Approaches for Ending Chronic Homelessness in California through a Coordinated Supportive Housing Program

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Executive Summary

California has long led the country in innovation. We have a history of finding creative, smart solutions to the country's toughest social problems. But right now, California is in the midst of a crisis: not only a fiscal crisis, but a housing crisis. California has the largest homeless population in the nation, with one in 95 residents experiencing homelessness during 2009. By that year, our homeless population had increased by over 3%, and the number of people experiencing long-term homelessness increased by an unprecedented 11%.

California can't afford to allow this crisis to continue. Evidence from other states and the federal government shows that the best way to solve chronic homelessness is with a coordinated, system-wide response. And in the midst of a fiscal crisis, we must look for solutions that use our state's resources more effectively and efficiently. Permanent supportive housing is the only model proven to end homelessness for those facing severe barriers to housing stability—and it can be implemented through concrete, cost-effective strategies. Through this approach, we can end chronic homelessness.

Creating an affordable housing trust fund, with an identified revenue source that will generate ongoing funding without tapping into the state general fund, has the potential for reforming the state's response to homelessness and for putting California on track for ending long-term homelessness. A dedicated source of funding for a trust fund would allow the state to address homelessness even when the state faces a budget crisis, as well as offer a rare flexible source of revenue for creating permanent supportive housing. Such a fund could also serve to construct thousands of affordable apartments, the key to preventing and ending homelessness for the majority of people experiencing or at risk of homelessness. But creating this revenue stream is not simply a tool toward ending long-term homelessness; it is an opportunity for California to foster collaboration and coordination between state agencies, state and local government, and the private non-profit, philanthropic, and business sectors.

Dedicating a source of revenue for an affordable housing trust fund could include creation of a "Supportive Housing Program" in California. The Program could primarily help finance the "three legs of the supportive housing stool:" capital funding for multifamily supportive housing creation, capitalized operating funds that allow for service coordination "above the line," and capitalized services funds.

A Supportive Housing Program could limit eligibility to ensure people who access supportive housing the state creates are in need of the services supportive housing provides. Finally, the state could craft a coordinated process that promotes agency collaboration to advance public-private partnerships between state and local government, law enforcement, the non-profit sector, philanthropy, the business community, and consumers.

An affordable housing trust fund, with a dedicated source of revenue, would make the policy proposals included in this white paper financially feasible. Though a housing trust fund with a dedicated revenue stream is essential to enacting an effective statewide response to homelessness, as well as to ending chronic homelessness, some of these reforms can be done without a housing trust fund, given the political will to make them happen:

- The state could create an interagency council on homelessness, since coordination among state agencies and between the state and local governments is a critical step toward ending homelessness.
- The state could redirect existing resources toward services or operating costs of supportive housing, and ensure many existing program prioritize people experiencing long-term homelessness.
- The California Department of Housing and Community Development could undergo repairs to the existing Multifamily Housing Supportive Housing Program to ensure funding is used effectively toward achievable outcomes.
- The state could create a "warehouse" to collect and analyze data on homelessness, enabling the state to make more informed choices in using existing resources.

This white paper will introduce homelessness in California and describe state models that have succeeded in creating coordinated responses to homelessness. The paper will further address how the state could end chronic homelessness by contributing to the creation of 30,000 supportive homes in the next 10 years. Toward this end, the paper will discuss how the state could make specific changes to the existing supportive housing financing stream, and take advantage of opportunities to facilitate a system-wide response to homelessness.

The paper primarily addresses ending chronic homelessness. As such, the strategies discussed, by themselves, may not end homelessness in California entirely. The proposals are not intended to explore in detail the tools needed to prevent more people from becoming homeless, or to address the needs of Californians who fall into homelessness for short periods. However, the recommended strategies, if adopted, could potentially end long-term homelessness for tens of thousands of Californians and, in the process, end the financial and moral burdens our communities bear in maintaining homelessness.

Homelessness in California and in the Nation

Who is Homeless?

California has the largest homeless population in the nation. Representing almost 21% of our country's total homeless population, over 133,000 people sleep on our streets or in a shelter on any given night. [1] Over 390,000 California residents experience homelessness in a year:[2] one in 95 Californians will experience homelessness at least once during the course of a year.[3]

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[1] US Department of Housing & Urban Development, Office of Community Planning & Development. *The 2009 Annual Homeless Assessment Report to Congress.* App. C-2. June 2010 (hereinafter "2010 AHAR"). This "point in time" number is based on a cumulative count of homeless people living in shelters and on the streets on a single night in January 2009. It does not include homeless people living in communities in California that do not participate in a homeless count. Because Los Angeles also changed its methodology for counting homeless people, this estimate may be lower than the actual number of homeless people residing in Los Angeles, as it reflects a statistical anomaly. US Department of Housing & Urban Development, Office of Community Planning & Development. *The 2009 Annual Homeless Assessment Report to Congress.* 7, 9. June 2010 ("Street count methodologies differ greatly by CoC [Continuum of Care] and year, and even marginal changes to these methodologies can result in substantial impacts on the counts").

[2] Though accurate data about the number of people who face homelessness over the course of a year does not exist, based on data submitted to HUD over the course of a year, HUD's Annual Homeless Assessment Report to Congress

The largest number of homeless people lives in Los Angeles, but homelessness affects most counties, even small and rural counties. Mendocino County, for example, has the second highest rate of homelessness per resident in the country,[4] despite a population of under 100,000.[5] And, whereas 77% of homeless people nationwide find shelter,[6] only 30% of homeless Californians are sheltered.[7]

Consistent with national trends, communities throughout California have been experiencing increases in the demand for homeless services since the recession began.[8] Nationally, in 2009, 37% of all homeless people were members of families, up 9% from 2007.[9] Families are remaining in shelters and transitional housing longer than they were before.[10] Most adults in homeless families are women under 31[11] and, among homeless family members, over 60% are children, more than half of whom are under six.[12]

However, California has experienced an even more dramatic increase in homelessness than other parts of the nation. Our homeless population increased by 3.4% between 2008 and 2009. Our chronically homeless population, during this same period, *grew by an alarming 10.8%,* when chronic homelessness increased very slightly during this time across the country,[13] and actually decreased over the two-year period of 2007 to 2009.[14] Researchers blame California's increased unemployment, poverty, and foreclosure rates, as well as continuing high rental housing cost burdens, for this trend.[15]

Veterans and people with disabilities are overrepresented among people experiencing homelessness. Forty percent of adults experiencing chronic homelessness, in fact, are disabled.[16] Veterans have high rates of homelessness as well; even more significantly, homeless veterans are almost two times more likely to be "chronically homeless"—disabled and homeless for at least a year or at least four

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estimates that three times the number of people who are homeless at a point in time are homeless during the course of a year. US Department of Housing & Urban Development, Office of Community Planning & Development. *The 2009 Annual Homeless Assessment Report to Congress. 4, 18*. June 2010.

[3] *Id.* at 8. California has the fourth highest rate of homelessness per resident (.36%), following Nevada, Oregon, and Hawaii.

[7] Nat'l Alliance to End Homelessness, Homelessness Research Inst., *Geography of Homelessness, Part 2: Prevalence of Homelessness* 3 (Aug. 27, 2009).

[8] U.S. Census Bureau, State & County QuickFacts, Mendocino County, Cal., http://quickfacts.census.gov/qfd/states/06/06045.html (last visited Apr. 23, 2010).

[6] 2010 AHAR. at iv.

[7] California is one of only eight states to have higher rates of unsheltered homeless people than sheltered. U.S. Department of Housing and Urban Development, Office of Community Planning and Development. *The 2008 Annual Homeless Assessment Report to Congress.* Jul. 2009. p. 13.

[12] *See, e.g.*, Cynthia Hubert, "National Child Homeless Rate Hits Home in Valley," *Modesto Bee*, Mar. 10, 2009, at A1; Jessica Garrison, "Shelters See More Families," *L.A. Times*, Dec. 18, 2008, *available at* http://articles.latimes.com/2008/dec/18/local/me-homeless18; C.W. Nevius, "More People on S.F. Streets Newly Homeless," *S.F. Chronicle*, Dec. 16, 2008, *available at* http://articles.sfgate.com/2008-12-16/bay-area/17130955_1_homeless-families-philip-mangano-martin-cooper.

[9] 2010 AHAR. at 8.

[11] *Id.* at 8.

[11] *Id.* at iii.

[12] *Id.*

[13] M. William Sermons, Peter Witte. "The State of Homelessness in America." *National Alliance to End Homelessness.* January 2011 (hereinafter "State of Homelessness"). http://www.endhomelessness.org/content/article/detail/3668.

[14] 2010 AHAR.

[15] State of Homelessness.

[16] 2010 AHAR at 25.

times within the past three years—than homeless non-veterans.[17] Seventy-six percent of homeless veterans experience substance abuse and/or mental health conditions, perhaps partially accounting for the high rate of chronic homelessness among veterans.[18] Similarly, 12% of the sheltered homeless population are victims of domestic violence,[19] and 40-50% of foster youth who age out of foster care become homeless within 18 months of emancipation.[20]

Why Are People Homeless?

Contrary to common misperception, most homeless people in California are homeless simply because they cannot afford housing. These individuals experience short episodes of homelessness. In fact, 73% of homeless people are not homeless for long. The average length of stay in a shelter nationally in 2009 was 17 days for individuals and 36 days for families[21]

"I didn't have a place to live after my ex-husband kicked me out of our house. If it weren't for supportive housing, I'd be dead."

The Department of Housing and Urban Development (HUD) asserts that California's high housing costs correlate directly to our high rate of homelessness.[22] In general, a high housing cost burden—the ratio of rental payment to household income, linked to low vacancy rates—is associated with high rates of homelessness.[23] Vacancy rates average 2-4% in most California cities.[24] Among our households with incomes under the federal poverty level, 80.7% pay more than 50% of their income for rent, considered a high cost burden.[25] In fact, California experiences multiple risk factors for high homeless rates: high unemployment, high housing cost burden, a high foreclosure rate (which correlates to high unemployment), lack of insurance, and significant housing overcrowding and "doubling up."[26]

While a Californian is at greater risk of housing instability and homelessness if he or she lived in poverty or in foster care as a child, is pregnant or responsible for an infant, is experiencing domestic violence, has children involved with the child welfare system, abuses substances or alcohol, or suffers from chronic physical health conditions,[27] the simple truth is that most Californians who are homeless cannot afford rent on their income due to their poverty. California has one of the largest

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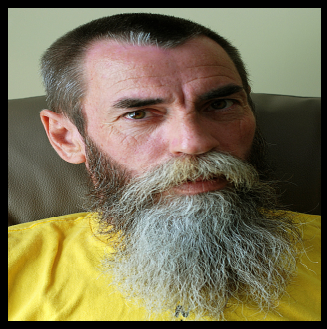
[17] 2010 AHAR (thanks to permanent supportive housing, national rates of chronically homeless people actually decreased by 10% from 2008 to 2009, even though homelessness among veterans and families increased during this period).
[18] Kuhn, John H... Nakashima, John. 2008 CHALENG Report, *Department of Veterans Affairs*. 2008.
[19] *Id.* at 15.
[20] *League of Women Voters' Life after Foster Care*. League of Women Voters of California Education Fund, Juvenile Justice Study Committee, 2002, *available at* http://www.ca.lwv.org/jjds/chap6.html (hereinafter "Life After Foster Care").
[21] 2010 AHAR, at iv.
[22] 2010 AHAR, at 8.
[23] John Quigley, Stephen Raphael, & Eugene Smolensky, "*Homelessness in America, Homelessness in California*," 83 *Rev. Econ. & Stat.* 37, 46 (2001).
[24] Natalie Siniavskaia, *Local Vacancy Rates in Government Databases. National Association of Home Builders*. Oct. 2007.
[25] State of Homelessness at 15.
[26] State of Homelessness, at 35.
[27] Marybeth Shinn et al., "Predictors of Homelessness Among Families in New York City: From Shelter Request to Housing Stability," 88 Am. J. Pub. Health 1651, 1654-55 (1998). *See generally* Marti Burt et al., *Helping America's Homeless: Emergency Shelter or Affordable Housing?* (2001).

"I wound up on the streets after working all of my life."



gaps between household income and rental costs.[28] And, even though 45% of homeless adults held jobs within the month before becoming homeless in 2009,[29] for a California household to afford a two-bedroom rental of $1,291 per month (the fair market rent that year), wage earners must have earned $24.83 per hour, or $51,654 per year. That same year, average Californians who rented earned $17.52 per hour, or $36,447 a year.[30] The gap between income and rents may continue to rise, as our poverty rate increased from 12.7% in 2007 to 15.3% in 2009.[31]

Those in deep poverty—households with an annual income equivalent to 50% or below the federal poverty rate ($5,500 for an individual, $11,000 for a family of four)—are at much greater risk of homelessness.[32] A family of four in deep poverty receives an income of $833 or less per month, and is often unable to find housing affordable to them, particularly when our housing authorities have had to close their waiting lists to access rental subsidy programs, like the Housing Choice Voucher, or Section 8, program.[33] Home foreclosures have reportedly caused many Californians to enter the rental market, which has increased the demand for rental housing, resulting in lower vacancy rates in many communities.[34]

Twenty-seven percent of homeless individuals meet the definition of "chronically homeless."[35] HUD did not consider families to be chronically homeless in past years, so accurate statistics regarding the percentage of chronically homeless families do not exist. However, 14% of homeless families have a head of household with a disability, giving some indication of the potential number of chronically homeless families.[36] People facing significant barriers to housing stability who are homeless for long periods are unable to remain stably housed, even if given access to housing affordable to them. For these individuals and family members, disability, institutionalization, years of housing instability, and other factors make maintaining housing impossible.

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[28] California Department of Housing and Community Development. *California's Deepening Housing Crisis*. Nov. 2003; California Budget Project, *Locked Out: 2008*. Feb. 2008.

[29] Dennis Culhane, "Five Myths About America's Homeless." *New York City Department of Health Services*. 2009. Available at http://www.nyc.gov/html/dhs/html/press/pb071610-culhane.shtml.

[30] Keith Wardrip et al., Nat'l Low Income Hous. Coalition, *Out of Reach 2009: Persistent Problems, New Challenges for Renters* 14 (Apr. 2009), *available at* http://www.nhtf.org/oor/oor2009/oor2009pub.pdf (fair market rent is the 40th percentile of an area's rental market.).

[31] P. Reese. "Poverty in California Continues to Rise." *Sacramento Bee*. Sept. 17, 2010.

[32] Carmen DeNevas-Walt, Bernadette Proctor, Jessica Smith, U.S. Census Bureau. "Current Population Reports, P60-238." *Income, Poverty, & Health Insurance Coverage in the United States: 2009*. U.S. Gov. Printing Office. 2010.

[33] Sharon Parrott, Ctr. on Budget and Pol'y Priorities, *Recession Could Cause Large Increases in Poverty and Push Millions Into Deep Poverty* 1, 3-5 (Nov. 24, 2008, rev. Aug. 2009). About 40% of families who are eligible for welfare under the Temporary Assistance for Needy Families (TANF) program do not receive it. *Id.* at 2. As a comparison, during recessions of the 1980's and 1990's, approximately 80% of poor families that were eligible for welfare received it. Barbara Sard, Ctr. on Budget and Pol'y Priorities, *Number of Homeless Families Climbing Due to Recession* 5 (2009), *available at* http://www.cbpp.org/files/1-8-09hous.pdf.

[34] *Id.* at 5.

[35] http://www.hud.gov/offices/cpd/homeless/chronic.cfm.

[36] *Id.* at iii, 28.

Solving Chronic Homelessness

Imperative

Homelessness, particularly chronic homelessness, is expensive. Governors, legislators, Congress, mayors, and city and county agencies across the country acknowledge that chronic homelessness is a financial and moral drain on state, city, and county government.

Costs of Chronic Homelessness

State Cost	Incurring This Cost	Amount Per Person Per Year of Homelessness*
Prison	Over 50% of homeless people report a history of incarceration. People with histories of homelessness and mental illness are 23% more likely to face incarceration,[37] usually for drug-related offenses, sleeping on public streets, defecating in public, and other quality of life crimes.[38] Parolees who are homeless are seven times more likely to recidivate than parolees in stable housing.[39]	$40,000-$110,000
Medi-Cal	While actual costs to Medi-Cal are difficult to assess because homelessness is not tracked in Medi-Cal claims data, frequent users of emergency departments who are Medicaid beneficiaries, many of whom are homeless, incur Medi-Cal costs of approximately $16,000 over one year.[40]	$8,000-$16,000
Foster Care Costs	Homelessness is not a basis for placing children into foster care, but it is often linked to foster care placement. In fact, almost half of foster children's birth parents have been homeless.[41]	$6,000

[37] Stephen Metraux, Caterina Roman, Richard Cho, "Incarceration and Homelessness." *2007 National Symposium on Homelessness Research.* Feb. 14, 2007 (hereinafter "Incarceration and Homelessness").
[38] Pamela J Fischer. "Criminal Activity and Policing," *Encyclopedia of Homelessness.* 2004. Homeless people are far more often victims of violent crime than perpetrators of violent crime.
[39] "Incarceration and Homelessness."
[40] Costs are estimated using OSHPD average costs per outpatient visit among hospitals participating in this frequent user program. The Lewin Group, "Final Evaluation Report: Frequent Users of Health Services Initiative." *Corporation for Supportive Housing.* July 2007.
[41] Cheryl Zlotnik, et. al., "Foster Care Children and Family Homelessness." *Am. J. Public Health.* Sept. 1998.

Shelter	About one-third of people who are homeless sleep in a shelter bed created by state bond funding.[42]	$47,000

County/City Cost[43]	Incurring This Cost	Amount Per Person Per Year of Homelessness*
Jail	People who are homeless are at much greater likelihood of experiencing incarceration (see statistics above).	$3,824
General Relief	People who are homeless who are not receiving Supplemental Security Income are often receiving income from a county's general relief/general assistance program.	$2,086
Health Care	Homeless people have much higher incidence of emergency department visits and inpatient hospital admission than people who are stably housed. County hospitals often face the financial burden of both homeless uninsured and Medi-Cal beneficiaries. Those with costs for medical or mental health services while in jail incur a 56% increase in county costs.	$17,730-$28,392
Paramedics/Ambulance	Homeless people have a much higher rate of paramedic/ambulance service use than people who are housed.	$2,086
Total Community Costs[+]		$25,726-$36,388*

** Public costs of homelessness vary widely, depending on the extent of the person's disability, the period of homelessness, and the individual's/family's access to public services.*

[+] The costs listed on this chart do not represent all public costs homeless people incur. Total county public service costs incurred averaged $2,897 per month in one study of General Relief recipients in Los Angeles County who were homeless.

[42] Department of Housing and Community Development, Emergency Housing Assistance Program, www.hcd.ca.gov.

[43] All of the costs reported in this portion of the table are actual costs the County of Los Angeles incurred for a sample of homeless General Relief recipients in Los Angeles County. Daniel Flaming, Patrick Burns, Michael Matsunaga. "Where We Sleep: Costs When Homeless and Housed in Los Angeles County." *Economic Roundtable.* 2009.

In addition to the financial drain on our state and local resources, homelessness is a tax on our moral fiber. Homeless people have a high incidence of early mortality, dying, on average, between the ages of 42 and 52.[44] Children who are homeless have greater difficulties learning, a greater chance of school drop out, greater physical problems, and a greater risk of homelessness as adults.[45]

Yet, homelessness is solvable. Before 1980, homelessness was rare[46] and, in recent years, many communities have been able to reduce chronic homelessness significantly.[47]

What Works for Many

To reduce and prevent homelessness appreciably, the most successful strategy for the majority of homeless people is to provide access to a home that is affordable. Researchers agree that states and communities can effectively prevent homelessness by providing housing affordable to people likely to fall into homelessness, sometimes through short-term assistance, and that communities can reduce homelessness by rapidly transitioning people into housing that is affordable.[48] The U.S. Interagency Council on Homelessness, in its recently-released Plan to End Homelessness in the nation, in fact, suggests these methods for curtailing and reducing homelessness across the nation.[49]

Permanent Supportive Housing

For people who face severe barriers to housing stability, often manifested through chronic homelessness, an affordable home is only one piece of the puzzle to solving their homelessness: they not only need a place to live that is affordable, without a limit to their length of stay ("permanent" housing), but also need services that foster housing stability. These services can include case management, medication monitoring, life skills training, access to health and behavioral health care, transportation to and from appointments, vocational services, and life skills training.

Efforts to create more supportive housing have succeeded in reducing chronic homelessness on a national level between 2008 and 2009, decreasing by 10% the number of people experiencing chronic homelessness.[50] The average length of residency in supportive housing is the same as the average length of stay in any rental housing.[51] Veterans with psychiatric and substance abuse disorders also stay housed longer with supportive housing than in housing without services.[52]

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[44] James J. O'Connell. *Mortality in Homeless Populations: A Review of Literature*. 2005. 13.

[45] Jeffrey Lubell and Maya Brennan, "Framing the Issues—the Positive Impacts of Affordable Housing on Education" and "Framing the Issues—the Positive Impacts of Affordable Housing on Health." *Center for Housing Policy and Enterprise Community Partners*. 2007; The National Center on Family Homelessness. *America's Youngest Outcasts*. 2008.

[46] Dennis Culhane, "Five Myths About America's Homeless." *New York City Department of Health Services*. 2009. Available at http://www.nyc.gov/html/dhs/html/press/pb071610-culhane.shtml.

[47] 2010 AHAR.

[48] Dennis Culhane, Stephen Metraux. "Rearranging the Deck Chairs or Reallocating Life Boats: Homelessness Assistance and Its Alternatives." *J. Amer. Planning Assoc.* Vol. 74, No. 1. 2008.

[49] U.S. Interagency Council on Homelessness. *Opening Doors: Federal Strategic Plan to Prevent and End Homelessness*. June 2010 (hereinafter "Opening Doors").

[50] 2010 AHAR, at v.

[51] A study of California's AB 2034 Program showed 81% of homeless people with serious mental illness and substance abuse disorders remained stably housed after one year. Martha Burt and Jacquelyn Anderson. "AB 2034 Program Experiences in Housing Homeless People with Serious Mental Illness." *Corporation for Supportive Housing*. Jan. 2006 (hereinafter "AB 2034 Program"). Fifty percent of supportive housing tenants remain housed after 30 months, consistent with a typical tenancy. Department of Housing and Urban Development, "Predicting Staying in or Leaving

Study after study has found supportive housing to be cost-effective, showing supportive housing costs to be almost the same or less than the costs of maintaining homelessness.[53] A recent report found that moving homeless people into supportive housing avoids costs from public systems, like hospitalizations, jail, ambulance services, general relief, and other programs by 79%.[54] An earlier seminal New York City cost study showed that homeless people with mental illness who became supportive tenants avoided public system costs of over $16,000 per year over others who remained in shelters. The city avoided enough expense to almost pay for the costs of operating supportive housing for each individual in the study.[55]

Other studies around the nation specifically show that, by affording case management and access to health and mental health treatment, along with an affordable home, tenants are able to decrease their days spent in jail by 76%[56] and their days in prison by 57%.[57] A study of California's AB 2034 program shows supportive housing tenants were able to reduce their visits to the emergency room by 56%, and their hospital admissions by 45%. Even when a supportive housing provider did not require tenants to participate in the services offered, 93% of supportive housing tenants with mental illness and substance abuse disorders actively participated in the AB-2034-funded services offered.[58] Finally, a 2009 Journal of the American Medical Association article showed that, for every 100 homeless adults offered supportive housing, Illinois avoid financing 270 hospitalizations, 116 emergency room visits, and 2,000 nursing home days.[59]

Though one level of government--be it city, county, state, or federal--does not reap all of the benefits of costs avoided with supportive housing, these studies demonstrate significantly reduced public expenditures per homeless individual across all levels of government. Several of the studies indicated that each level of government's public costs avoided equaled or exceeded the costs of supportive housing, reflecting a shared responsibility for and benefit in ending chronic homelessness.

Tools Necessary to Create Supportive Housing

California lacks the affordable housing needed to address the income gap for those in poverty. People with extremely low incomes (under 30% of an area's median income) often require rental

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Permanent Supportive Housing That Serves Homeless People with Serious Mental Illness." *University of Pennsylvania Center for Mental Health Policy and Services Research.* March 2006.

[52] Robert Rosenheck, et al. "Cost-Effectiveness of Supported Housing for Homeless Persons with Mental Illness." *Arch Gen Psychiatry.* Vol 60. Sept. 2003.

[53] *See, for example,* Laura Sadowski, Romina Kee, Tyler VanderWeele, et. al. "Effect of a Housing and Case Management Program on Emergency Department Visits and Hospitalizations Among Chronically Ill Homeless Adults: A Randomized Trial." *J. Am. Med. Assoc.* 2009; 301(17): 1771-78; Mary Larimer, et. al. "Health Care and Public Service Use and Costs Before and After Provision of Housing for Chronically Homeless Persons with Severe Alcohol Problems." *J. Am. Med. Assoc.* 2009; 301 (13): 1349-57.

[54] Daniel Flaming, Patrick Burns, Michael Matsunaga. "Where We Sleep: Costs When Homeless and Housed in Los Angeles County." *Economic Roundtable.* 2009.

[55] Dennis Culhane, et al., "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing." *Housing Policy Debate.*, Vol. 13, Issue 1. Fannie Mae Foundation. 2002 (hereinafter "Public Service Reductions").

[56] Jennifer Perlman and John Parvensky. "Denver Housing First Collaborative: Cost Benefit Analysis and Program Outcomes Report." *Colorado Coalition for the Homeless.* Dec. 2006.

[57] "Public Service Reductions."

[58] "AB 2034 Program."

[59] Laura Sadowski, Romina Kee, Tyler VanderWeele, et. al. "Effect of a Housing and Case Management Program on Emergency Department Visits and Hospitalizations Among Chronically Ill Homeless Adults: A Randomized Trial." *J. Am. Med. Assoc.* 2009; 301(17): 1771-78.

subsidies to make up the difference between what they can afford to pay for rent and their actual rent. Federal rental subsidies alone cannot meet this need. A housing trust fund that relies on a dedicated source of revenue can help meet the need, leveraging federal, philanthropic, and private investment.

For people who are chronically homeless or have other significant barriers to housing stability, creating more permanent supportive housing is the only means of ending homelessness. Financing supportive housing requires the "three legs of the stool:"

- Capital funding to build, rehabilitate, and/or acquire housing;
- Operating funding to operate and maintain the building, over and above the rents from tenants with very and extremely low incomes; and
- Services funding to pay for services offered to the tenants.

The bulk of funding targeted to addressing homelessness on a national level has been for capital:

Table 3.1: What Types of Funding Do Investors Support: 2007 and 2004?
(weighted data from 127 project surveys conducted in 2007, and 102 project surveys conducted in 2004)[60]

	$, in millions		**Percentage Distribution, Type within Government Level/Private**			
2007			Federal	State	Local (city, county, "local")	Other, non-governmental
TOTAL	$1,446.8		$592.8	$337.9	$362.4	$153.7
Capital	$1,281.3	89%	83%	94%	97%	78%
Operating	$ 100.1	7%	10%	2%	1%	19%
Services	$ 65.5	4%	7%	5%	2%	3%
2004						
TOTAL	$1,008.8		$439.2	$166.9	$297.5	$105.2
Capital	$908.4	90%	88%	91%	97%	77%
Operating	$ 60.4	6%	8%	1%	2%	17%
Services	$ 40.0	4%	4%	7%	1%	5%

Available Tools in California

No one funding source can fund a single supportive housing project. Supportive housing sponsors generally cobble together a mix of private, local, state, and federal sources to be able to create and operate supportive housing. Supportive housing sponsors report requiring, on average, six to 13 funding sources. These sources often include the following:

Federal

The largest source of funding for the specific purpose of reducing homelessness is the **McKinney-Vento Homeless Assistance Grants** program. California's communities received approximately $180 million from this program in 2010. McKinney-Vento accounts for significant spending on

[60] Martha Burt. "Taking Health Care Home: Evolution of Permanent Supportive Housing in the Taking Health Care Home Communities 2004-2007." *Corporation for Supportive Housing*. Feb. 2008. http://documents.csh.org/documents/pubs/THCHEvolutionReport.pdf.

capital and operating expenses in supportive housing, as well as about 22% of funding used for services in supportive housing.[61] McKinney-Vento includes two types of funding:

(1) Formula-based Emergency Shelter Grants ("Emergency Solutions Grants" as of 2011) to prevent homelessness and shelter homeless people. In California, the Department of Housing and Community Development (HCD) uses this funding to help operate shelters.
(2) A competitive "Continuum of Care" program to fund projects the local community, represented by a "Continuum of Care" board (or, as of 2011, a "Collaborative Applicant"), determines should receive rental assistance, capital funding, and services money.

The Continuum of Care (CoC) is designed to address homelessness through a coordinated community-based approach and requires identification of community need, as well as a plan to address those needs. The CoC includes representatives from local government agencies serving homeless people, non-profit providers, and, occasionally, formerly homeless consumers. The CoC model is considered so successful, it was codified in 2009 through bipartisan legislation.[62]

In this legislation, Congress reauthorized the McKinney-Vento program, partly to encourage the creation of prevention and rapid rehousing programs that allow people on the brink of homelessness to remain housed, and people who recently fell into homelessness to be rapidly re-housed into a home they can afford. The reauthorization also included significantly greater flexibility in funding for the "three legs of the supportive housing stool," which will permit housing providers to, among other things, consider some services as operating expenses.[63]

A similar program that provides rental subsidies with some services funding is the **Housing for Persons with AIDS program (HOPWA).**

Nationally, the largest source of federal funding for services in supportive housing is **Medicaid** (Medi-Cal in California). Supportive housing tenants, however, have few opportunities to access Medi-Cal for the services they need in California. On the contrary, except for a select few counties, Medi-Cal does not reimburse for case management or other core services for supportive housing tenants. Federally-Qualified Health Centers (FQHCs) can provide these services through Medi-Cal, as FQHC rates are higher to provide such services to underserved populations. Supportive housing providers are increasingly partnering with FQHCs in recent years to provide services to supportive housing tenants. However, an audit of one such FQHC has threatened provision of these services in housing.[64]

Tax credits also represent a significant source of funding for creating affordable multifamily homes. Congress created the Low Income Housing Tax Credit Program in 1986 to enable low-income housing developers to fund projects through the sale of tax credits to investors. The federal tax credit program includes two types of credits, 9% and 4%, related to the percentage of a project's "qualified basis" that the investing taxpayer can deduct from annual federal tax liability over 10 years. The California Tax Credit Allocation Committee (TCAC) awards credits on a competitive basis. Nine percent credits are extremely competitive. Rents on tax credit units cannot exceed 30% of a tenant's income and project sponsors must target low-income households. TCAC requires the project sponsor to commit that the project will remain affordable for 55 years. Applicants must also

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[61] *Id.*
[62] http://www.hud.gov/offices/cpd/homeless/programs/.
[63] Homeless Emergency & Rapid Transition to Housing Act of 2009; Senate Bill 808; House Resolution 1877 (2009).
[64] *In re Over 60 Health Center-Foothill Square, et. al.* California Department of Health Care Services Administrative Law Judge Hearing Decision. May 2008.

show leveraging of other public and private funds, experience developing housing affordable to low-income Californians, and readiness to proceed with construction to be eligible for receiving credits.[65] In 2010, 9% tax credits helped create 4,200 affordable homes in California.[66] The demand for tax credits exceeds our supply by more than three to one.

TCAC includes a 2% set-aside of federal tax credits for special needs projects, including supportive housing for homeless households, and applicants for tax credits to create supportive housing compete with each other, rather than in the general pool.[67]

As a state, as well as in many of our communities, California also receives other forms of federal block grants to create housing or improve neighborhoods. These include **HOME** and **Community Development Block Grant (CDBG)** funds that are often used to create supportive housing. HCD administers both programs at the state level for smaller counties that are not HOME or CDBG "entitlement" communities.

Several housing authorities in California prioritize or set-aside **Housing Choice Vouchers (HCV**, also known as "Section 8 vouchers") to provide rental subsidies in supportive housing. This program provides a significant source of operating funding. The Housing Authority of the City of Los Angeles, for example, is in the process of offering a significant percentage of its voucher authority for units that include services for people who are homeless or at risk of homelessness.[68]

State and local sources

The **Mental Health Services Act (MHSA)**, passed by voters as Proposition 63 in 2004, uses state funds derived from 1% tax on personal income over $1 million to provide mental health services to underserved people with mental illness. The funding is allocated to county mental health departments who develop a three-year program and expenditure plan. The services include supports that "promote wellness, recovery and resiliency for adults and older adults with severe mental illness and for children and youth with serious emotional disorders and their family members." "Full Service Partnerships" (FSPs) are a key component of MHSA: FSP services are intensive, long-term, stably-funded, supportive service programs for un-served and underserved people with serious mental illness. People do not have to be homeless to qualify for MHSA services, but MHSA funding can provide rental assistance for a consumer who is homeless to access supportive housing, as well as fund the services that consumer receives in that housing.

The Schwarzenegger Administration created the **MHSA Housing Program** in 2007, allocating a portion of MHSA for capital and capitalized operating costs for supportive housing for homeless people eligible for MHSA services. The California Department of Mental Health (DMH) and the California Housing Finance Agency (CalHFA) administer the program.[69] The Housing Program, however, was a one-time allocation of funding. While counties can choose to allocate some of their MHSA funds for a housing program, with the support of CalHFA and DMH, doing so limits their

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[65] California Tax Credit Allocation Committee. "A Description of California Tax Credit Allocation Committee Programs." http://www.treasurer.ca.gov/ctcac/program.pdf. April 2009 (hereinafter "Tax Credit Allocation Committee Programs").
[66] http://www.treasurer.ca.gov/ctcac/.
[67] "Tax Credit Allocation Committee Programs."
[68] http://www.hacla.org/hmless1/.
[69] http://www.dmh.ca.gov/Prop_63/MHSA/Housing/default.asp.

ability to provide other mental health services to their consumers, at a time when state and county mental health funding has experienced severe cuts.

HCD administers the **Multifamily Housing Program (MHP),** currently funded through housing bonds passed by Propositions 46 and 1C. The MHP-Supportive Housing and MHP-Homeless Youth programs offer deferred-payment 55-year loans for the construction, rehabilitation and preservation of permanent and transitional supportive housing for adults, families, and transition-age youth (16-25) who are homeless or at risk of homelessness. The loans require 3% simple interest on unpaid principal balance, with .42% payments due annually. In addition to the costs of capital, sponsors awarded commitments of MHP funds can also receive minimal funding for other costs, such as child care and social service facilities "integrally linked to the assisted housing units," fees and consulting costs, and capitalized operating reserves. Unlike the MHP-General fund, which is a competitive program to create affordable homes, the MHP-Supportive Housing and MHP-Homeless Youth programs are "over-the-counter," designed to allow sponsors to apply for and receive funding throughout a specified timeframe, provided the applicant meets threshold requirements. The Governor's Homeless Initiative, created by Governor Schwarzenegger in 2006, is also an over-the-counter program to create supportive housing for chronically homeless individuals with mental illness, as part of a partnership between HCD, DMH, and CalHFA.[70]

HCD generally issues Notices of Funding Availability (NOFAs) to notify applicants of available funds remaining and the timeframe in which applications can be submitted. Few NOFAs have been available for these programs since the end of 2008 due to a housing bond freeze resulting from California's low credit rating. HCD released NOFAs in November 2010. Funds are expected to run dry by mid- to late-2011, leaving no state funding for capital for any affordable or supportive homes.

Finally, the Department of Social Services administers the **Transitional Housing Placement Plus (THP-Plus)** program, which allocates state general funds for two years of rental and services costs for transition-age youth aging out of foster care. The state provides counties with funding for the program and the counties determine specific criteria, including outcomes each program must meet. Housing THP-Plus funds is often transitional, though more service providers are offering permanent supportive housing to this population with the assistance of THP-Plus than in previous years.[71] Since the funding is not intended to target only homeless youth, only a third of THP-Plus participants were homeless some time before receiving THP-Plus assistance. The THP-Plus Annual Report estimates that THP-Plus is meeting the needs of 23.6% of homeless transition-age youth who have exited foster care.[72]

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[70] http://www.hcd.ca.gov/fa/mhp/.
[71] THP-Plus Statewide Implementation Project, http://www.thpplus.org/.
[72] THP-Plus Statewide Implementation Project. *THP-Plus Annual Report, 2009-10*. John Burton Foundation for Children Without Homes (Aug. 2010) (hereinafter "THP-Plus Annual Report").

State Models for Creating Housing with Services

Models of Collaboration

MHSA Housing Program

One of the most successful models of funding for supportive housing, cited nationwide, is the MHSA Housing Program. Governor Schwarzenegger, through Executive Order S-07-06, intended to create 10,000 units of supportive housing through state agency and state-local collaboration (CalHFA, DMH, HCD, and county departments of mental health).[73] The MHSA Housing Program demonstrates how a collaborative approach can have dramatic effects on homelessness. MHSA's wrap-around services, which include support for rental costs, have resulted in a 100% decrease in homelessness, a 25% increase in employment, a 67% decrease in likelihood of mental-health related emergency room use, and a 56% decrease in likelihood of arrest among MHSA consumers.[74] As of May 2010, two and a half years after the initiation of the MHSA Housing program, this program has already leveraged almost $1 billion in private investment and generated an estimated 1,800 jobs toward the creation of 1,542 apartments affordable to people experiencing homelessness. An additional 2,437 apartments are currently in the pipeline for development, promising to create another 2,827 jobs.[75] The Housing Program was a one-time allocation of $400 million and most large counties have committed all of their funds. Counties can choose to allocate additional funds, and some counties have indicated intent to do so, but any ongoing commitment of resources will not be statewide.

The New York/New York III Agreement

New York State and New York City reached agreement to increase the number of supportive housing apartments in New York City by 9,000. The Governor, the Mayor, and 10 Commissioners signed the agreement. The Agreement creates a number of programs targeted at eight specific homeless populations (including individuals and families experiencing mental illness, substance addiction, or HIV/AIDS, people with chronic medical conditions, and youth aging out of foster care). The state Office of Mental Health provides capital funding for some projects for people with mental illness. It also allocates to the City Department of Health and Mental Hygiene (DOHMH) money toward 10-year service and operating financing commitments. The City uses bonds and HOME dollars for other capital financing. A community board determines which projects should receive an award of funds, and projects must meet certain outcome measures, including 95% occupancy within eight months.

Under the Agreement, different terms, funding levels, and eligibility criteria govern each program. The Persons with Mental Illness Program, for example, provides $16,000 per year for services and a rental subsidy. Services under this program include case management, educational and vocational services, health counseling, mental health assessment and treatment, drug and alcohol counseling, nutritional counseling, medication management, and benefits advocacy. The Families and Young Adults Program, on the other hand, is funded through a combination of state general funds and federal Temporary Assistance to Needy Families (TANF) dollars, and project sponsors serving these populations receive $3,300 worth of services per year for case management, counseling, and other

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[73] Executive Order S-07-06 stated an intent to create a state interagency council on homelessness, but this part of the Executive Order was never carried out. Gov. Arnold Schwarzenegger. Executive Order S-07-06. May 12, 2006.

[7474] Stephen Mayberg, Ph.D. "Informational Legislative Briefing: Mental Health Services Act" (Power Point Presentation). *California Department of Mental Health*. May 18, 2010.

[75] www.cmhda.org.

"essential services." The state funds 81% of the operating and services costs for both programs; federal and City dollars fill the gap.

Connecticut's Next Step Initiative

Connecticut's supportive housing program has created over 1,700 apartments through its three phases. Under the current Next Steps Initiative, the state provides capital funding through the Corporation for Supportive Housing ($3.5 million, relying on philanthropic investment), the Office of Policy and Management ($5 million), the Connecticut Housing Finance Authority ($94 million from 501(c)(3) bonds and another $6.5 million from general funds), and the Department of Economic and Commercial Development ($3 million). The state's Department of Social Services offers operating funding of $3.2 million, and the Department of Mental Health and Addiction Services (DMHAS) and the Department of Social Services (DSS) provide supportive services funding (about $6.5 million) each year. Supportive housing sponsors can apply for capital, operating, and services funding with one application.

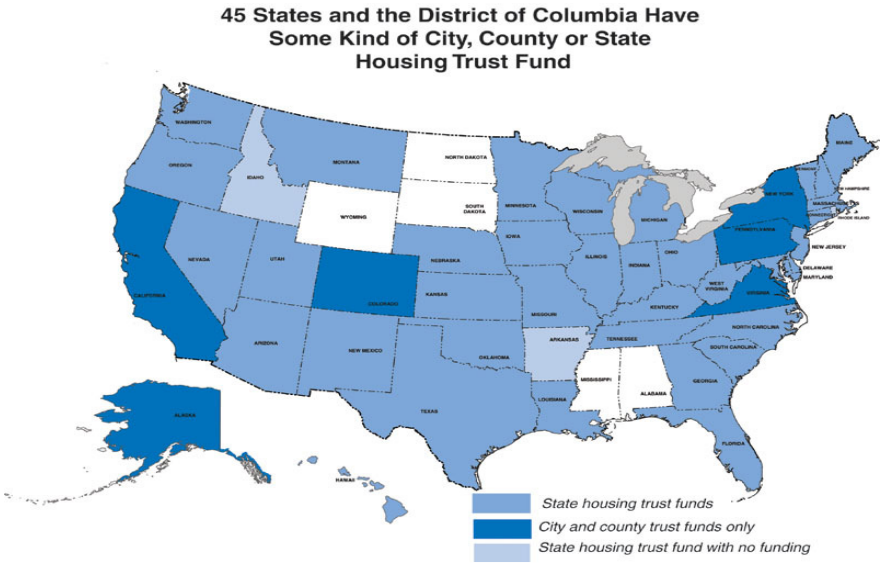
The program requires applicants to set aside at least 50% of any housing created with the supportive housing capital funds for people who are homeless, for veterans at risk of homelessness, or for youth aging out of foster care. Sponsors may use services funding to promote a tenant's ability to retain permanent housing, access and retain employment and increase their skills and income, access public and early childhood education, maintain health, and achieve greater self-reliance. DMHAS and DSS allocate funds to county mental health authorities, which contract with nonprofit providers the state Request for Proposal process identifies.

Connecticut has identified interagency collaboration, capacity building opportunities, and an engaged philanthropic community (particularly Melville Charitable Trust) as the most successful elements of its program.[76] The challenge Connecticut faces is its reliance on state general funds. Though the Governor and Legislature consistently renew funding for this program, since it is seen as a success, the Legislature has reduced funding in recent years due to the state's budget deficit.

[76] http://www.chfa.org/CHFA%20Success%20Stories/Interagency%20Collaborations/SupportiveHousing.aspx; John Dunne, "Connecticut Supportive Housing" (Power Point Presentation). *Corporation for Supportive Housing.* Sept. 20, 2010.

Housing Trust Funds

Thirty-five states have funded state housing trust funds:[77]



Several trust funds can act as models for creating supportive housing:

Washington

Washington passed legislation in 2007 to use a document recording fee for the "Affordable Housing for All Surcharge." The Department of Community, Trade, & Economic Development (CTED) administers a portion of the fund[78] toward financing 4,500 new or rehabilitated affordable homes every year. The supportive homes created are for clients of the Departments of Social Services and of Health.[79]

Washington also provides operating subsidies through its' Operating and Maintenance fund, primarily to projects receiving or applying for Housing Trust capital funds. The Operating and Maintenance Fund provides operating funds for tenants with very low incomes (under 30% of area median income).[80] Eligible projects can receive either long-term gap funding of $50,000 for up to 20 years (up to $65,000—if a project also receives 25% matching funds from private contributors) or a one-time capitalized operating reserve.[81]

The Trust also finances a Homeless Grant Assistance Program (HGAP), a three-year pilot due to expire in 2011 that provides grant funds to provide services that promote housing stability, including engagement services necessary to outreach to the most vulnerable homeless people and to locate housing for these individuals. Rental subsidies are also an eligible expense.[82] People eligible to

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[77] Center for Community Change, Housing Trust Fund Project. http://www.communitychange.org/our-projects/htf/housing-trust-funds.

[78] http://www.commerce.wa.gov/DesktopModules/CTEDPublications/CTEDPublicationsView.aspx?tabID=0&ItemID=5909&MId=870&wversion=Staging.

[79] http://www.commerce.wa.gov/site/493/default.aspx.

[80] http://www.commerce.wa.gov/site/494/default.aspx.

[81] Washington Department of Commerce, *Housing Trust Fund Guidelines & Procedures Handbook*. Aug. 2009. Chapter 7.

[82] http://www.commerce.wa.gov/site/1036/default.aspx.

benefit from this program must be homeless or at risk of homelessness. The state has primarily used HGAP to serve those considered to be the "hardest to serve:" homeless people unlikely to seek assistance but for this program.

The state sets aside a percentage of HGAP funds for competitive grants to counties with innovative homeless programs. County grant applicants must demonstrate a plan to integrate criminal justice, social service, health, and other state and local systems affecting homelessness through collaboration with community-based non-profits. In 2011, HGAP will be replaced with a new program that will consolidate all of the above state programs.[83]

Finally, Washington benefits from the Washington Families Fund, which includes private funding through the Bill and Malinda Gates Foundation, 11 other philanthropic organizations, and state general funds. The Fund provides services grants of up to $3,500 per apartment per year for up to ten years for families living in supportive housing. Eligible services include comprehensive case management, job training, parenting skills, and substance abuse and domestic violence counseling. Building Changes, a non-profit, manages and disburses the Washington Families Fund, reporting outcomes, raising philanthropic investment, selecting grantees, and offering technical assistance to funded projects. Eligible applicants are social service providers, nonprofit housing developers, and public housing authorities.

Minnesota

Under Governor Tim Pawlenty's leadership, Minnesota released a 2005 plan to create—

- 4,000 supportive homes within six years,
- A homeless prevention initiative to fund temporary housing assistance,
- A new system for planning discharge from institutional settings (prisons and hospitals), and
- A police outreach response.

The Plan uses housing trust funds, along with multiple other state program dollars, to carry out these initiatives.[84] To date, the Plan has resulted in 3,300 permanent supportive homes. Multiple state agencies administer the capital, operating, and services funding needed for the homes.[85]

The state's interagency council on homelessness updated the Plan in 2010, listing as "best practices" regional and local coordination of resources, a plan to end homelessness with specific and achievable benchmarks, regular interagency meetings among agency and stakeholder staff, faith-based and philanthropic leadership, and funding for technical assistance and data collection.[86]

Illinois

Illinois uses a mix of housing trust funds and general funds to create its supportive housing program. The Rental Housing Support Program, signed into law July 3, 2005, is funded through a $10 collected fee from real estate document recordings. Landlords receive grants to make apartments affordable to households earning less than 30% of area median income. The Illinois Housing Development Authority awards funds to local housing authorities, municipalities, and

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[83] E-mail exchange with Jennifer Turin, Community Services and Housing Division, Washington State Department of Commerce, Nov. 15-16, 2010 (directs HGAP Program).

[84] http://www.headinghomeminnesota.org/home/goals

[85] Heading Home Minnesota (Minnesota Interagency Council on Homelessness), *Ending Long-Term Homelessness Progress Report: Housing Opportunities Funded.* Oct. 29, 2010.

[86] Heading Home Minnesota (Minnesota Interagency Council on Homelessness), *Minnesota's Road Map for Ending Homelessness.* 2010.

community groups and contracts with landlords who apply for the Rental Housing Support Program. The Authority provides half of these funds to housing for people earning less than 15% of the area median income. The Illinois Department of Human Services (DHS) receives general funds for a full array of services to residents of supportive housing on-site, based on a needs survey the Illinois Supportive Housing Providers Association (SHPA) conducts. Services funded are always linked to a specific supportive housing project.

Creating a System-Wide Response to Homelessness in California

A housing trust fund in California would provide the state with an opportunity to promote a system-wide response to homelessness, including a state "Supportive Housing Program" to coordinate and fund the capital, operating, and services needs of supportive housing sponsors. As other states have found, state funding for the "three legs of the supportive housing stool" creates a seamless and effective financing tool. Unlike California's Multifamily Housing Program (MHP), which can only finance capital and a limited range of other costs because of the source of funding—housing bonds—a dedicated source of trust fund revenue could allow California greater flexibility.

What It Would Take to End Chronic Homelessness

California can end chronic homelessness by fostering the creation of supportive homes for those who need permanent supportive housing. Because California does not collect or analyze data regarding the number of individuals and families who face significant barriers to housing stability, arriving at an accurate estimate of the number of supportive homes needed to end homelessness among our most vulnerable populations is difficult. Using national data, California would need supportive housing for the approximately 22,600 individuals and the roughly 2,500 families who are currently chronically homeless,[87] as well as for others facing significant barriers to housing stability who do not meet the definition of chronic homelessness because of their age or residence in an institution. These populations include homeless transition-age youth, ages 16-24, and people exiting institutions—prisons, institutes of mental disease, and hospitals—who were homeless when institutionalized (see further discussion below regarding these populations). No data exist for the latter two populations, but a THP-Plus Annual Report indicates approximately 1,044 of youth exiting foster care each year experience homelessness within 12 months. THP-Plus helps meet the needs of 23.6% of homeless youth who have exited the foster care system, leaving significant numbers of youth who did and did not receive foster care on the streets.[88]

As a rough estimate, then, ending homelessness in 10 years for populations who need it would require the creation of about 30,000 supportive homes—or 3,000 per year—if limiting eligibility to the above populations. The state could take a leadership role in achieving this goal. A housing trust fund could dedicate 40-50% of its resources to fund capital, services, and operating costs of supportive housing over the first 10 years of the fund. Based on rough estimates of annual revenue of a trust fund (between $300 million and $1 billion), the funding could create 25-40% of the supportive homes needed to end homelessness among the above populations.

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[87] These figures are derived from national statistics reflecting that approximately 133,000 people in California experience homelessness on any given night, that 63% of homeless people nationwide are single adults (about 84,000 people), and that 27% of single adults who experience homelessness on any given night are chronically homeless. 2010 AHAR, at 8-10. Though HUD has not, to date, tracked the percentage of the 49,000 homeless family members who are chronically homeless, a very rough estimate of 15% of families experience chronic homelessness, based on the number of families with a disabled head of household. Based on this estimate, 7,400 family members are homeless on a given night in California. Since the average size of a homeless family is 3 people, approximately 2,500 homeless families are chronically homeless.

[88] "THP-Plus Annual Report."

Coordinating Programs Toward a "One-Stop Supportive Housing Program Shop"

As other states have realized, offering a single application for supportive housing sponsors to access capital, operating, and services funding provides incentives to create quality supportive housing, even though the state would not offer 100% financing for every supportive housing project. Coordinating funding sources—an Affordable Housing Trust Fund as well as other already-existing funding sources that could be used to help finance capital, operating, or services costs—through memoranda of understanding among state agencies and an interagency process (discussed further below) would allow the state to—

- Allow for consistent assessment and monitoring of services provided to tenants;
- Create a systematic response to homelessness,
- Align programmatic goals and reduce duplication of state programs and duplication of effort among state agency staff,
- Align requirements of funding sources, avoiding some of the difficulties sponsors experience in attempting to meet all of the requirements of various funding sources,
- Reduce and eventually eliminate conflicting programmatic philosophies, and
- Promote philanthropic investment in projects the state has deemed worthy of funding, as well as investment in a state supportive housing program.

A single state supportive housing program could funnel existing state resources into supportive housing, as the only proven method for reducing chronic drug and alcohol abuse, family separation, chronic health complications, and crime among people experiencing homelessness. Existing funding could be redirected for this purpose, given adequate coordination and collaboration among state agencies.

Martin Luther King Village

MLK Jr. Village is an 80 unit cottage-style supportive housing development. It includes 60 residential buildings and a community center. Turning Point Community Services and The Effort, a Federally-Qualified Health Center "look alike," provide wrap-around services to the formerly homeless residents. Services include case management, life skills and vocational training, mental health and healthcare, and substance abuse recovery services.

Owner/Developer/Property Manager: Mercy Housing California

Service Provider: Turning Point Community Services, The Effort

Tenant Profile: People with disabilities and chronically homeless people.

Service Approach: Housing First, with integrated wrap-around services.

Examples of Existing State-Controlled Programs that Could be Used for A California "Supportive Housing Program"

Program	Agency Administering	Funds/Program Could be. . .
Federal & State Low-Income Housing Tax Credits	Tax Credit Allocation Committee	Prioritized/Set Aside for Supportive Housing for Chronically Homeless People
HOME & Community Development Block Grant	Dept. of Housing & Community Development	Used to Set Aside a Portion of Funding to Create Supportive Housing for Chronically Homeless People
Integrated Services for Mentally Ill Parolee Program	Dept. of Corrections & Rehabilitation	Prioritized for Parolees Exiting Prison Who are Likely to Discharge into Homelessness (i.e., were homeless upon arrest); Used to Provide Funding for Services in Supportive Housing & for Case Management Services While in Prison
Veterans Employment Training, Claims Representation in Cases with U.S. Department Of Veterans Affairs	Dept. of Veterans Affairs	Allocated for Some Staff or Resources to Provide Services in Supportive Housing Developments
Substance Abuse Prevention & Treatment Block Grants	Alcohol & Drug Programs	Used to Set Aside Resources for Drug/Alcohol Abuse Counseling & Treatment in Supportive Housing
Community Services Block Grant	Dept. of Community Services & Development	Used to Set Aside Resources for Rental Assistance, Vocational Services, and Money Management Services in Supportive Housing
Medi-Cal	Dept. of Health Care Services	For Medi-Cal Beneficiaries, Used to Pay Capitated Rates for Health-Impacted Services in Supportive Housing, including Case Management/Care Coordination, or to Provide Incentives to Health Plans to Pay Capitated Rates to Community-Based Service Providers Offering Services in Supportive Housing

The state could both prioritize homeless populations in the allocations of the above resources and set aside funding for individuals and families experiencing chronic homelessness now. These resources could be used to provide some capital, operating, and services financing for supportive

housing. Currently, many of these programs operate at cross-purposes to the state's stated goal of using supportive housing to reduce homelessness and serve homeless populations.

Though the state can take a critical step toward ending homelessness by aligning and coordinating existing resources, an affordable housing trust fund is vital for creating sufficient, ongoing resources to address the capital, operating, and services funding needs of those experiencing chronic homelessness.

Capitalizing Operating and Services Funds

Supportive housing sponsors often report an inability to obtain commitments for services funding as the largest obstacle to creating supportive housing. Another significant challenge for sponsors is financing operating costs of homes designed to serve people in deep poverty without a source of funding close the gap between the costs of running the development and rents tenants can afford. As a result of these obstacles to creating supportive housing, housing bond funds intended to reduce chronic homelessness have often been used to fund projects targeting people who were eligible for services through existing programs (i.e., people who are developmentally disabled and eligible to receive Lanterman Act Regional Center services) or who are not homeless and have with higher incomes than chronically homeless people typically receive (see further discussion below). Using housing trust funds to finance operating and services costs could not only remove long-standing barriers to creating supportive housing, but could promote the creation of housing that includes a full array of quality services, potentially fulfilling a goal voters reported in passing Proposition 1C.

A potential challenge to creating a funding source for operating and services costs is that capital, operating, and services funds are, by their nature, different types of funding. Whereas capital is a one-time expenditure, operating and services costs require recurring expenditures. As a capital source creates new projects, more and more of a funding source could be dedicated to operating and services costs, as more and more projects will require ongoing, annual expenditures for these purposes. States often cap funding for these purposes through their appropriations process, but capping funding leads to restraints on the development of new supportive homes.

Several model programs, including the MHSA Housing Program, have capitalized funds to pay for state-held operating accounts, used over a period of years. Because the funds are tied to an apartment, rather than an individual, the developments are more financially sustainable. One challenge of this approach is that, because a capitalized operating or services fund does not exist in perpetuity, sustainability over the long-term could be difficult. The sponsor

New construction of 49 family units

Owner or Sponsor: *Amistad Apartments, LP*

Developer: *A Community of Friends*

Property Management: *The John Stewart Company*

Service Provider: *On-site services provided by A Community of Friends*

Tenant Profile*: Mixed tenancy 27 units for low income families & 21 units for low income families with a parent with mental illness (12 of whom are also homeless).*

Service Approach: *On-site and off-site services provided by an array of service providers .including ACOF's own Service Department.*

would be required to identify and gain commitments for funding after the reserve term ends. This challenge exists today, since almost all funding streams limit the commitment for funding. Trust-fund-created capitalized operating and services funds for 15 years could, to the extent feasible, overcome some challenges of sustainability and allow sponsors sufficient time to plan for eventual depletion of the reserve. The state could monitor the use of the funds, and require sponsors to provide periodic reports, as well as allow for alterations in services plans on a regular basis. The state could require sponsors, after 12 years, to submit plans for sustainability of funding.

Another challenge is that a capitalized fund requires significantly greater resources dedicated to each apartment, resulting in fewer new supportive housing apartments each year. Despite this challenge, over the long term, this approach may result in a more workable, consistent, sustainable model that will eventually create more quality supportive housing with adequate services to address the needs of the most vulnerable homeless populations.

Operating fund

An operating fund should provide subsidies to all affordable projects serving very low income tenants (households earning 50% or below the area median income), held by the sponsor. Subsidies should be scaled to be more generous for projects targeted to households with lower income levels. For supportive housing projects, which generally serve people at the extremely low income range of 30% of area median income, and often serve households at 15% and below of area median income, sponsors could receive higher operating subsidies.

An operating fund could allow for significant flexibility. Some funding sources require, for example, that the staff costs of a service coordinator—who coordinates services and amenities offered to the residents—cannot be paid from an operating budget, but instead from surplus cash from the prior year's budget ("below the line"), which is not a reliable source of funding and reflects a policy that service coordination is less critical to the operation of a supportive housing project than a security guard. As every project varies considerably in the population it serves and the nature and intensity of services and amenities the project offers, promoting flexibility in the eligible uses of the operating dollars, including an allowable "above the line" budget item for services coordination and case management, is consistent with the development of a robust supportive housing industry. Though the services fund could also fund these same services of case management and service coordination, the sponsor could be allowed flexibility in determining whether to pay for these expenses out of an operating fund or a services fund.

HCD could administer this fund. Indeed, staff at HCD have evaluated and allocated operating funds for several programs and would likely be the agency administering a capital fund as well. In creating this program, HCD could establish standards for property management and create mechanisms for monitoring. To manage this fund effectively, HCD could dedicate staff to a Supportive Housing Program who have sufficient background and have received sufficient training. Current staffing levels are inadequate for this purpose.

Additionally, the state could work with public housing agencies (PHAs), which administer federal Housing Choice Vouchers (also known as "Section 8"), to coordinate operating funding. Many PHAs prioritize homeless populations in allocations of Housing Choice Vouchers. PHAs can supplement state-controlled operating funds, as well as replace expiring capitalized operating funding after a 15-year capitalized operating fund expires.

Financial modeling the Corporation for Supportive Housing conducted in 2009 indicates an operating reserve for each apartment created would cost approximately $65,000, taking into account the existence of other sources of funding, variances in tenant income, inflation, and the need for higher levels of funding in the first years, as fewer tenants will have any source of income during the project's initial phases of tenancy (see Appendix 1, for a fuller accounting of this financial modeling).

Services fund

While capital funding is the largest source of investment every year in supportive housing, services funding is the smallest, representing only four percent of all supportive housing investment. And, Medicaid, which serves as the largest source of services funding in other states,[89] generally does not pay for many of the core services supportive housing offers tenants in California. An absence of a reliable source of services funding often stalls projects or results in "creaming:" targeting people who are easier to serve because services do not have to be as rich, or as expensive.

A 15-year capitalized services fund, held by a project, could serve as a relatively stable source of services funding, potentially spurring significant supportive housing activity. The fund could finance up to 100% of a project's apartments in first year and up to 70% of the apartments by year seven and thereafter. The California Department of Mental Health (DMH), as an agency familiar with the provision of services appropriate to supportive housing tenants, could assess and monitor services plans in collaboration with HCD through a memorandum of understanding (MOU). An MOU should clarify that tenants with mental illness should not be prioritized over others who have never been diagnosed with such a disorder. In the alternative, money could be allocated to local government agencies to ensure the funding meets community needs. The state could require 80% of locally-controlled resources are provided to qualified community-based organizations and set benchmarks local governments receiving funds must achieve.

Modeled on the HGAP program in Washington, a portion (i.e., 30%) of the funds could be set aside to fund grants to local agencies or Collaborative Applicants that are Unified Funding Agencies (currently referred to as "Continua of Care" or "CoCs") through a competitive application process to allow financing of services in existing developments at risk of losing or facing gaps in services funding. To avoid using this fund to backfill local agency staff and supplant existing programs, at least 80% of this grant money should be provided to community-based non-profit organizations for provision of services. While a local government could dedicate a portion of this fund for innovations, a significant percentage could be used for existing programs providing services consistent with the McKinney-Vento reauthorizing legislation, discussed above.

Remaining funds could be used to provide capitalized services reserves to projects receiving capital or operating funds from a state supportive housing program. Again, this fund should be flexible, allowing sponsors to provide a range of services within a list of eligible activities. The program, however, could include the following requirements:

- At least 35% of the project's apartments should be set aside to serve eligible populations (discussed further below, "definition of eligible recipient");
- Only eligible households should be eligible for services funding;

[89] Martha Burt. "Taking Health Care Home: Evolution of Permanent Supportive Housing in the Taking Health Care Home Communities 2004-2007." *Corporation for Supportive Housing*. Feb. 2008. http://documents.csh.org/documents/pubs/THCHEvolutionReport.pdf.

- Services offered to tenants, even if through other programs, could be required to consist of case management, including coordination of any necessary health and behavioral health services the tenants need;
- The case manager-to-tenant ratio, on average, should not exceed 1:20; and
- The highest level of services funding should be provided only to projects that engage in outreach and engagement activities to "hard to serve" populations, including people living on the streets for longer than six months and frequent users of public health or correctional programs.

Eligible services could include those intended to foster a multidisciplinary team that works to keep tenants stably housed, help tenants reach a maximum level of independence, increase self-determination, and improve life skills. Such services could include—

- Case management, defined as the coordination of services, including the direct provision of services, to help clients access housing and remain stably housed, including the provision of outreach, engagement, housing retention activities, eviction prevention, crisis intervention, socialization, community building, coordinating clinical assessment, advocacy among health and behavioral health care providers, and other services, as needed,
- Benefits advocacy,
- Connection to health and behavioral health professionals and paraprofessionals,
- Mental health and substance abuse counseling,
- Money management,
- Medication management,
- Life skills training,
- Transportation to appointments necessary to improve health or maintain housing stability,
- Childcare or referral to childcare,
- Vocational services and training, and
- Domestic violence counseling.

Financial modeling for a capitalized services fund indicates that 15-year per unit costs approximates $130,000 (see Appendix 1 for a breakdown of the financial modeling assumptions and specific figures). If the state sets a goal of ending chronic homelessness in 10 years by creating 3,000 supportive homes each year throughout California, funding services for 25% of these units would require approximately $97.5 million.

Separate operating and services funds

Because an operating fund could provide funding for all, or a significant percentage, of housing created through a trust fund, operating funds could potentially consume a joint operating-services account. Supportive housing sponsors have cited operating funds as absolutely essential to secure, before securing services funding commitments, because a project cannot function without these critical resources. Yet, without an adequate source of revenue for services, tenants will not remain stably housed, frustrating the purposes of a supportive housing program. For this reason, operating and services funds should be separately administered and accounted for.

Further, an entity administering and monitoring allocations of operating funds has different expertise and capacity than staff who must evaluate, administer, and monitor allocations of services funds. Sponsors often report difficulties assessing the specific criteria HCD requires for services plans for MHP-Supportive Housing applications. Sponsors also note inconsistent assessment of these services plans HCD staff or consultants hired by the Department review. HCD staff have

Cedar Gateway
Located in the Cortez Hill neighborhood, San Diego, the site contains an historic structure (an early 20th century Chapel) that will be rehabilitated and used for commercial space. The residential portion of this project will be a new construction of a 65-unit affordable housing project including 23 units of supportive housing targeted for adults and older adults who are eligible under the Mental Health Services Act.

Owner or Sponsor: *Cedar Gateway L.P.*

Developer: *Squier Properties LLC/ROEM Development*
Property Management: *FPI Management Inc.*

Service Provider: *Community Research Foundation, Heritage Clinic*

Unit Profile: *23 one bedroom/one bath (supportive housing units)*

16 two bedroom/one bath (affordable family units), and

26 three bedroom/two baths (affordable family units)

identified difficulties monitoring services because of lack of staff expertise, capacity, and funding to monitor the services being provided to tenants. The state could overcome these challenges through an agency more experienced in services provision, or in local administration of this fund.

Necessary Changes to the Existing Multifamily Housing Program

If California is to create a system-wide response to homelessness through a state housing trust fund, with a goal of ending chronic homelessness, the state's Multifamily Housing Program (MHP) should undergo some revision. However, these revisions do not need to wait for a housing trust fund: most can be done without a housing trust fund in place.

Definition of Eligible Supportive Housing Resident:
Currently, the MHP-Supportive Housing regulations allow projects to serve anyone who is homeless or at risk of homelessness. The Multifamily Housing Program (MHP) Regulations defines "at risk of homelessness" as any household with either (1) less than 20% of area median income or state median income (AMI or SMI) who have no rental subsidy, or (2) an income of between 20% and 30% of AMI or SMI facing immediate eviction, release from an institution, an overcrowded living situation, substandard housing, or severe rent burden (housing costs of over 50% of the household's income).[90] Many of the projects created to date with housing bond funds have targeted people who probably would not have become homeless without supportive housing, and simply required an affordable home. A 2007 Corporation for Supportive Housing review of 65% of the projects Proposition 46 created revealed that only 5.1% of the 2,100 supportive housing apartments created served households with incomes 15% or below area or state median income. This survey also indicated that 30-50% of the projects served people who fell into the "at risk" definition, rather than people who were actually homeless; few projects served people who were chronically homeless. Twenty-seven percent of the projects served people who were low-income developmentally disabled individuals or seniors who were not homeless.

Though MHP-Supportive Housing program projects have changed significantly over the years since Proposition 46 allocations, the supportive housing model was intended to serve people who face significant barriers to housing stability, rather than people at risk of homelessness. Supportive housing has never been intended for the majority of people who are homeless, and a primary goal of any state supportive housing program should be to serve those who are our most vulnerable residents, who are often the hardest to serve without the valuable resources the state can offer. While many undoubtedly benefit from the services offered in supportive housing, supportive housing is only cost effective if targeted to those who cannot remain stably housed without the supports connected to the housing, and who are likely to cycle between expensive crisis services. As such, unlike "service-enriched housing," which

[90] 25 Calif. Code Reg. § 7341.

provides housing affordable to residents with voluntary service amenities, such as child care, educational opportunities, and recreational activities, supportive housing is intended for people who cannot remain housed without addressing overwhelming barriers the residents face in accessing and maintaining housing stability.

A narrowed definition, therefore, of those eligible for a Supportive Housing Program should include all chronically homeless individuals and families, as defined in the latest HUD McKinney-Vento Homeless Assistance Grants Program NOFA. Eligible individuals and families should also include those exiting institutional systems (jails, prisons, hospitals, and institutes of mental disease) who are likely to become homeless because they were homeless when entering the institutional setting and have no identified place to live upon discharge. These individuals often cycle through institutional systems, shelters, and the streets, and may not meet the strict definition of chronic homelessness as a result. While some argue that not all of these individuals will become chronically homeless, and so do not require supportive housing, data suggests these individuals will face significant barriers to accessing and maintaining stable housing. In fact, people exiting institutional systems have high rates of homelessness. Forty-three percent of people arrested who experience mental disorders were homeless when committing the crime for which they were arrested.[91]

"My mother kept kicking me out. I ended up homeless." With supportive housing, "I feel more confident. There's just nothing that's going to stop me."

Homeless transition-age youth may not be able to meet the definition of chronic homelessness because of their age, but still face barriers to housing stability and require supportive services.[92] Again, evidence demonstrates this population is highly vulnerable to chronic homelessness. Like others who are chronically homeless, many among the homeless transition-age youth population have only experienced housing instability in their young lives. Finally, a supportive housing resident should be able to move within a year of initial residency from one supportive housing development to another, and remain eligible at another supportive housing project.

While other populations, including seniors and veterans, have unique services needs, data does not indicate that these populations have greater needs or incur greater costs than others. Veterans who are homeless are more likely to be chronically homeless; many more veterans would therefore meet the definition of chronic homelessness than non-veterans as a result.[93] A separate classification is not necessary.

Many property managers have indicated difficulties in documenting restricted eligibility criteria. HUD has recently proposed new documentation standards that rely to a large degree on self-report.[94] Other states have found these standards to be largely effective and less burdensome to

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[91] "Incarceration and Homelessness."
[92] "Life After Foster Care."
[93] 2010 AHAR.
[94] Proposed rule defining homelessness. 75 Fed. Reg. 20541 (Apr. 20, 2010).

implement. Some local programs use indices of vulnerability to early mortality, or severe restrictions in functional ability, as eligibility guidelines. While the state could promote serving people who are highly vulnerable to early mortality or disability, a supportive housing program should also provide sufficient flexibility to target a range of populations who cannot access or maintain housing without significant supports, particularly since no existing data supports the efficacy of a single index or functional assessment.

To clarify, these limits on eligibility should only apply to programs providing supportive housing; homeless prevention and other programs providing access to affordable homes should include a much broader definition of eligibility.

Incentives for addressing the needs of highly vulnerable populations
Creating supportive housing for people who face numerous barriers to housing and health stability, who may have lived on the streets for many years and are not functioning well enough to access the services of a housing or services provider, presents significant challenges. Projects that take on this mission should receive higher services funding. Additionally, if the process for requesting capital funding is competitive, sponsors should be entitled to bonus points. If the program remains an "over-the-counter" process that funds projects for meeting threshold criteria, higher loan limits should be available as an incentive for projects that serve this population.

Incentives for developing mixed-income projects
More supportive homes are located in mixed income housing than ever before. This housing combines affordable homes with supportive homes. Mixed income housing integrates people with disabilities who are living in supportive apartments with people without disabilities. Toward this end, HCD could, in its application process, allow for sponsors applying for MHP-Supportive Housing funds to receive funding for affordable apartments created in the same project through the MHP-General fund.

Funding for non-residential supportive services space
In the initial NOFA for the MHP-Supportive Housing program, HCD allowed for funding for non-residential supportive services space, allowing supportive services staff to work in the building in which tenants receive their services. Allowing funding for services space promoted provision of on-site services in supportive housing, a preferred model in many communities. HCD could allow such funding in future NOFAs. In many communities in California, transporting tenants to receive services, or having services staff travel to a project site consumes significant resources and takes time away from the services function.

Coordinating the State Response, the Regional Response, and Available Resources

A California interagency council on homelessness
As indicated in other state models, states generally identify coordination and collaboration as one of the most important factors in addressing homelessness effectively. Almost all of the states identified have staffed interagency councils on homelessness to promote this collaboration. In fact, 33 states and the federal government, formed during Republican and Democratic administrations alike, have interagency councils. As Governor Schwarzenegger recognized in Executive Order S-07-06, interagency collaboration is essential in addressing homelessness. Because homelessness touches so many aspects of society, 11 state agencies administer programs affecting homeless people (the

Vida Nueva

Vida Nueva is a 24-unit permanent supportive housing complex for single-parent families and single adults living with mental illness and/or other disabilities.

Owner or Sponsor: *Burbank Housing Development Corporation and Community Housing Sonoma County*

Developer: *Burbank Housing Development Corporation and Community Housing Sonoma County*

Property Management: *Burbank Housing Management Corporation*

Service Provider: *Committee on the Shelterless (COTS) and Sonoma County Mental Health*

Tenant Profile: *Formerly homeless families and individuals living with disabilities, including mental illness, chronic substance abuse.*

Service Approach*: Comprehensive on-site supportive services will be provided in the 2,300-square foot "Common House" that anchors the development. The Family Connection Program, utilizing volunteer mentoring teams, will provide additional support to families.*

Departments of Alcohol and Drug Programs, Community Services and Development, Corrections and Rehabilitation, Education, Health Care Services, Housing and Community Development, Mental Health, Social Services, the California Tax Credit Allocation Committee, and Veterans Affairs, as well as the California Housing Finance Agency). Yet, California has no coordinated state response except through MHSA Housing Program. As a result of a lack of coordination, state agency staff are less efficient, often duplicating services or efforts on specific projects. For example, two different agencies worked with the Social Security Administration to allow people soon to be exiting institutional settings to apply for Supplemental Security benefits before discharge. Neither agency was aware of the other's work. California also fails to apply for federal funds to which California is entitled because of this lack of coordination. Several programs, like the balance of state Continuum of Care programs and the Second Chance Act grants, require interagency coordination, disqualifying California.

An interagency council is not an agency, but a means of coordinating staff to increase efficiencies, strengthen outcomes, and reduce duplication of effort. These councils generally include state agency staff, consumers, philanthropy, law enforcement, local government, and business leaders to create a public-private partnership in addressing homelessness. Staff on the council should have some authority to make decisions for agencies to attend quarterly meetings, and could require director attendance at least one to two times per year. Collaboration on addressing homelessness should not just be lateral, but vertical, with local government and regional, consumer, and non-profit representation.

An interagency council would not require significant staff time. On the contrary, one to two staff located in a Governor's office, the Office of Planning and Research, or at HCD would suffice to create, facilitate, and manage meeting schedules among agency staff, to prepare documentation required, and to follow-through on council decisions. As an alternative, HCD could create a "homeless programs department" to coordinate interagency staff response to homelessness and to

gather regional input. Staff from other agencies could sit on the supportive housing program's capital Loans and Grants Committee as well.

A benefit of an interagency council would be the coordination of multiple sources of funding toward the creation of a Supportive Housing Program. This option would not rely solely on the creation of a housing trust fund, or an interagency council, but could be created through MOUs among agencies to coordinate the resources identified above.

Foundation funding
Leveraging state and local resources, philanthropy plays a large role in ending homelessness in California. Other states have created "funder councils" that act as catalysts for coordinating foundation and state funding. A California interagency council on homelessness could spur the development of such a council.

Capacity building and technical assistance grants to create quality supportive housing
Another model from other states is to create a small grant fund for the state to allocate capacity building and technical assistance grants to organizations and local agencies. Such funding could also be used to help communities create plans to end homelessness. This fund would allow organizations to create higher-quality projects, communities to address homelessness more efficiently and effectively, and the state to partner with community-based organizations.

Centralized data warehouse
California currently does not obtain, maintain, or analyze data on homelessness. We not only do not have an accurate count of homelessness in all of our communities, but we do not know what services are being provided in supportive housing projects the state funds. A centralized database at the state level would provide the state with more information on homelessness and would allow the state to target resources more effectively. For these reasons, California's adopted 10-year plan to reduce chronic homelessness includes this goal.[95] HUD technical assistance in creating this warehouse is available for this purpose and has been offered to California in the past. We should not squander the opportunity to create such a database in the future.

Conclusion

In many respects, the nation has looked to California for innovation for generations. Yet, we lag far behind other states that have fewer homeless people in coordinating a response to homelessness. As a state with the largest homeless population, it is incumbent on us to address this issue. Other states offer examples for effective strategies. These states and the federal government have proven that a coordinated, system-wide response is necessary to address homelessness. In the midst of a fiscal crisis, using our state's resources more effectively, efficiently, and ethically is more important than ever. We can solve homelessness in California. We know the right strategies to adopt; we just need the political will to create them.

[95] *Governor's Ten-Year Chronic Homeless Action Plan.* http://www.hcd.ca.gov/Final_Ten_Year_Chronic_Homelessness_Action_Plan.pdf. Action Step 1.2.1. Adopted February 2010.

Appendix: Operating and Services Capitalized Funds: Financial Modeling

The following costs are estimated capitalized operating costs for supportive housing projects in five geographic areas of California. The costs represent the difference between estimated operating costs and the expected tenants' rent paying ability on a **per-unit** basis. Later tables include financial modeling for estimated capitalized services costs for supportive housing projects.

Please note that these are estimates only, and rely on broad assumptions that may not always hold true once specific local and programmatic conditions are considered. Services costs, for example, vary considerably and are based on services offered, the population served, and the availability of local funds. A critical assumption for operating funds is that no other funding is available.

The calculation for the operating costs is based on actual costs of a sample of projects in each listed geographic area. The services funding requirements are statewide estimates of services costs, based on average salaries of case managers (at a ratio of 1:20 tenants), a project coordinator (at a ratio of 1:80), and an employment specialist (at a ratio of 1:40), in addition to some overhead costs. The ratios assume that some tenants will need a more intense level of services than others, and that tenants who have received services for over one year will need fewer services than new tenants.

Geographic Area	*Capitalized Rental Subsidy Reserve, Per Unit*
Oakland	**$90,953**
Kern County	**$65,041**
San Diego	**$63,053**
Los Angeles	**$64,576**
Butte County	**$55,640**

Totals for 800 Units

Services Costs, Capitalized for 15 Years, for 800 Supportive Homes:*

$83,450,400

Operating Reserve for 800 Supportive Homes Created Per Year (Capital of $80-100 Million Per Year):

$51,660,800

Total Average Cost Per Unit **$135,111,200**

* Assuming median costs of **operating** reserve of **$64,576** plus services reserve of **$104,313** per unit

Oakland

This model assumes that units are located at scattered sites and rented from private landlords on the open market. As a result, Average Operating Costs Per Unit are significantly higher than those located in dedicated developments or developments with a significant number of supportive housing units.

Reserve Requirement Per Supportive Housing Unit(1)	**$129,258**

Reserve Calculation (based on 15 year estimate):

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Operating Costs/Unit (2)	$8,202	$8,448	$8,702	$8,963	$9,231	$9,508	$9,794	$10,087	$10,390	$10,702	$11,023	$11,353	$11,694	$12,045	$12,406
Rent Paying Ability (3)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Deficit	$8,202	$8,448	$8,702	$8,963	$9,231	$9,508	$9,794	$10,087	$10,390	$10,702	$11,023	$11,353	$11,694	$12,045	$12,406

Notes/Assumptions:

- (1) Average required reserve per unit for a 15-year period.
- (2) "Average Operating Costs Per Unit" (Year 1) is based on staff experience with scattered site rental costs in the Contra Costa County market.
- (3) "Tenant's Rent Paying Ability" is based on 2008 HUD Data on Median Income and Income Limits for the Oakland, CA PMSA (15% AMI). This model assumes that tenants will allocate 30% of their income towards housing costs and that half of all tenants will have incomes in the second year, and 90% of tenants will have incomes in the third and successive years.
- Operating costs are assumed to grow at a 3% annual rate; rent paying ability at 2%.
- Reserve amounts are discounted (net present value) based on a 2% discount rate.
- Average Ability to Pay—Yr 1= 3017

Kern County

This model assumes that project units are located in dedicated supportive housing developments or in facilities that include significant numbers of supportive housing units.

Reserve Requirement Per Supportive Housing Unit(1)	**$61,587**

Reserve Calculation (based on 15 year estimate below)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Operating Costs/Unit (2)	$5,425	$5,588	$5,755	$5,928	$6,106	$6,289	$6,478	$6,672	$6,872	$7,078	$7,291	$7,509	$7,735	$7,967	$8,206
Rent Paying Ability (3)	$942	$1,440	$1,763	$1,798	$1,834	$1,871	$1,909	$1,947	$1,986	$2,025	$2,066	$2,107	$2,149	$2,192	$2,236
Deficit	$4,484	$4,147	$3,992	$4,130	$4,271	$4,418	$4,569	$4,725	$4,887	$5,053	$5,225	$5,402	$5,585	$5,775	$5,970

Notes/Assumptions:

- (1) Average required reserve per unit for a 15-year period.
- (2) "Average Operating Costs Per Unit" (Year 1) is based on data for three supportive housing developments in Bakersfield, CA.
- (3) "Tenant's Rent Paying Ability" is based on 2008 HUD Data on Median Income and Income Limits for the Bakersfield, CA MSA (15% AMI). This model assumes that tenants will allocate 30% of their income towards housing costs and that half of all tenants will have incomes in the second year, and 90% of tenants will have incomes in the third and successive years.
- Operating costs are assumed to grow at a 3% annual rate; rent paying ability at 2%.
- Reserve amounts are discounted (net present value) based on a 2% discount rate.
- Average ability to pay—Yr 1= 1883

San Diego

This model assumes that project units are located in dedicated supportive housing developments or in facilities that include significant numbers of supportive housing units.

Reserve Requirement Per Supportive Housing Unit(1)	**$90,616**

Reserve Calculation (based on 15 year estimate below)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Operating Costs/Unit (2)	$5,750	$5,923	$6,100	$6,283	$6,472	$6,666	$6,866	$7,072	$7,284	$7,502	$7,728	$7,959	$8,198	$8,444	$8,697
Rent Paying Ability (3)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Deficit	$5,750	$5,923	$6,100	$6,283	$6,472	$6,666	$6,866	$7,072	$7,284	$7,502	$7,728	$7,959	$8,198	$8,444	$8,697

Notes/Assumptions:

- (1) Average required reserve per unit for a 15-year period.
- (2) "Average Operating Costs Per Unit" (Year 1) is based on data from three supportive housing providers in San Diego, CA.
- (3) "Tenant's Rent Paying Ability" is based on 2008 HUD Data on Median Income and Income Limits for San Diego-Carlsbad CA MSA (15% AMI). This model assumes that tenants will allocate 30% of their income towards housing costs and that half of all tenants will have incomes in the second year, and 90% of tenants will have incomes in the third and successive years.
- Operating costs are assumed to grow at a 3% annual rate; rent paying ability at 2%.
- Reserve amounts are discounted (net present value) based on 2% discount rate.
- Average Ability to Pay--Yr 1 = 2766

Los Angeles

This model assumes that project units are located in dedicated supportive housing developments or in facilities that include significant numbers of supportive housing units.

Reserve Requirement Per Supportive Housing Unit(1)	**$90,766**

Reserve Calculation (based on 15 year estimate below)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Operating Costs/Unit (2)	$5,760	$5,932	$6,110	$6,294	$6,482	$6,677	$6,877	$7,083	$7,296	$7,515	$7,740	$7,972	$8,212	$8,458	$8,712
Rent Paying Ability (3)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Deficit	$5,760	$5,932	$6,110	$6,294	$6,482	$6,677	$6,877	$7,083	$7,296	$7,515	$7,740	$7,972	$8,212	$8,458	$8,712

Notes/Assumptions:

- (1) Average required reserve per unit for a 15-year period.
- (2) "Average Operating Costs Per Unit" (Year 1) is based on data from four supportive housing projects in Los Angeles, CA.
- (3) "Rent Paying Ability" is based on 2008 HUD Data on Median Income and Income Limits for the Los Angeles-Long Beach, CA PMSA (15% AMI). The model assumes tenants will allocate 30% of their income towards housing costs and that half of all tenants will have incomes in the second year, and 90% of tenants will have incomes in the third and successive years.
- Operating costs are assumed to grow at a 3% annual rate; rent paying ability at 2%.
- Reserve amounts are discounted (net present value) based on a 2% discount rate.
- Average Ability to Pay--Yr 1 = 2658

Butte County

This model assumes that project units are located in dedicated supportive housing developments or in facilities that include significant numbers of supportive housing units.

Reserve Requirement Per Supportive Housing Unit(1)	**$76,070**

Reserve Calculation (based on 15 year estimate below)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Operating Costs/Unit (2)	$4,827	$4,972	$5,121	$5,275	$5,433	$5,596	$5,764	$5,937	$6,115	$6,298	$6,487	$6,682	$6,882	$7,089	$7,301
Rent Paying Ability (3)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Deficit	$4,827	$4,972	$5,121	$5,275	$5,433	$5,596	$5,764	$5,937	$6,115	$6,298	$6,487	$6,682	$6,882	$7,089	$7,301

Notes/Assumptions:

- (1) Average required reserve per unit for a 15-year period.
- (2) "Average Operating Costs Per Unit" (Year 1) is based on data from Kern County adjusted for market differences.
- (3) "Tenant's Rent Paying Ability" is based on 2008 HUD Data on Median Income and Income Limits for the Redding PMSA (15% AMI). This model assumes that tenants will allocate 30% of their income towards housing costs and that half of all tenants will have incomes in the second year, and 90% of tenants will have incomes in the third and successive years.
- Operating costs are assumed to grow at a 3% annual rate; rent paying ability at 2%.
- Reserve amounts are discounted (net present value) based on a 2% discount rate.
- Average Ability to Pay--Yr 1 = 1883

Services Costs

Individuals

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Services Costs/Unit	$4,668	$4,808	$4,952	$5,101	$5,254	$5,411	$5,574	$5,741	$5,913	$6,091	$6,273	$6,462	$6,655	$6,855	$7,061

Families

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Services Costs/Unit	$11,172	$11,507	$11,852	$12,208	$12,574	$12,951	$13,340	$13,740	$14,152	$14,577	$15,014	$15,465	$15,929	$16,406	$16,899
	$6,619.2	$6,818	$7,022	$7,233	$7,450	$7,673	$7,904	$8,141	$8,385	$8,637	$8,896	$9,163	$9,437	$9,721	$10,012

Capitalized Reserve Per Unit* $104,313.79

* Assuming 70% single adult units, 30% Family Units

Services Costs Assumptions

Single Adults (including young adults)

Caseload of one case manager to every 15-25 adults.

Assumed # of households in a housing project:	50	all persons living in the housing
Assumed # target adults in a housing project:	40	adults who are long-term homeless

Cost		Cost Item
$ 100,000	2	Case manager
$ 12,500	0.25	Program Coordinator
$ 112,500		Subtotal - Salaries
$ 28,125	25%	Fringe Benefits
$ 5,500		Rent, Utilities & Phone
$ 5,500		Supplies & Client Support
$ 2,500		Participant Travel
$ 500		Staff Education and Training
$ 154,625		Subtotal - costs
$ 23,194	15%	Admin Support
$ 177,,819		**Total Cost**
$ 4,445		Annual Cost Per Target Adult
$222	5%	Program Administration and Monitoring
$ 4,668		Total Annual Cost Per Target Adult - 2010 Dollars
$4,952		Total Annual Cost Per Target Adult - 2010 dollars (assumes annual inflation of 3%).

Assumptions for cost estimates:

Caseloads are based on best practices for supportive housing projects serving long-term homeless people with disabilities.
Costs shown represent averages for the state. Actual costs may be higher or lower depending on location within the state.
Costs assume service delivery by private nonprofit organizations under contract with the State or County..
Program administration and monitoring - covers the administering agency's cost of grant making and ongoing quality assurance and monitoring of the service delivery.

Families

Caseload of one case manager to every 10-15 families.

	Assumed # of households in a typical housing project:	20	all families living in the housing
	Assumed # of target families in a typical hsg project:	12	families experiencing long-term homelessness
		3	average number of persons per target family
Cost			Cost Item
$	50,000	1	Case manager
$	12,500	0.25	Program Coordinator
$	15,000	0.3	Staff for After-School Activities, Enrichment and Academic Support Programs
$	77,500		Subtotal - Salaries
$	19,375	25%	Fringe Benefits
$	5.500		Rent, Utilities & Phone
$	5,500		Supplies & Client Support
$	2,500		Participant Travel
$	500		Staff Education and Training
$	110,875		Subtotal - costs
$	14,414	13%	Administrative Support
$	125,289		Total Cost
$	**10,441**		Annual Cost Per Target Family
	$731	7%	Program Administration and Monitoring
	$11,172		Total Annual Cost Per Target Family - 2007 dollars
	$11,172		Total Annual Cost Per Target Family - 2009 dollars (assumes annual inflation of
	$3,724		Total Annual Cost Per Member of Target Families

Assumptions for cost estimates:

Caseloads are based on best practices for supportive housing projects serving long-term homeless people with disabilities and include costs for case managers.
Costs shown represent averages for the state. Actual costs may be higher or lower depending on location within the state.
Costs assume service delivery by private nonprofit organizations under contract with the State or County..
Program administration and monitoring - covers the administering agency's cost of grant making and ongoing quality assurance and monitoring of the service delivery.

Income Data

	Annual Income Data				*Monthly Income Data*			
	15% AMI	30% AMI	50% AMI	100% AMI	15% AMI	30% AMI	50% AMI	100% AMI
Oakland	$9,050	$18,100	$30,164	$60,327	$754	$1,508	$2,514	$5,027
Kern County	$5,650	$11,300	$18,831	$37,663	$471	$942	$1,569	$3,139
San Diego	$8,300	$16,600	$27,664	$55,328	$692	$1,383	$2,305	$4,611
Los Angeles	$7,975	$15,950	$26,581	$53,161	$665	$1,329	$2,215	$4,430
Butte County	$5,650	$11,300	$18,831	$37,663	$471	$942	$1,569	$3,139

Above data are derived from the 2008 HUD Data on Median Income and Income Limits, which are based on area median incomes adjusted for unit size.

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Community Development Banking—
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Downtown Women's Center
East Bay Community Recovery Project
Enterprise Community Partners
Episcopal Community Services
EveryOne Home
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Homeless Healthcare Los Angeles
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Housing Works
LAMP Community Services
Larkin Street Youth Services
LifeLong Medical Care
Little Tokyo Service Center
Los Angeles Community Redevelopment Agency
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Los Angeles County Department of Mental Health
Los Angeles Family Housing
Los Angeles Homeless Services Authority
Los Angeles Housing Department
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