, or in dysfunctional, dependent relationships. Moreover, Step Denver achieves all of its success without any government funding. The organization’s budget is financed entirely by private/nonprofit foundations and individual contributions.

**Haven for Hope.** Another notable facility is Haven for Hope in San Antonio, Texas. This 22-acre mega-facility for people experiencing homelessness is often compared to a college campus. Its roots go back to 2005, when founder William Greehey, who was also the founding CEO and chairman of Valero Energy Corporation, sought to discover the best practices of transformational programs from across the country and establish a “one-stop shop” providing personalized services for individuals experiencing homelessness. Greehey then raised more than \$101 million—approximately 60 percent of which came from the private sector—to build the campus.<sup>238</sup>

Although Haven for Hope is primarily a transformational facility, it includes a low-barrier emergency shelter known as The Courtyard. Any person experiencing homelessness can sleep safely at this

private, partially covered outdoor area. This emergency facility also offers three hot meals a day, showers, laundry, mail service, and outreach services, including peer support, case management, housing navigation, and medical services. That alone has dramatically reduced the nighttime presence of those experiencing homelessness in downtown San Antonio.

Those staying in The Courtyard are urged to commit to recovery and enter Haven for Hope’s Transformational Campus, which offers long-term housing with no time limit and individualized supportive services for addiction recovery, education, life skills, and employment. It also offers childcare, legal services, health and mental health care, and animal kennels.

Since 2010, more than 5,900 people have exited the Transformational Campus to find permanent housing, with 89 percent remaining stable and not returning to homelessness after one year, and more than 1,000 are living there now at the Transformational Campus, Haven-operated hotel, and The Courtyard, working to make that shift.<sup>239</sup>

**The Salvation Army.** At the national level, The Salvation Army operates a network of Adult Rehabilitation Centers. Each year, these facilities help more than 150,000 people combat addiction, restore their families, and build their work and social skills. The services have a religious dimension, as caseworkers rely on the Christian faith to help people find purpose beyond drugs and alcohol. Accordingly, the centers do not rely on government funding.<sup>240</sup> Instead, they leverage private donations and sales from Salvation Army thrift stores, which employ people participating in the rehab programs.

But The Salvation Army is merely one of the better known of many faith-based organizations that serve individuals experiencing homelessness. Others include Catholic Charities, Jewish Family Service, ICNA Relief (a faith-based Muslim group), and the Deseret Industries thrift shops of The Church of Jesus Christ of Latter-day Saints. According to researchers from the Baylor Institute for Studies of Religion, in some cities such faith-based organizations account for a majority of emergency shelter beds.<sup>241</sup> Major experimentation often takes place in the faith-based shelters—a real marketplace for service delivery—given that they follow their own methods and beliefs, rather than top-down



government protocols. The study estimates that these housing readiness-style, faith-based organizations generate \$119 million in taxpayer savings over the first three years after successful program participants graduate.<sup>242</sup>

**Solutions for Change.** California has an even larger crisis than just about anywhere else in the country when it comes to the magnitude of individuals experiencing homelessness. So it is perhaps fitting that it also has a more fully developed housing readiness model: Solutions for Change. The state's move to exclusively support the Housing First approach would end up harming the organization, however, making Solutions for Change's experience a cautionary tale about accepting government funding—and the strings that come along with it.

Based in San Diego County, Solutions for Change was founded in 1999 by Chris and Tammy Megison, a couple dedicated to social entrepreneurship who wanted to end family homelessness. Rather than treating only men, it houses families, with the most common participants being single mothers with children. But there are similarities between how Solutions for Change operates and how Step Denver operates.

Solutions for Change was originally based around a 1,000-day “empowerment academy” known as Solutions University, which requires that participants get sober and find a job. In the first 150 days, participants live on-site and go through a life training program that teaches them skills such as how to be marketable to employers, raise a family, and overcome addictions. During the next 150 to 200 days, participants work full time while still living on campus and paying 30 percent of their income in rent. For the remainder of the program, they live off-campus in Solutions for Change's transitional housing. When the 1,000 days are done—or often before then—participants are expected to find their own housing and become self-supporting.

In five years, Solutions University has graduated roughly 800 families, positively affecting the lives of between 2,500 and 3,000 people. The recidivism rate for drug usage among program participants is 7 percent, compared with 74 percent for similar local organizations.<sup>243</sup>

“We are recidivism busters,” says Chris Megison.<sup>244</sup> Solutions for Change has achieved its positive results on a \$6 million annual budget, \$100,000 of which comes

from San Diego County, with the rest from foundations, individual donors, and private revenue streams.

The ability to help so many people so effectively on this small of a budget is impressive. Megison offers three key reasons for Solutions for Change's success.<sup>245</sup>

First, Solutions for Change has an active alumni network for its Solutions University—including “alumni” who technically still are enrolled in the 1,000-day program. Once participants graduate from the campus facility to transitional housing, they return to help with new entrants. These returning alumni not only allow Solutions for Change to require fewer full-time staff members, but also help to build the community orientation needed to stave off recidivism. Alumni know that they are accountable to both the people who got them through the program and the new entrants, who are relying on them to be that same pillar of stability.

Second, Solutions for Change runs Solutions Farms, one of the largest aquaponics operations in the western United States. Although most Solutions University participants find outside employment during their 1,000 days in the program, some work on the farm. The revenue from selling the water-grown produce is used to underwrite operations elsewhere in the program.

Finally, Solutions for Change maintains Solutions in the Community, a real estate arm, which builds affordable housing for participants. This way, participants can have somewhere to live during the transitional stage, while the organization can have another revenue stream to fund operations.

Unlike Step Denver, which feels that it does not have the bandwidth to scale up, Solutions for Change wants to expand beyond San Diego County. In early 2019, Megison told *World Magazine* that he is trying to get new facilities built in 10 different communities.<sup>246</sup>

**Funding issues.** If there is a common theme to most of these housing readiness programs, it is that they receive little, if any, government money. There is a reason for that, as Solutions for Change would come to discover.

Dating back to the George W. Bush administration, Housing First has been the federal government's model of choice for homelessness services provision. But the federal government has embraced the principle so dogmatically that it has excluded successful alternatives. Just ask Megison.

He refused the government's mandate to suspend work and sobriety requirements as a condition for entry, because that would contradict Solutions for Change's model. Megison also did not want new tenants openly using drugs on campus around the mothers and children living there, calling that idea "insane."<sup>247</sup> As a result, Solutions for Change sacrificed \$600,000 a year in federal funding.

Megison thought that eschewing federal grants with such strings would be enough, but then San Diego County informed him that, because some Solutions for Change residents at one of the organization's permanent supportive housing facilities received Home Choice Voucher Program (also known as Section 8) rent subsidies, the residents' participation in Solutions University, with its drug testing requirements, violated state and federal Housing First mandates and the funding for those housing units would be lost. (HUD also distributes Section 8 federal funds to local public housing agencies.) Although existing beneficiaries were not cut off from their rent subsidies, the county refused to issue vouchers for new residents at the property.<sup>248</sup>

Though the decision affected only one of the buildings owned by the organization, Megison realized it would be an ongoing issue. So, after fighting with the government for about a year and a half, Solutions for Change made the difficult decision to put an end to its mandatory Solutions University program, the cornerstone of its rehabilitative programming for those in its permanent supportive housing, though services continue to be offered on a voluntary basis.

"There are more than enough residents who are disappointed that the units will no longer be a part of the program," Solutions University graduate Christa Medeiros, who was later hired by Solutions for Change as an empowerment coach for residents, told the *San Diego Union-Tribune*. Medeiros added that addiction had been the root cause of her own homelessness, and that while she was in the program she would not have been comfortable living next to someone who was still using drugs.<sup>249</sup>

The exclusive government focus on Housing First, including its prohibition on mandatory drug testing, contains "a strong bias against accountability," Megison said. "We're still fighting to keep them sober, but we don't

have all our weapons, those tools," he added. "The state has stripped the ability of management to keep these places from becoming taxpayer-funded drug housing."<sup>250</sup>

The *San Diego Union-Tribune* article contrasted Solutions for Change's situation with the San Diego Rescue Mission, another local organization dedicated to addressing homelessness. The Rescue Mission offers a year-long residential program called Mission Academy. The organization is allowed to require participants to attend classes and be tested for drugs because it does not accept any government funding.<sup>251</sup>

This does not mean, however, that Solutions for Change has had to completely end its programming. It continues under a revised Solutions Academy at its transitional housing facility on the main campus, which does not have the government funding problems that its permanent supportive housing facilities do. Because transitional housing is generally limited by law to two years, Solutions Academy now runs for 700 days. In addition, the organization has modified transitional housing to on-campus housing. The program has a vocational focus and retains its drug testing and class participation requirements.

Megison came away from the experience with an understanding of the deep flaws in the federal Housing First approach. He calls many of the participants in his program "Housing First refugees," who have described fleeing horrible conditions at Housing First facilities.<sup>252</sup> Moreover, Megison compares the Housing First approach to a hospital that treats broken legs by giving painkillers rather than resetting bones.<sup>253</sup>

"We [at Solutions for Change] see homelessness as a symptom," Megison said in an interview. "For the vast majority of people who become homeless, it's a consequence of other things that happened to them. So, whereas the government has gone all in on treating homelessness with housing, we see that as treating the symptoms of the underlying problem.... The government has created a multibillion-dollar symptom relief model."<sup>254</sup>

Both Megison and Paul Scudo, of Step Denver, believe that their programs, by contrast, address the underlying problems. The people who enter their programs actually want to improve themselves and are given the resources and community support to

do so, in order that they may emerge from homelessness through their own efforts. These two programs enable hundreds of people each year to improve their lives considerably and overcome homelessness, and that number swells to many thousands when similar organizations nationwide are considered.

“We need to go back to a menu of options. That’s been taken from us. There’s no choice anymore,” Megison said. “We need a menu of options, and one of those options needs to be personal accountability and solving the root causes [of homelessness].”<sup>255</sup>

Although government funding may not be the best answer to the homelessness problem, so long as HHS and HUD continue to fund homelessness programs, these agencies should consider effective housing readiness or other transformative housing programs for grant funding—not summarily reject them because they do not have certain features of Housing First programs. The State of California should likewise relax its Housing First-only mandate.

## 8. RECOMMENDATIONS AND CONCLUSIONS

Mary L. G. Theroux and Adam B. Summers

Homelessness is such a complicated and frustrating problem because it has so many different causes. And even when resources and successful programs are available, some portion of those experiencing homelessness will choose to not take advantage of them. Too often, people will say that homelessness is just a substance abuse problem, just a mental illness problem, or just a housing problem. Too often, some homelessness reform advocates and politicians place their faith in finding a silver bullet and myopically try to enforce a one-size-fits-all policy.

It is a mistake to think that placing people in housing will end homelessness, as many of them will end up back on the streets, especially if the underlying causes of their homelessness are not addressed. It is precisely because people are different, face different challenges, and begin—and continue—to experience homelessness for different reasons, that a multifaceted and individualized approach to the problem is necessary.

One lesson that we should have learned by now is that homelessness, at its core, is not a problem caused by underfunding of government programs. Despite dramatic increases in funding and billions of dollars spent in recent years—with the money coming from taxpayers, nonprofit organizations, and private charities—the homelessness problem in California, and particularly in the San Francisco Bay Area, continues to worsen.

Although politicians and well-intentioned advocates for those experiencing homelessness may make grandiose and ambitious claims about “ending homelessness,” it is better to be realistic about who we can help and how.

“There’s a mythology that you can—quote—end homelessness at any moment, but there are new people coming in, suffering through the cycles of their lives,” Gavin Newsom acknowledged while he was mayor of San Francisco. “It’s the manifestation of complete, abject failure as a society. We’ll never solve this at City Hall.”<sup>256</sup>

Nevertheless, there are a number of things that can be done to help many more people experiencing home-

lessness overcome their obstacles and get back on the path to achieving their full potential. Our recommendations generally fall into two main categories: those related to policies addressing those currently experiencing homelessness and those related to housing policies that may affect homelessness rates and push more people into homelessness in the future if left unaddressed.

**Homelessness policy recommendations.** Public policies that seek to reduce homelessness have been stuck in a *status quo* rut, with a myopic, and even dogmatic, view that the Housing First approach is the primary solution to the problem. Yet even as the state and many local governments have adhered to this approach, and have continued to direct increasing amounts of money at the problem, it has only worsened. This does a disservice not only to taxpayers but also to the many people experiencing homelessness who could have significantly benefited from alternative approaches. Following are several recommendations to improve policies in order to better meet the needs of those experiencing homelessness without breaking the bank.

*1. Direct resources based on demonstrated performance metrics and positive outcomes.* Performance metrics that measure success by outcomes must be identified, and data tracked accordingly, in order to direct resources to programs that more effectively serve various segments of the homeless population, regardless of the particular methods or approaches utilized to achieve success. Because private programs accountable to their donors tend to do a better job of providing programs with demonstrated success, it is preferable that resources be directed privately, rather than potentially diverting organizations’ missions based on government grant guidelines. This also ensures that such providers’ programs are designed for success rather than in accordance with the approach currently in political favor.

Instead of focusing exclusively on measures such as the length of time spent experiencing homelessness, the percentage of those transferred to permanent supportive housing, or the percentage of those who returned to homelessness, a program should encourage performance measures focused on improving individuals’ quality of life and the ability to reach their full potential. These include the following performance measures:



- number and percentage of clients who complete the service plan or shelter program within 30 months of entry,
- increase in earned income,
- ability to maintain a job for six months or more,
- increase in educational attainment,
- ability to maintain safe, permanent housing 12 months after exit,
- number and percentage of clients referred to mental health or substance abuse programs who completed those programs within 12 and 24 months, and
- percentage of clients satisfied with the programs and services they received.

**2. Target the Housing First approach to those most likely to benefit from it.** Housing First began as a program targeted primarily at those suffering from chronic homelessness, particularly single men and those with severe substance abuse, mental illness, or physical disability issues, and included the promised supportive services. It has since been expanded to become a one-size-fits-all solution for the entire homeless population, despite a dearth of evidence that it is effective for such purposes. Moreover, serious concerns have been raised that its low-barrier, harm reduction approach perpetuates the issues that led to or contributed to homelessness in the first place. Although Housing First may serve some subpopulations well, alternative approaches will serve other subpopulations better. Moreover, largely because of the extraordinary costs of developing new affordable housing for such programs, Housing First simply cannot scale to a level that would be necessary to house everyone in need. Thus Housing First should be more modestly scaled and targeted to the subset of those experiencing homelessness that would benefit from it the most.

**3. Improve tracking of participants after they graduate from or leave programs.** When resources are tied to results, service providers have stronger incentives to track and report on their participants' outcomes. Devoting more effort to tracking individuals and families experiencing (or who formerly experienced) homelessness, and for longer periods of time, could help to better evaluate program outcomes and

whether certain approaches are working. It could also help to flag and address problems before they get to the point that people are forced to return to homelessness.

Although these efforts could consist simply of more follow-up interviews, they also could involve taking better advantage of technology. Pathways Vermont, for example, discovered that purchasing computers and communicating electronically with its former participants ended up saving money on follow-up consultations.<sup>257</sup>

Other viable technological solutions include providing program graduates with a smartphone that has a reporting app installed. In exchange for making regular reports, participants could receive small payments electronically.

As with the first recommendation on this list, this tracking of program graduates should include quality-of-life performance measures. These metrics should also be used to direct resources to successful programs.

Apps allowing participants to keep a record of programs and services they have used, as well as apps that allow them to set and track progress against goals, such as Poverty Stoplight, also hold tremendous promise. Being able to gain access to new service providers and provide them with a more accurate history of past services utilized—and the results—would help participants make better decisions about how best to build on past care.

**4. Educate the public about actual outcomes of various approaches and policies.** Accurate information, effectively delivered, can build support for those programs that assist individuals experiencing homelessness, rather than those that exacerbate issues. Although we must be empathetic with and compassionate toward those experiencing homelessness, and understanding of the traumas they have experienced, there is nothing compassionate about allowing people to live in conditions that put them and the wider community in danger. Homelessness policies and approaches that worsen public drug dealing and use, encampments and street living, aggressive panhandling, and used drug needles, bodily waste, and other debris in public spaces perpetuate a degraded quality of life both for those experiencing homelessness and those in the general community. Ultimately, life on the streets leads to premature death, which is not a compassionate outcome.

Although the public generally understands that these are not acceptable options, up until now most people have not been aware of viable alternatives. Armed with facts, people in the community would likely promote programs and services that provide alternative options to unsheltered living. Given the amount of funding currently expended in the fight to “end homelessness,” resources could easily be redirected to expand capacity across an array of alternatives, both governmental and private. Similarly, although a harm reduction approach can have positive effects in certain circumstances, we must ensure that such services and treatments are not merely perpetuating addictive behaviors that could more effectively be treated by addressing the underlying traumas and offering recovery services, allowing individuals to achieve their full potential.

**5. Reexamine conservatorship laws.** We generally hold that people should be free to live their lives as they please, provided that they don’t encroach on the rights of others. This is true even if the way a person lives their life is offensive or seems foolish to others or makes them uncomfortable. But when a person violates the rights of others by threatening their health or safety, they may forfeit this freedom. Thus, in such extreme cases, with due process and the ruling of a judge, for specified periods of time and with regular reevaluations, conservatorship might be needed as a last resort. With the aforementioned provisos in mind, it may be worth reexamining conservatorship laws.

This may be accomplished by reforming the Lanterman-Petris-Short Act of 1967, which prohibits the indefinite and involuntary commitment of those with mental health issues, to make an exception for those with diminished capacities for reason or understanding the consequences of their actions, and who violate the health and safety of others.

California passed a pair of bills, SB 1045 in 2018 and SB 40 in 2019, which allowed the counties of Los Angeles, San Diego, and San Francisco to establish pilot programs that would make it easier to obtain conservatorship over those deemed unable to care for themselves. However, given the extreme restrictions contained in the legislation, these bills are not expected to achieve any meaningful results, and alternatives should be pursued.

**Housing policy recommendations.** Many state and local policies restrict the supply of developable land and otherwise make the building of housing units more expensive and less profitable. The result is dramatically higher prices and a housing shortage, particularly at the lower end of the market, which causes the greatest harm to those who can least afford it. As noted in Section 4, even “affordable housing” in California now costs \$500,000, \$700,000, or even close to \$1 million per unit to build, especially in the San Francisco Bay Area.

A 2016 National Association of Home Builders (NAHB) study found that federal, state, and local government regulations were responsible for more than 24 percent of the price of a single-family home;<sup>258</sup> a similar 2018 study for the NAHB and the National Multifamily Housing Council concluded that these regulations accounted for more than 32 percent of the costs of an average multifamily development.<sup>259</sup>

The provision of more housing is crucial both in preventing people from falling into homelessness and in providing the opportunity for those recovering from homelessness to obtain stable housing. Prices can decline meaningfully, and affordability improve substantially, only by increasing the supply of housing at all levels.

The following recommendations offer ways to improve housing affordability by increasing the supply and variety of housing, reducing the cost of construction, freeing up markets, and protecting property rights. (For more details on California’s housing crisis and additional housing reform recommendations, see the Independent Institute’s January 2020 California Golden Fleece® Awards report, *How to Restore the California Dream: Removing Obstacles to Fast and Affordable Housing Development* by Lawrence J. McQuillan.)<sup>260</sup>

**1. Relax zoning restrictions, eliminate urban growth boundaries, and enhance property rights.** Zoning laws restrict development to certain kinds of construction in certain parts of a city. Such central planning may be imposed for aesthetic reasons, in an attempt to improve the efficiency of infrastructure, or to prevent negative quality-of-life issues resulting from the mixing of different land uses (although nuisance laws already prevent things such as a chemical plant or a chicken ranch being built in the middle of a residential neighborhood). These

laws can be quite strict, limiting the number of units that may be built on a parcel of land in a given part of the city.

But such zoning also infringes on property rights by limiting what one can build where. After all, if a person has acquired property legally (whether as an individual homeowner or as a developer), should that owner not be able to do what they want with the property, so long as they do not create a nuisance for others?

For those who prefer more rules and restrictions on housing development and improvements within their neighborhoods, a large number and variety of master-planned communities and homeowners' associations exist that are intended to enforce more uniformity and preserve the character of their communities. They are quite popular—and would continue to be so with or without additional governmental zoning laws. The big difference is that such arrangements are entirely voluntary (with homeowners and renters in these communities agreeing to abide by covenants, conditions, and restrictions, including the imposition of fines for failing to abide by the rules) and still offer others the freedom to live in less restrictive communities, rather than forcing restrictions on the population at large.

Although zoning laws are not going away anytime soon (though Houston, the fourth-largest city in the nation, has shown that even big cities can thrive without zoning laws), they could easily be relaxed to allow for the development of more units on a property owner's land, whether by allowing duplexes to be built on properties formerly zoned only for single-family houses, permitting more high-density developments, or opening up more land for housing development generally. Such actions would increase the supply of housing while strengthening property rights.

This goes double for urban growth boundaries, which seek to concentrate development within arbitrary lines drawn on a map around a city's core. Growth boundaries limit the amount of developable land, encouraging higher-density development and driving up housing prices in city centers. In addition, the boundaries violate the property rights of people who would like to build beyond them and reduce many consumers' quality of life by denying them their preferences for more affordable homes with

larger house and lot sizes, as well as other potential amenities, such as better schools or lower crime rates.

These forms of zoning should be eliminated in favor of market-based solutions that allow developers and consumers to determine the values and best uses for land through natural supply and demand forces. Note, however, that “consumers” need not be restricted to homeowners or renters, but may also include non-profit organizations or private land trusts dedicated to purchasing land for the purpose of maintaining open space. Conservation easements are another form of *voluntary environmental agreement, whereby the land remains in private hands* but the owner agrees to limit use of the land or take certain measures to preserve its environmental value. These easements also may be donated, and landowners may be able to realize significant tax benefits from the transfer.<sup>261</sup>

**2. Eliminate inclusionary zoning (affordable housing) requirements and rent controls.** Another type of zoning that should be eliminated in favor of property rights is “inclusionary zoning” requirements, or affordable housing mandates, which require developers to offer a specified fraction of the units in a new development at below-market prices—or else pay expensive “in-lieu” fees to the government, which are meant to fund affordable housing programs.

Although at first blush it might sound like a good idea to require some units to be “affordable” (and oftentimes reserved for those below a predetermined income threshold), we also must consider the secondary effects, or unintended consequences, of such a policy. Such mandates may force the developer to incur losses on the affordable units, prompting the developer to raise prices even higher on the remaining units. These mandates may even reduce the development's value so much that it is no longer profitable to build it at all, leaving the city and state without any additional housing units—“affordable” or otherwise. Moreover, such laws violate the developer's property rights by dictating the terms of pricing and business practices and reducing the value of the property without compensation.

Rent control laws likewise may end up making housing less affordable by making apartment-building a less profitable or even unprofitable investment.

This reduces the supply of housing and encourages the conversion of rent-controlled apartments to high-end condos, which are not subject to such laws, putting upward pressure on the prices of the remaining units. A lucky few, who may not even be poor, will be able to secure rent-controlled units, thus benefiting from the price controls, but many others will be shut out of the housing market altogether. Even those who do live in rent-controlled units may be harmed by the policy, as it may prompt them to stay in their apartments longer than they otherwise would, causing them to forgo new job opportunities, moving closer to family members, or building up equity in a house or condo out of fear of losing their below-market rent. Moreover, rent control tends to result in lower-quality housing, as the excess demand and competition for rent-controlled units reduces landlords' incentives to invest in building and facility maintenance or amenities to entice tenants. It may also prompt landlords to try to make up lost revenue elsewhere by imposing new or increased fees for rental applications, parking, pets, key replacement, lock changes, or use of amenities such as gyms, conference rooms, or laundry facilities.

**3. Abolish prevailing wage laws.** Prevailing wage requirements force developers to pay workers union wage scales—and generally force them to hire union workers—which are significantly more costly than non-union (market) labor. Prevailing wages may be mandated by law or included in project labor agreements. A March 2020 study by UC Berkeley's Turner Center for Housing Innovation noted that prevailing wage requirements increased the cost of affordable housing developments in California by an average of more than \$53,000 per unit, or 13 percent.<sup>262</sup> Similarly, a May 2017 report from the California Center for Jobs and the Economy and the California Business Roundtable found that prevailing wages increased average construction costs for affordable housing projects between 10 percent and 25 percent and could raise total project costs for market-rate housing in areas such as Los Angeles by as much as 46 percent, which translates to tens of thousands of dollars or even more than \$100,000 per unit.<sup>263</sup> The report furthermore concluded that imposing a statewide prevailing wage requirement would push up rents so much that it would drive 481,000 people into poverty.<sup>264</sup>

Repealing this single law, albeit in numerous local jurisdictions, would thus go a long way toward improving housing affordability and preventing people from falling into poverty due to their housing costs.

**4. Streamline or eliminate CEQA and other unnecessarily burdensome environmental regulations.** California has long taken pride in its concern for protecting the environment, but, as often happens, good intentions led to the passage of an overly broad law that has had many deleterious effects.

“One clear culprit in the housing crisis is the lengthy and costly environmental review process required under the California Environmental Quality Act (CEQA), even for housing that complies with local general plans and zoning codes, and the hundreds of applicable environmental, health, safety, and labor laws and regulations,” declared a 2019 study from the Chapman University Center for Demographics and Policy.<sup>265</sup>

CEQA is the strictest environmental impact law in the nation, and has become so burdensome that it frequently is wielded as a cudgel to extract concessions from developers or kill projects for reasons that have nothing to do with the environment—whether it is labor unions threatening lawsuits to require prevailing wages or the use of union labor, local residents seeking additional amenities, NIMBY (not in my backyard) homeowners using it to prevent growth and keep new people out altogether, or businesses trying to prevent competitors from moving in. This practice is so prevalent that it has come to be known as “greenmail.” Unfortunately, it is quite effective. CEQA lawsuits can hold up developments for many years, at great cost, so that it oftentimes is more practical to give in to such demands and to consider it as just another cost of doing business in California.

As a testament to the need for reform, governors from both sides of the political aisle have called for significant fixes, but have little to show for their efforts. In 2012, then Governor Jerry Brown described CEQA reform as “the Lord’s work.”<sup>266</sup> And in a 2013 column in the *Sacramento Bee*, former Republican governors George Deukmejian and Pete Wilson and former Democratic Governor Gray Davis decried what the law had become, writing, “Today, CEQA is too often abused by those seeking to gain a competitive edge, to leverage concessions from a proj-



ect or by neighbors who simply don't want any new growth in their community—no matter how worthy or environmentally beneficial a project may be.”<sup>267</sup>

Moreover, 98 percent of the potential housing units targeted in CEQA lawsuits are located in “infill” areas surrounded by existing developments, not in open space or on rural lands, which are much more likely to be environmentally sensitive.<sup>268</sup>

In a tacit admission that CEQA is unnecessarily burdensome, in September 2019 the California legislature and Governor Newsom passed Assembly Bill 1197, which exempts shelters and housing for those experiencing homelessness in Los Angeles from environmental review. Newsom touted the bill in his February 2020 State of the State address, and called for expanding it “to all homeless shelters and supportive housing statewide.”<sup>269</sup> (Another bill, AB 1907, introduced in January 2020, would have done just that but the bill died in committee that year.) Similarly, the state has exempted from CEQA review its purchases of hotels, motels, and other properties for the purpose of housing people experiencing homelessness—using federal coronavirus relief funds that had to be spent by the end of 2020—through its Project Homekey (formerly Project Roomkey) program. Lawmakers occasionally have exempted certain developments from CEQA when it has pleased them to do so—such as for the renovation of the Capitol annex building or the construction of professional basketball arenas for the Sacramento Kings and Golden State Warriors—yet they cannot seem to reform it for the rest of us when the law is preventing the development of much-needed housing for dubious reasons.

But CEQA is hardly the only environmental law impeding housing affordability. At the same time that lawmakers were wringing their hands over California's housing crisis, they imposed a solar roof mandate that went into effect on January 1, 2020, which likely will add \$10,000 to \$20,000 to the price of a new home.<sup>270</sup> In addition, affordable housing projects that adhere to stricter environmental standards, such as energy conservation measures, cost an average of \$17,000 more per apartment.<sup>271</sup>

“To have the best chance at winning tax credit funding, low-income housing developers also must

build their projects to environmental standards that exceed even what the state requires of developers of new luxury condominiums,” the *Los Angeles Times* reported in April 2020. “That includes using solar power for most of their electricity or certifying their energy efficiency with LEED [Leadership in Energy and Environmental Design] or other third parties.”<sup>272</sup>

This analysis extends to building standards generally, which now oftentimes greatly exceed basic health and safety needs. Housing that might be considered substandard by today's lofty requirements may not be ideal, but it can still be safe, and it certainly is better than no housing at all. It may be an admirable goal to set such high standards, but policymakers must keep in mind that, by adopting such regulations, they may be pricing people out of a home.

Just imagine how many more people would be able to afford housing if homes were tens of thousands of dollars cheaper because we eliminated such unnecessary environmental regulations and other building standards.

**5. Minimize development impact fees.** Development impact fees are another significant driver of housing costs. Although they may be tailored reasonably in order to compensate local governments for additional infrastructure that may be needed to support the larger populations and traffic congestion that accompany new housing developments, some municipalities apply the principle more broadly by charging fees for additional amenities and things that may not be closely related to a development's impacts, from parks to public art.

As with seemingly every other aspect of homebuilding, California's costs are among the highest in the nation. A March 2015 Legislative Analyst's Office report found that local development fees averaged more than \$22,000 per single-family home—about three and a half times the national average of \$6,000.<sup>273</sup> Even worse, these fees can be substantially greater in some municipalities, reaching more than \$62,000 in Oakland, more than \$146,000 in Irvine, and nearly \$157,000 in Fremont.<sup>274</sup>

If communities wish to improve housing affordability, they can save prospective buyers thousands—or even tens of thousands—of dollars by minimizing development impact fees and tailoring them narrowly to the direct impacts of the developments to be built.

## APPENDIX A. HOMELESSNESS TERMS AND DEFINITIONS

TERM	DEFINITION
<b>Cabin Community</b>	Also known as community cabins, this is a type of emergency housing that has been implemented at multiple locations across Oakland. It consists of small “villages” of cabins, offered by the city, that provide temporary transitional shelter housing and basic needs. These sites are intended to serve as an alternative to encampments and help get people off the streets and into more stable housing. <sup>275</sup>
<b>Continuum of Care (CoC) Program</b>	The Continuum of Care Program created a standardized federal framework for providing solutions to homelessness. It emphasizes a focus on ensuring that individuals experiencing homelessness have support from a variety of city- and community-based programs, and that these programs are designed to function in conjunction with each other. It aims to “promote access to, and effect utilization of, mainstream programs by homeless individuals and families, and optimize self-sufficiency among individuals and families experiencing homelessness.” <sup>276</sup> This program also provides grants for various local initiatives.
<b>Emergency Shelter</b>	This term “typically refers to any facility which provides temporary shelter for the homeless without requiring occupants to sign leases or occupancy agreements.” <sup>277</sup> These locations, almost exclusively operated by municipal governments, provide short-term housing for adults experiencing homelessness. In San Francisco, these shelters limit adults to 90-day stays, whereupon they must find a more permanent housing solution.
<b>Harm Reduction</b>	As practiced, harm reduction is a series of policies and procedures that seeks to minimize harm from drug use, such as overdoses or disease from used needles, rather than offer recovery services. Proponents tout it as a fairer and more realistic way of meeting people “where they are” in their lives without judgment, <sup>278</sup> while critics contend that it perpetuates substance abuse. However, as defined, harm reduction includes abstinence, and most recovery specialists are advocates of the approach so long as it is a means to recovery.
<b>Housing First</b>	The “Housing First” approach seeks to immediately place people experiencing homelessness in long-term housing, the idea being that once their housing is taken care of, it will be easier for them to work on any other underlying issues of their homelessness. This approach offers wraparound services to address related issues, but, unlike the transitional housing model (see the definition of <b>Transitional Housing</b> below), participation is entirely voluntary and treatment is based on a harm reduction approach, which may not necessarily emphasize recovery.
<b>Long-Term Intervention</b>	This term refers to policies intended to permanently reduce the number of individuals experiencing homelessness in a given city. Examples include housing subsidies, vouchers, and the development of more affordable housing. <sup>279</sup>
<b>McKinney-Vento Homeless Assistance Act</b>	This 2009 federal law established the Continuum of Care (CoC) Program, consolidating three preexisting homeless assistance programs: the Supportive Housing Program, the Shelter Plus Care Program, and the Moderate Rehabilitation/Single Room Occupancy (SRO) Program. <sup>280</sup>
<b>Navigation Centers</b>	This term refers to specialized homelessness facilities, in operation in San Francisco since 2015, that are low barrier and utilize intensive services to serve some of the most vulnerable people experiencing homelessness and those who have been unhoused long term. These places are unlike emergency shelters in that they operate 24 hours a day (so people are not kicked out in the morning), and they welcome people’s partners, pets, and belongings. In addition, participants are selected by the SF Homeless Outreach Team or a centralized referral system; the centers do not accept walk-ins. <sup>281</sup> Stays range from 30 to 90 days, and the goal is to find guests permanent housing by the end of this time. <sup>282</sup>
<b>Online Navigation and Entry (ONE) System</b>	An IT system launched in late 2018 in San Francisco intended to track the health, housing, jail, and counseling history of every person experiencing homelessness in the city. The new system consolidates 15 previous systems, spanning multiple agencies. <sup>283</sup> As an April 2019 report from the Bay Area Council Economic Institute explains, “This information allows caseworkers to calibrate health and housing interventions based on individuals’ histories and to effectively place those most in need into housing.” <sup>284</sup> It is hoped that the new system will also prevent people experiencing homelessness from slipping through the cracks between multiple agencies and service providers.

<b>Permanent Supportive Housing (PSH)</b>	Permanent supportive housing is community-based housing for individuals and families who formerly experienced homelessness in which tenants have a lease for a minimum of one year. There is no designated length of stay, and leases may be terminated only for cause. PSH is predicated on the Housing First approach (see the definition of <b>Housing First</b> above), in which wraparound services are made available but not required. This type of program utilizes a harm reduction approach that may not necessarily emphasize recovery.
<b>Potential Intervention</b>	This term identifies specific and isolated opportunities when officials have the capacity to either prevent homelessness in an individual's life before it happens or to help that person onto a pathway out of homelessness. Unlike long-term interventions, potential interventions are often based on whether they will be applied at the "entering homelessness," "experiencing homelessness," or "exiting homelessness" phase. <sup>285</sup>
<b>Rapid Rehousing</b>	This model seeks to help people experiencing homelessness by providing rental assistance for short-term housing. Assistance may be available for up to two years. Like permanent supportive housing, it takes a "low-barrier," Housing First/harm reduction approach to offering supportive services (see the definitions of <b>Harm Reduction</b> and <b>Permanent Supportive Housing (PSH)</b> above).
<b>Residential Rehabilitation Facilities</b>	Colloquially known as "rehab," these centers provide patients a temporary living space while they are treated for addiction.
<b>Residential Treatment Centers</b>	See <b>Residential Rehabilitation Facilities</b> above.
<b>Resource Centers</b>	Centers that offer specialized services for individuals or families who need immediate support. In San Francisco, these usually take the form of family resource centers, which offer child care, counseling, and case management for struggling families. <sup>286</sup>
<b>Sheltered</b>	A term used by the US Department of Housing and Urban Development to qualify a specific subset of individuals experiencing homelessness who are residing "in an emergency shelter" or "in transitional housing or supportive housing for homeless persons who originally came from the streets or emergency shelters." <sup>287</sup> These individuals are differentiated from individuals experiencing homelessness who are unsheltered (see <b>Unsheltered</b> below).
<b>Stabilization Room</b>	Short-term subsidized housing for those experiencing homelessness, which is located in single-room occupancy (SRO) hotels. Stabilization rooms are utilized to transition people from the streets to permanent housing. <sup>288</sup>
<b>Temporary Shelter</b>	See the definition of <b>Emergency Shelter</b> above.
<b>Transformational Housing</b>	This approach is similar to that of transitional housing (see <b>Transitional Housing</b> ) in that there is a strong focus on providing services to address the underlying conditions that have caused participants to experience homelessness. In practice, however, this approach is much more flexible and tolerant of the challenges faced by participants and more willing to work with them to create plans to get back on track when they are falling short of goals and expectations. For those who determine that they are truly not yet ready for a transformational program, arrangements will be made to provide a soft landing to a lower barrier facility.
<b>Transitional Housing</b>	This approach seeks to help people experiencing homelessness by pairing housing with various wraparound services, such as mental health treatment, substance abuse counseling, and job training, in order to help participants resolve the underlying issues and causes of their homelessness and reach their full potential. In contrast to permanent supportive housing, the services offered in transitional housing programs tend to be "high barrier," as they may require participation in certain services and adherence to certain rules, such as maintaining sobriety or employment or both in order to remain in the program. These programs may last up to about three years, whereupon participants are expected to graduate and obtain permanent housing.
<b>Unsheltered</b>	A term used by the US Department of Housing and Urban Development to qualify a specific subset of individuals experiencing homelessness who are residing "in a place not meant for human habitation, such as cars, parks, sidewalks, abandoned buildings (on the street)." <sup>289</sup> These individuals are differentiated from individuals experiencing homelessness who are sheltered (see the definition of <b>Sheltered</b> above).

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