



HOMELESSNESS IN A PROGRESSIVE CITY

Recommendations of SPUR's
Homeless Task Force

SPUR REPORT

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TABLE OF CONTENTS

Executive Summary	4
Overview	4
Background	4
Recommendations	5
Increase the supply of supportive housing	5
Enforce standards of civil behavior.....	6
Improve shelter conditions.....	6
Provide vouchers for services instead of cash payments.....	6
Increase funding for affordable housing	6
Encourage construction of new residential hotels	6
Increase the overall housing supply	6
Increase Federal funding	7
Overview of Study	7
Goal	7
The Problem of Homelessness in San Francisco	7
History: The Contributing factors	7
Loss of Residential Hotels	8
Lack of Affordable Housing.....	8
Increase in Poverty and Depth of Poverty	9
Mental Health Care System: Loss of Funding, Changes and Gaps in Care.....	11
A Lack of Coordinated Substance Abuse Treatment.....	12
The Homeless Population	12
The Working Poor.....	12
Single, Immigrant Workers	12
Substance Abusers.....	12
The Mentally Ill	13
The Physically Disabled	13
Homeless and Runaway Youth	13
Homeless Families, Including Single Mothers	13
The Elderly Homeless.....	14
Homeless People with HIV/AIDS.....	14
Current Situation	14
The Continuum of Care	14
Existing Housing Programs	17
Prevention Programs.....	21
Government Assistance Programs.....	21
Current Debate on County Assistance Programs.....	22
Gap in Assistance and Costs of Living in San Francisco	23
Law Enforcement.....	24
Medical Treatment.....	26
Mental Health Care.....	27
Critique of the Current System	27
Lack of Vision	27
Programs Focus on Symptoms Instead of Problem	27
Lack of Information on Homelessness.....	28

Recommendations28

Immediate (1–2 Years)28

 Increase Funding for Supportive Housing28

 Enforce Standards of Civil Behavior32

 Improve Shelter Conditions32

 Provide Vouchers for Services instead of Cash Payments33

 Increase Funding for Affordable Housing33

Long-Term (3–5 Years)33

 Encourage Construction of New Residential Hotels33

 Increase Supply of Housing at all Levels33

Conclusion34

Appendix A: Resources35

People Interviewed35

Task Force Participants36

Appendix B: Other Recommendations37

Bay Area37

 Coordinate Services Better Across the Bay Area37

 Fair Share of Housing and Programs37

San Francisco37

 Provide Proactive Medical Services37

 Increase Employment Opportunities37

 Coordinate City Programs Across Departments38

 Restructure Outreach Programs38

 Engage Homeless People38

 Change Contracting Procedures38

 Increase Efforts to Qualify Homeless People for Government Benefits38

 Quantify Needs to Increase Funding39

EXECUTIVE SUMMARY

Overview

For the same amount of money spent today, the crisis of homelessness in San Francisco could be solved.

SPUR formed a task force in late 2001 to identify solutions to the problem of homelessness in San Francisco. What we found was startling: the City spends hundreds of millions of dollars each year on programs that deal with symptoms of homelessness—street cleaning, emergency room care and jail—but very little to none on programs that would address the underlying causes of homelessness such as affordable housing with supportive social services. The provision of affordable housing with supportive care could keep people off the streets *without* having to spend additional public money.

Background

Over the last several decades Federal and state governments have steadily cut funding to programs that provide support to the poorest members of our society, including those who suffer from extreme mental illness or physical disabilities.

At the same time, much of San Francisco's ultra-affordable housing was lost. Redevelopment tore down the residential hotels that were affordable to functioning alcoholics and the mentally ill, especially in the South of Market area. Many other units were converted to higher priced housing or hotels.

This housing shortage coupled with rising rents has left many people homeless. Many of the working poor forced to move out of neighborhoods and "buy down" into the remaining stock of Single Room Occupancy hotels (SROs), which in turn displaced the lowest income residents.

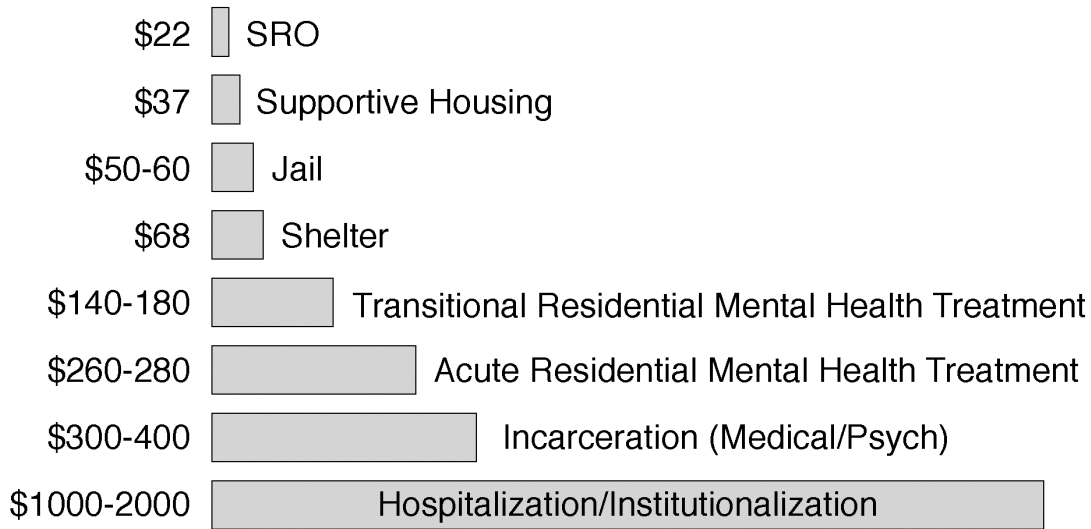
One chief reason for this "slippage" in ability to purchase housing stems from the fact that San Francisco's General Assistance (GA) payments have failed to keep pace with the costs of rents in San Francisco and as a result fail to even cover the average cost of one of the city's most basic SRO rooms—let alone a studio or one-bedroom apartment.

Unfortunately analysis indicates that without housing, people's problems deepen. If someone does not have an addiction when he or she becomes homeless, chances are that he or she will develop an addiction living on the streets. The stress and exposure of living on the streets causes medical conditions, including mental health problems, to worsen.

The manifestation of mental illness and drug abuse in the homeless often creates havoc for the rest of the city's population. That is why the expense of dealing with the homeless today is about the cost of treating the miseries of those who live on the street, rather than eradicating homelessness. And because most medical problems are treated in acute care settings—emergency rooms and jails—they happen to be the most expensive services to provide. Even shelters are costly to operate due to the high level of staffing and security that is required.

In order to make progress on homelessness in San Francisco we need to redirect our funds into more productive channels. For a sum of money comparable to what we spent today we could provide homeless people with housing and supportive services (drug treatment and/or mental health counseling). Our analysis and research indicates that the need for acute care drops significantly when people receive

Daily Costs for Various Housing Alternatives



Source: SPUR, 2002, based on information from San Francisco Department of Public Health, San Francisco Department of Human Services, California Department of Corrections, and the Coalition for Supportive Housing.

treatment in residence. Over time, this drop in use of expensive emergency services would save the City enough money to pay for supportive housing for everyone who needs it.

While there are many changes this report could probably make to improve how existing programs work, our recommendations focus on a shift in public policy towards prevention-based services. Our main recommendations follow. More detail on these recommendations is provided at the end of the report.

Recommendations

Increase the supply of supportive housing

Supportive housing is housing with services for the residents such as drug counseling, job training, or medical help. Providing supportive housing is the single best solution to the problem of homelessness because it has shown to be the most effective way to keep people off the streets permanently. We estimate that the cost for providing enough supportive housing units to accommodate today's homeless population to be between \$80 million and \$145 million. The majority of the funding would not come from new expenditures but would come from a shifting of expenditures from current programs to supportive housing over a period of years as units come on line.

Enforce standards of civil behavior

San Francisco's lack of enforcement and prosecution of "quality of life" laws breeds contempt for the law and frustration amongst its citizens, law enforcement agencies and even amongst homeless people. This lack of enforcement must be corrected immediately. Civil behavior can be required without making homelessness "illegal." Standards of behavior can be enforced equally for all citizens, without singling out poor people. And violators can be directed into support services rather than the prison system.

Improve shelter conditions

Conditions in some shelters are so bad or perceived to be so bad that many homeless people find the streets a cleaner and safer alternative. Admissions procedures can also be time-consuming and may offer only a chance at shelter for a single day. Many shelters also have operating hours that require their occupants to leave, even if they are ill.

Shelters must improve their operations in order to be successful (i.e. providing a viable alternative to the street for the homeless). This means among other things, creating easier intake procedures and dramatically improving safety. The City should encourage experimentation in developing shelters targeted to different client populations.

Provide vouchers for services instead of cash payments

San Francisco is one of the few counties that provide cash-based assistance to the homeless directly. Although GA payments do not cover city rents, they do exceed what surrounding counties pay. While not all GA recipients are substance abusers, many are. Studies show that substance abuse is correlated to income—the more income an addict has, the more drugs or alcohol he or she will abuse.

Instead of providing cash grants to homeless individuals, the county should provide the majority of support in the form of vouchers for housing and other services. Cash payments for individuals who are housed, even in "casual" rental situations should be maintained (this is the idea behind the Care Not Cash proposal on the November 2002 ballot). And finally, any money saved by providing grants should be diverted to supportive housing programs.

Increase funding for affordable housing

A lack of affordable housing is one of the greatest contributors to homelessness. San Franciscans need to build more affordable housing and lobby for state and Federal funds to accelerate development. The City should also authorize a new affordable housing bond that can pay for affordable housing and supportive housing.

Encourage construction of new residential hotels

Expanding the city's supply of residential hotels is of crucial importance because this "lowest" rung of the housing ladder provides housing for people who can't afford larger units. New residential hotels could be built by non-profits with public subsidies or they might even be able to be built by market-rate developers as studio apartments, just as market-rate developers built the older stock of residential hotels.

Increase the overall housing supply

Anti-development policies and NIMBYism contribute to the homeless problem. San Francisco's housing market is broken. Buyers in every income level are forced by scarce supply to "buy down" into lower

levels of housing. The people at the very bottom of the housing market are forced out entirely and become homeless. San Francisco must increase the development of housing at all levels.

Increase Federal funding

The financial burdens of caring for the homelessness should be borne by our whole society, not just people who live in cities. This means that as much funding as possible should come from the state and/or Federal level. We need to build a coalition among cities throughout the state and the nation to eliminate the root causes of homelessness. The core message is simple: housing for everyone should be a goal of our nation.

OVERVIEW OF STUDY

Our local government spent \$104 million in fiscal year 2001-2002 on homeless prevention, shelters and temporary housing.¹ This represents a substantial increase over previous years.

Despite continual budget increases the number of homeless in San Francisco continues to grow. Estimates of the homeless in San Francisco now range from 7,000 to 15,000. This explosion in the homeless has pushed waiting lists for some services, including those for homeless families, to beyond six months. In 1999, the last year that the data was collected, 163 homeless people died on our streets.²

The complexity of homelessness and past failures to solve it have created a sense of resignation in the city that the problem can't be solved.

Goal

SPUR formed its Homeless Task Force to identify solutions to the problem of homelessness in San Francisco. Ultimately the goal of the task force is to end homelessness in San Francisco. We hope to find common points of agreement between various groups and work to develop rational solutions to the problem that can obtain political support and be implemented by the City and its partners.

THE PROBLEM OF HOMELESSNESS IN SAN FRANCISCO

History: The Contributing factors

“The homeless problem” in America made its way into the public’s consciousness in the early 1980’s and was thought by many to be a temporary condition caused by a poor economy. As the economy improved, however, homelessness worsened. Today, even having come through one of the greatest economic boom cycles in the history of the nation, San Francisco and the rest of the country continue to see an increase in the number of homeless.

¹ Board of Supervisors Budget Analyst, Report to the San Francisco Board of Supervisors, “Survey of the Cost of Direct Services Provided to the Homeless Population”, December 31, 2001.

² Brandon, J. Summary Report on Homeless San Franciscans Identified in ME Records of Death During 1998 Study Period: December 1, 1997 – November 30, 1998. Homeless Death Prevention Project, SF Department of Public Health.

In reality, homelessness is not just a matter of economics. It is a cumulative condition brought on as a result of significant reductions in state and Federal government spending priorities, an alarming deficit of affordable housing at all income levels, as well as a steep rise in the cost of living and poverty levels.

Below is a brief review some of the changes that have contributed to the increase in homelessness over the last several decades.

Loss of Residential Hotels

Residential hotels, better known as “flop houses,” were once the primary housing option for the poorest members of the community. Neighborhoods with residential hotels had existed for years and thus provided a somewhat transient population with a fixed location for reliable low-cost accommodations.

Alcoholics could work at day labor markets when they were sober and manage to pay their rents. Friends, relatives and neighbors would help out when their problems peaked. Most people remained housed even with serious alcohol addictions. A 1963 survey conducted in Chicago, for example, found that of the 12,000 people without permanent housing in the city, only 100 slept on the streets. The rest slept in flop houses. By 1986, that number of people sleeping on the street increased to 50 percent of the population because there were not enough residential hotels to accommodate the population.³

Between 1960 and the end of the 80’s, most of the residential hotel units across the country were lost to urban renewal, conversion, fire and demolition. This was also the case for San Francisco, which in the 60’s began clearing the SOMA area for what eventually became the Moscone Convention Center and the Yerba Buena Gardens, resulting in a loss of 4,000 residential hotel rooms.⁴ From 1975–1980, San Francisco lost 6,085 SRO rooms, or about 20 percent of its remaining rooms, to conversions, tear-downs, or closures.⁵

Lack of Affordable Housing

Simply put, many people cannot afford to house themselves. The entire country faces a shortage of affordable housing, however the situation in California is most acute.

California leads the nation in the severity of its shortage and has suffered a shortage of housing at all income levels for more than a decade. Surveys show that the state’s builders have produced 100,000 units too few, on average, each year over the last 10 years. The Bay Area situation is even worse than the state-wide average.

- Only 16 percent of Bay Area households can afford a median priced home in the region (10 percent in San Francisco)⁶.
- The Bay Area created 500,000 new jobs between 1990 and 2000 but created less than 200,000 new housing units⁷.

³ James D. Wright, Beth A. Rubin, Joel A. Devine, *Besides the Golden Door: Policy, Politics and the Homeless*, Walter de Gruyter, Inc., New York, 1998. p 21.

⁴ Paul Groth, *Living Downtown: the History of Residential Hotels in the United States*, University of California Press, 1994. pp. 283.

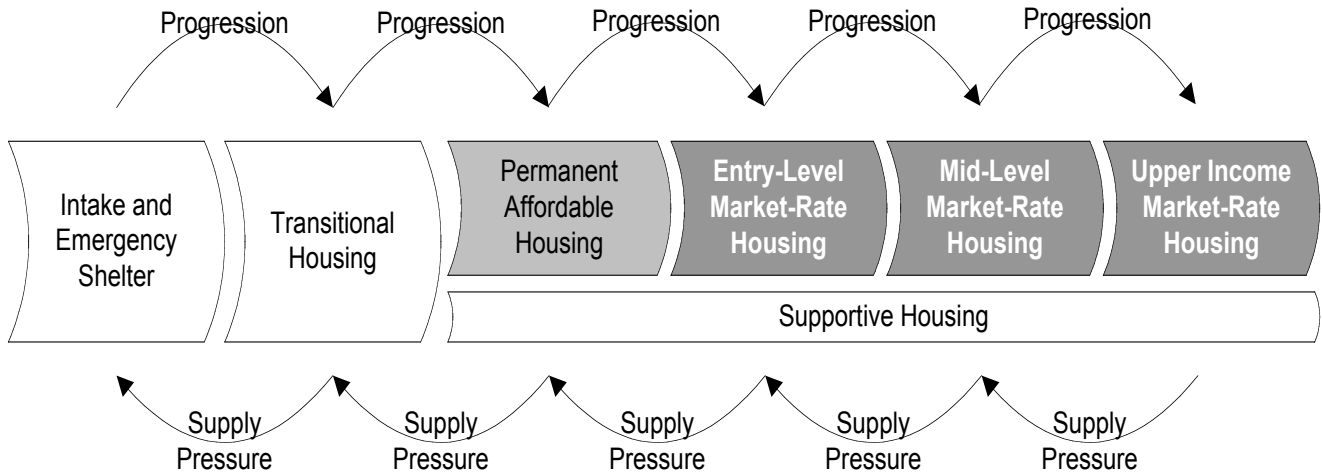
⁵ *Ibid*, p. 10.

⁶ “Regional Housing Needs Determination for the San Francisco Bay Area”, Association of Bay Area Governments, June 2001.

⁷ *Ibid*.

- Renters in San Francisco would need to earn hourly wages of \$38.50 or work 195 hours per week at a minimum wage job to afford the average two-bedroom unit.

In a functional market, supply keeps pace with demand, and people move up to the next level of housing available, as is illustrated in the diagram below:



When supply problems arise there is a backup throughout the pipeline causing displacement and homelessness.

With a shortage of housing at all income levels, people are forced to “buy down” into the next level of housing, each sector displacing the previous population along the way. In San Francisco, for example, many former renters of studio apartments in low-income neighborhoods have been forced into SRO housing—which used to be available for the homeless—creating a climate for rents to rise to more than \$600 per month. This increase ultimately makes SRO housing too expensive for the previous tenants, leading to homelessness.

Increase in Poverty and Depth of Poverty

The rate of poverty and the depth of poverty have increased nationwide since the 70’s. For more than 30 years individuals and families living in poverty have fallen further behind their counterparts. The following chart shows how the wealth of the bottom 90 percent of society has fallen dramatically behind in the last several decades.

Distribution of Household Wealth in the United States, 1976 and 1998⁸

Group	Percentage of Wealth	
	1976	1998
Top 1%	19%	38%
Next 9%	30%	33%
Bottom 90%	51%	29%

Almost 2/5 of all poor are in extreme poverty, up from about 1/3 in 1975.⁹ The following graphs show the gap between poor individuals' and poor families' income levels vs. the appropriate poverty line.

Trend in Family Poverty Gap¹⁰

Poverty families	Mean income	Four-person poverty line	Mean income as % of poverty line
1970	\$2,211	\$3,944	54.1%
1980	\$4,451	\$8,494	52.4%
1990	\$6,927	\$13,359	51.8%
1992	\$7,127	\$14,335	49.7%

Trend in Individual Poverty Gap¹¹

Unrelated individuals	Mean income	One-person poverty line	Mean income as % of poverty line
1970	\$1,098	\$1,947	56.4%
1980	\$2,431	\$4,234	57.4%
1990	\$3,703	\$6,800	54.5%
1992	\$3,840	\$7,299	52.6%

⁸ Source: United for a Fair Economy (www.ufenet.org)

⁹ Wright, et.al., pp. 69-72.

¹⁰ Ibid, pp. 69-72.

¹¹ Ibid, pp. 69-72.

Trend in Extreme Poverty¹²

Year	Percentage of poor in extreme poverty (50% of poverty line)
1975	29.7%
1980	33.6%
1985	37.5%
1990	38.4%
1995	38.2%

Mental Health Care System: Loss of Funding, Changes and Gaps in Care

Up until the 1960's mental health care in the United States was provided in state-funded institutions. Unfortunately conditions inside these institutions were often grim. A desire to improve conditions and cut costs spurred de-institutionalization.

Between 1960 and 1973, 30,000 patients were transferred out of mental health facilities in California. Most patients who left the institutions went straight to residential hotels, whose operators were not equipped to handle the problems and needs of this new population. Other patients released from institutions went to government-supported facilities called board and cares, which provided places to sleep and eat but had little or no rehabilitation or treatment services.

By the 70's, community mental health programs funded by state and Federal governments started providing services to those with mental illnesses. But these new outpatient services did not match the needs of the patients who were no longer in institutions. Problems such as severe medication side effects that would have been resolved by monitoring patients and changing medication inside a hospital simply resulted now in a patient choosing not to take their medications at all while on the streets.

In the 80's, funding for community-based mental health services was slashed. Between 1977 and 1995, the number of board and care rooms in San Francisco dropped from 1,278 to 465.¹³ As a result, many low-income people with mental illnesses ended up in prisons. Today, the largest provider of mental health services in the state is the California Department of Corrections.

For the homeless that are mentally ill, living on the streets often means waiting months for treatment. Many mental health programs do not treat patients who also suffer from substance abuse problems. This leaves many people without access to treatment.

Without proper preventative treatment and ongoing treatment, a homeless person's mental health problems typically worsen to the point where he or she requires expensive acute care or incarceration.

¹² Ibid, pp. 69-72.

¹³ Data and Needs Analysis, Part One of the 2001 Housing Element Revision, an Element of the San Francisco General Plan", June, 2001

This shortage of mental health care in San Francisco is evident in the number of people who are involuntarily committed under section 5150 of the California Welfare and Institutions Code. San Francisco has the highest rate of involuntary commitment in the state.¹⁴

A Lack of Coordinated Substance Abuse Treatment

The number of homeless who are mentally ill and who have substance abuse issues is great. But for a homeless person living on the street, the choice is often to get treatment for one problem or the other. Very little coordinated care exists. Since the two problems often coexist, many people are left with no access to services.

Another problem with treating homeless addicts is timing. Programs to treat substance abuse typically have long waiting lists. Some programs require participants to be sober on entry. While people are ready for treatment one day, by the time they can enroll in a treatment program they may be unwilling or unable to enter it.

THE HOMELESS POPULATION

Many people envision the homeless as a single population of people. In reality the homeless come from a diverse set up backgrounds and circumstances. We attempt to offer brief profiles of the most prevalent groups.

The Working Poor

Approximately one quarter of all homeless people are employed,¹⁵ but live a precarious existence, surviving from one paycheck to the next. For this population, one setback—the loss of a job or a major illness—could cause them to lose their source of rent money and be evicted. Once people lose their housing, they must essentially “start over,” collecting enough money to pay for a security deposits and the first month’s rent. These tasks often prove to be impossible; and while government support is available to many working poor, it is usually not enough to pay for rent in San Francisco.¹⁶

Single, Immigrant Workers

Like all large cities, San Francisco attracts a large pool of immigrants, anxious to find employment to support their families back home. Many immigrants look to “day labor” jobs to earn money but come to learn that such work provides wages that are insufficient to pay housing costs in San Francisco, particularly if most of their earnings must be sent back home. Additionally, many homeless immigrants are not legal immigrants, so they are distrustful of government-provided services, fearing they will be deported.

Substance Abusers

National studies show roughly 25–50 percent of homeless people are addicted to drugs and nearly 50 percent are addicted to alcohol.¹⁷ In many cases substance abuse problems caused people to lose their housing in the first place. But while no study can successfully distinguished between those who started

¹⁴ Community Mental Health Services, SF Department of Public Health, September, 1997.

¹⁵ Coalition on Homelessness, Facts on Homelessness in San Francisco, April, 1999.

¹⁶ San Francisco Department of Human Services, San Francisco’s Rent vs. Income, 2001

¹⁷ Wright, et.al., pp 111.

out as abusers and those who started using on the streets, one thing is clear: homeless people often turn to drugs and alcohol to numb their suffering. And the longer a person stays homeless the more likely he or she is to become addicted to one or more substances.

The Mentally Ill

Approximately one third of the homeless population is thought to suffer from mental illness.¹⁸ Many of these people were previously taken care of by institutions or their successor programs. Others have never received any formal treatment for their afflictions.

The Physically Disabled

Approximately 25 percent of homeless people suffer from physical disabilities.¹⁹ SSI (Supplemental Security Income), which provides assistance for the disabled, is just enough to cover the monthly rent of an SRO room, but not the rent of a studio apartment in San Francisco. Getting on SSI is often difficult for homeless people because it is a long and complex process. If the person also has a substance abuse problem or mental illness, this process can be nearly impossible. Few facilities in San Francisco provide services for homeless people who are incontinent or need assistance bathing or using the bathroom.

Homeless and Runaway Youth

There are approximately 2,500–3,000 homeless youths on the streets in San Francisco each year.²⁰ Nearly all suffer from serious neglect or abuse. The average education level for this group is approximately eighth grade, which is insufficient to maintain employment that provides self-sufficiency. Homeless youths over 18 are sometimes forced into adult service programs because Federal housing law prohibits age discrimination for adults from some programs. Social service agencies cannot use age to discriminate between adults for permanent housing programs. Adult shelters and programs are too intimidating and complicated for many youth or lack youth-appropriate services and an understanding of their service needs. Many young homeless adults turn to prostitution to escape the shelter environment.

Homeless Families, Including Single Mothers

Married couples make up a relatively small percentage of the homeless, largely because couples have twice the earning power of singles and can therefore afford housing more easily. (This extra income power and stability can be seen in the poverty rates for intact husband-wife families in the United States, which is half that of all families (about 5 percent).²¹)

The number of homeless children and single mothers has been rising steadily over the past several decades, however. Single mothers are especially vulnerable to homelessness for several reasons. Many have low levels of skills and/or education, and thus are employed at low-wage jobs. Daycare is often not available or accessible. When medical or other problems arise with their child or they cannot find daycare, they may be forced to miss work, and lose their job. If they are living paycheck-to-paycheck, this could cause them to lose their housing as well. Single homeless mothers face a three- to four-month waiting list at San Francisco's shelters for homeless families.²²

¹⁸ Coalition on Homelessness, Facts on Homelessness in San Francisco, April, 1999.

¹⁹ Coalition on Homelessness, Facts on Homelessness in San Francisco, April, 1999.

²⁰ Larkin Street Youth Services.

²¹ *Ibid*, p. 95.

²² Department of Human Services.

The Elderly Homeless

Approximately 20 percent of the homeless population is elderly.²³ The elderly are vulnerable for many reasons. Some are of retirement age and cannot obtain employment. Many have medical conditions that require heavy expenditures on medications or medical treatment. For many homeless, the normal support structures of family and friends are no longer available to provide needed assistance. Many have outlived spouses, family and friends. For seniors who have not worked long enough to collect social security, the SSI payments are not adequate to pay rent in all but the most abject housing in San Francisco.

Homeless People with HIV/AIDS

The homeless population has been hit very hard by the AIDS epidemic, because of high rates of intravenous drug use and unprotected sex. Homeless youth, in particular, often rely upon sexual encounters for money and shelter. Because current AIDS treatments rely upon a regular schedule for taking medications, it is difficult for homeless individuals to maintain treatment.

CURRENT SITUATION

Below is a snapshot of how the City deals with homeless issues today. Our analysis indicates that some programs work, some should be expanded, many need to be modified and others, while well-meaning, fail to do as much as people might think.

The Continuum of Care

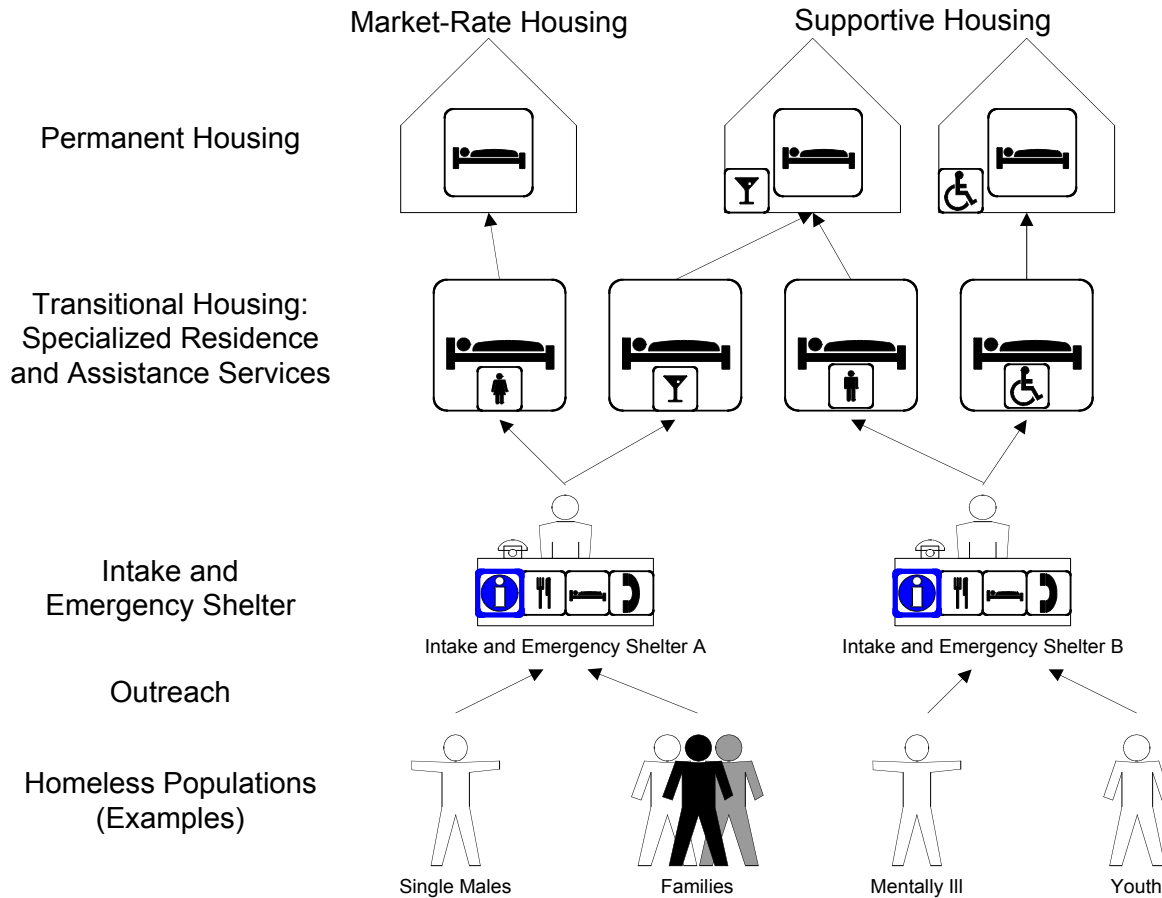
The Continuum of Care is the City's plan for addressing homelessness. It was developed and is maintained by the Local Homeless Coordinating Board. The Local Board consists of service providers and homeless individuals. The Federal government requires such a plan before it will provide funds for the City's programs.

The continuum of care model is designed to provide multiple entry points and a variety of services to address homeless persons' individual needs. The continuum is designed as a series of integrated services that help a homeless person transition into independent living. Prevention is also a major component of the continuum of care.

The continuum of care model can be visualized as follows:

²³ Coalition on Homelessness, Facts on Homelessness in San Francisco, April, 1999.

Continuum of Services for Addressing Homelessness



Prevention

Prevention services aim to keep people from becoming homeless by providing rental assistance to families, providing legal assistance to tenants who face illegal evictions, improving discharges from jails and hospitals, and ensuring housing for youths emerging from foster care.

Outreach

Outreach aims to connect homeless people on the streets with services.

Intake and Emergency Shelters

Emergency shelters are often the first place where service providers make contact with a homeless person. During intake shelters collect information to help clients obtain the appropriate services.

While at emergency shelters, people are assessed for entry into other programs that will help them along the path towards independent living.

Smaller shelters exist to serve clients with specific needs. There are shelters in San Francisco to serve homeless and runaway youth, such as those at Larkin Street Youth Services. There are shelters for women and for families as well. Dolores Street Community Services (DSCS) has over one hundred beds targeted for Spanish-speaking men. An inventory of shelter beds by classification is presented in the table below.

Inventory of Shelter Beds In San Francisco²⁴

Clients Served	Number of Beds
Single Adults	1,294
Families and Pregnant Women	353
Victims of Domestic Violence	70
Young Adult	66
Privately Funded Shelters	78
Winter Shelter Beds	556

Admissions to shelters in San Francisco can be challenging and time-consuming process. Some shelters operate on lottery systems which require people to apply at the shelter for space before noon and then wait until the afternoon to see if they have received a space. Those who lose the lottery can call back after 10pm to see if any space has opened up.

Many homeless people feel that the shelters are worse than sleeping on the streets. When asked in a 2000 survey what clients did not like about shelters, the following responses were the five most popular: Shelter staff (53 percent), dirty and insufficient facilities (45 percent), noisy facilities (27 percent), lack of privacy (23 percent) and drug and alcohol use by staff/clients (14 percent).²⁵

Transitional Housing

Transitional housing is temporary housing coupled with services designed for its target population, including mental health services, addiction treatment services, and job readiness programs. Transitional housing is a step towards permanent housing for those who are not ready for independent living when they arrive in the system.

Permanent, Supportive Housing

The ultimate goal of the continuum of care is to get every homeless individual into stable, permanent housing. Some homeless individuals will eventually find market-rate or subsidized housing. Others may always require some level of supportive services and may move instead into supportive housing.

Supportive housing is permanent housing coupled with services such as medical services, mental health services, job readiness training, or life skills training that are targeted to the residents' needs.

There are many models of supportive housing in the city. Three providers that we spoke with were: Tenderloin Neighborhood Development Corporation (TNDC), Community Housing Partnership (CHP) and the City's master lease programs through the Department of Public Health (DPH) and the Department of Human Services (DHS). Each offers a different set of services and housing types for its population.

²⁴ San Francisco Department of Human Services, City Funded and Private Emergency Shelter in San Francisco, FY 2001-2002, February 2002.

²⁵ Coalition on Homelessness, Sheltered Lives, September, 2000.

There are many other programs also that are not mentioned here. The Corporation for Supportive Housing (CSH) provides support for organizations attempting to develop supportive housing.

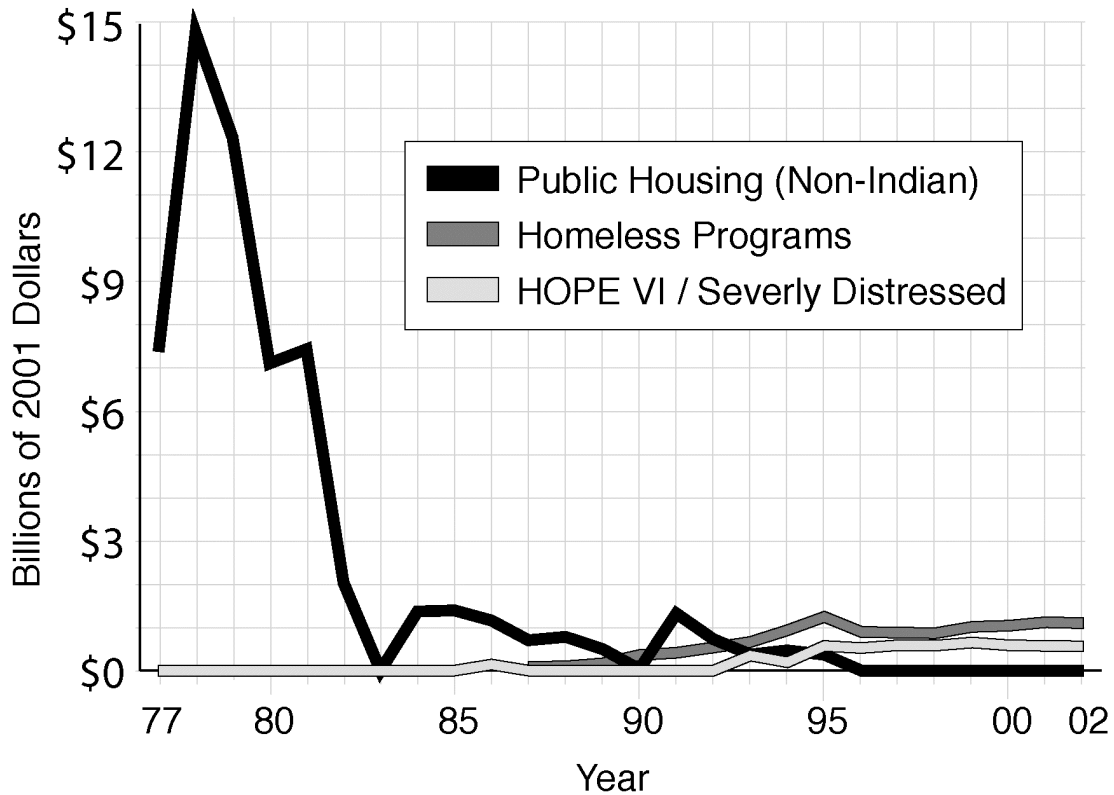
Existing Housing Programs

The Federal Government

The Federal government previously built public housing, but it has stopped doing so over the last several decades. Federal assistance programs for renters (Section 8 Vouchers) are used to help low-income families rent market-rate apartments, but finding housing using vouchers is difficult because market rents are currently higher than the value of the vouchers.

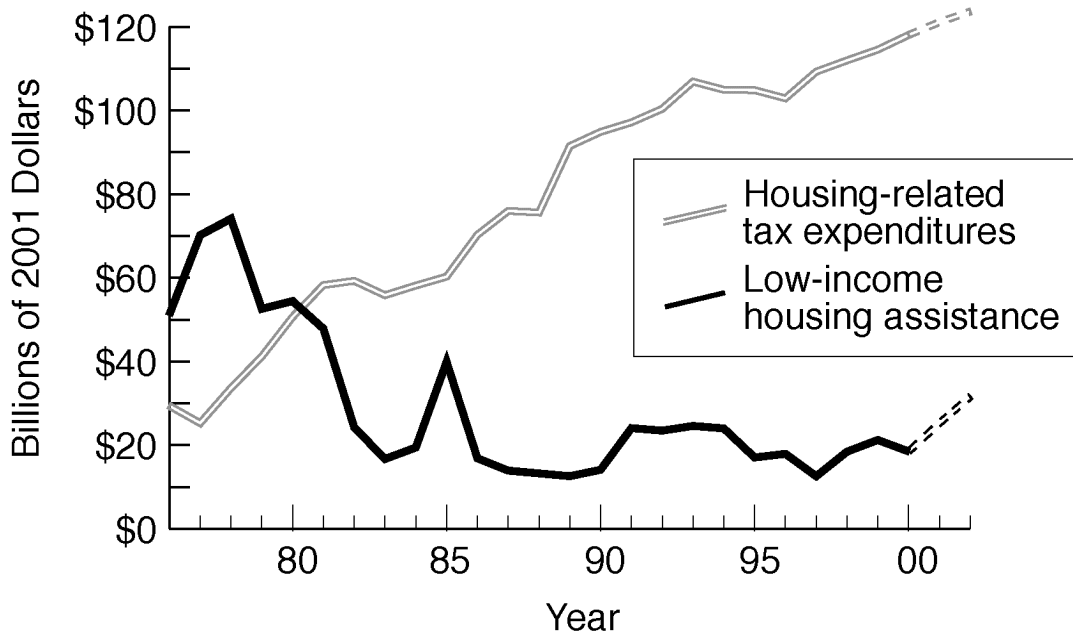
The following graphs shows the funding for homeless programs, public housing development and HOPE VI Severely Distressed and Federal subsidies for homeowners versus the amount spent of housing for low income individuals and families.

Federal Spending on Low-Income Housing and Homelessness



Source: *Changing Priorities: The Federal Budget and Housing Assistance, 1976-2006*, Cushing M. Dolbeare, May 2001. <http://www.nlihc.org/pubs/appendixbtable7.htm> Title for the original data is *Budget Authority for Selected HUD Programs* and thus shows specific funding for particular programs within the US Housing and Urban Development Department (HUD) budget. No funding for homeless programs is shown in these data until 1987.

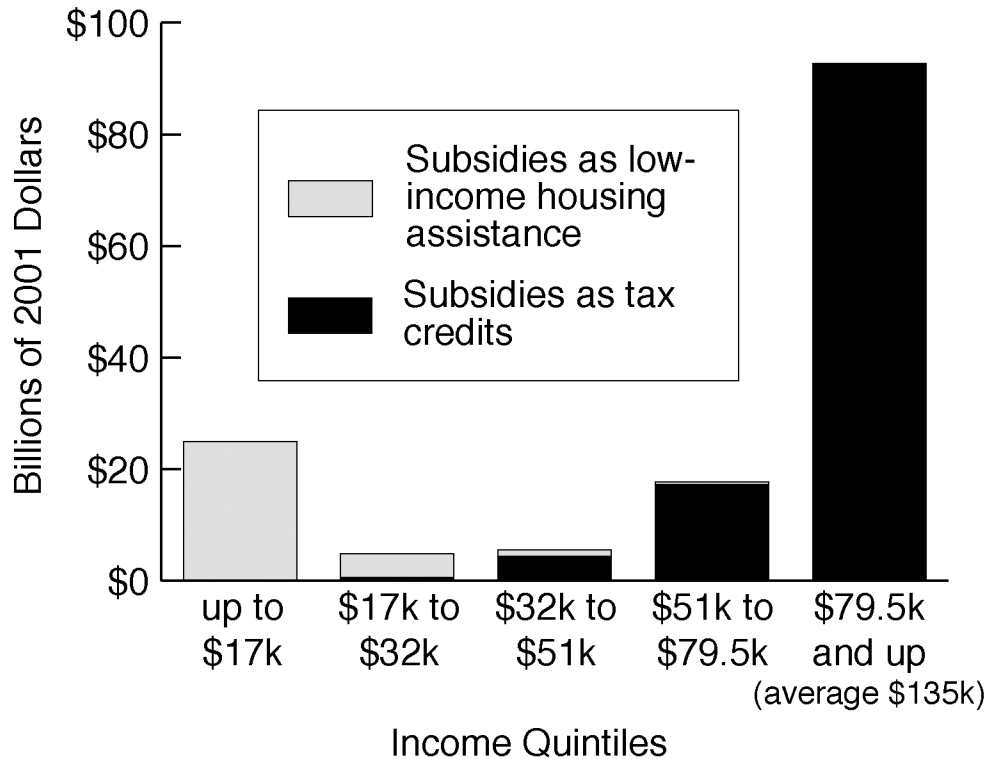
Federal Tax Expenditures for Homeowners versus Low-Income Housing Assistance



Source: *Changing Priorities: The Federal Budget and Housing Assistance, 1976-2006*, Cushing M. Dolbeare, May 2001. <http://www.nlihc.org/pubs/appendixbtable1.htm> Dotted lines in the graph above represent projected data for 2000 and 2001. Amounts shown represent tax expenditures and low-income assistance across the entire Federal budget. Housing-related tax expenditures are defined as homeowner deductions for mortgage interest, property taxes, capital gains, etc. Low-income housing assistance as used here represents budget authority, i.e. authorized spending obligations. These budget authority amounts shown consist of spending among a number of Federal agencies, though at least 95% comes from the US Housing and Urban Development Department (HUD).

The following graph shows the distribution of Federal housing subsidies by income quintile for 2001.

2001 Housing Subsidies by Income Group



Source: *Changing Priorities: The Federal Budget and Housing Assistance, 1976-2006*, Cushing M. Dolbeare, May 2001. <http://www.nlihc.org/pubs/cpgraph5.htm> Income groups shown represent quintiles, or a five-part frequency distribution of all recorded income amounts, each part representing one-fifth of the US population. Tax credits here refer to housing-related tax expenditures, i.e. homeowner deductions for mortgage interest, property taxes, capital gains, etc. Low-income housing assistance as used here covers both budget authority (authorized spending obligations) and outlays (actual spending in each year). This assistance comes from a number of Federal agencies, though at least 95% of budget authority and 98% of outlays come from the US Housing and Urban Development Department (HUD).

Recent changes in Federal housing policies have actually led to a decline in the number of affordable housing units available to the poor. Under the HOPE VI program, old, dangerous and dilapidated housing projects are being torn down and replaced with more traditional housing types. Unfortunately, the new projects tend to contain fewer units and contain a mix of market-rate, affordable and extremely low-income housing.

Nonprofit Housing

There are many organizations in San Francisco and the Bay Area that are building or operating affordable housing and supportive housing. Non-profit organizations operate many rehabilitated SROs and some newly constructed units.

The nonprofit organizations that we interviewed indicated that funds were typically available for capital costs associated with projects. These funds are largely from Proposition A, the 1996 housing bond, and the San Francisco Redevelopment Agency.

The nonprofit housing services could provide more affordable and supportive housing with more dependable funding. Lining up funding sources is a long, slow process during which opportunities can be lost.

And while the nonprofit sector has built or renovated thousands of units of affordable and supportive housing in San Francisco, it has failed to replace the number of units lost during that same period. Affordable housing units are have been lost to fire, conversions and even government-sponsored demolition. The following table shows how the number of SRO rooms has declined even as the nonprofit sector has doubled its inventory of SRO rooms.

Changes in San Francisco Residential Hotel Stock, 1995-1999²⁶

Year	For-Profit Residential Rooms	Non-Profit Residential Rooms	Total Residential Hotel Rooms
1995	18,414	1,481	19,896
1996	18,077	1,690	19,767
1997	18,132	1,690	19,822
1998	18,096	1,690	19,786
1999	16,578	3,040	19,618

DPH and DHS Master Lease Programs

Both the Department of Public Health (DPH) and the Department of Human Services (DHS) operate supportive housing through master lease programs. Under master lease programs, the City negotiates rents with a building owner and guarantees payment for ten years. The City department then manages and operates the building and provides the tenants with the supportive services they require. Master lease facilities provide services including mental health services, substance abuse services, case management and vocational counseling.

DHS operates 803 units of master-leased housing in San Francisco in five buildings. The housing is primarily targeted to individuals with lower service needs who are participating in DHS' employment and job readiness programs.

DPH, under its Direct Access to Housing Program (DAH), operates 254 units of supportive housing in three residential hotels and another 33 beds in a licensed care facility. In summer, 2002, two new hotels will open with an additional 109 beds. DPH targets its housing to homeless individuals who have serious health or other problems and who require more services.

The cost to provide the room, board, and services in DPH's master lease program is approximately \$1,100 per month. Roughly half the cost is for the services that are provided to residents.²⁷ Tenants pay rent (no more than 30 percent of their income), but are provided with subsidies if eligible.

²⁶ San Francisco Department of Building Inspection, Housing Inspection Services Division.

Prevention Programs

The City provides many prevention services to help keep people from becoming homeless. Rental assistance programs and tenant advocacy programs are examples of these preventative services.

In fiscal year 2001–2002, the City and County of San Francisco provided eviction prevention services to 6,533 low-income individuals who were at risk of becoming homeless at an estimated cost of \$2,406,133. Services provided include legal counseling, money management, eviction defense, and direct financial assistance.²⁸

Government Assistance Programs

Several government assistance programs that provide money to live on are available to homeless people and the poor in San Francisco. These City, state, and Federal programs serve many people, including those who are not homeless. The programs are defined below:

Supplemental Security Income (SSI)

Supplemental Security Income (SSI) is a Federal cash benefit program that provides benefits to low-income people who are blind, over 65, or disabled. California's State Supplemental Payment (SSP) program augments Federal SSI benefits by adding a state payment to approved claims for SSI benefits. Both programs are administered by the Federal Social Security Administration (SSA).

For all adult individuals applying for disability benefits, the law defines disability as the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment(s) which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 10 months.²⁹

Under welfare reform, passed during the Clinton Administration, SSI cut off payments to people with drug addictions or alcoholism. The money was to be channeled to substance abuse treatment programs instead. At any time, there are well over 1,000 people on the waiting lists for substance abuse services in San Francisco.³⁰

County Adult Assistance Program (CAAP)

CAAP is San Francisco's umbrella program for providing assistance to adults in San Francisco. Within CAAP there are 4 sub-programs that tailor to specific needs.³¹

Sub-Program 1: General Assistance (GA)

GA is the safety-net program for indigent adults. It provides a monthly cash grant. In exchange, able-bodied recipients are expected to perform Workfare, which is community service. GA gives a Muni Fast Pass or tokens to recipients with Workfare jobs. It can also provide a small Supplemental Rent Payment.³² Two thirds of GA participants are homeless, the highest percentage among the four CAAP programs.

²⁷ San Francisco Department of Public Health.

²⁸ Board of Supervisors Budget Analyst, Report to the San Francisco Board of Supervisors, "Survey of the Cost of Direct Services Provided to the Homeless Population", December 31, 2001.

²⁹ Program Operations Manual, US Social Security Administration, 2002 - <http://policy.ssa.gov/poms.nsf/lnx/0400115015>

³⁰ Community Substance Abuse Services, San Francisco Department of Public Health, January, 1999.

³¹ San Francisco Department of Human Services, Planning Section of Finance and Policy Bureau, "Shelter Conditions and Related Services", January, 2002.

³² San Francisco Department of Human Services, 2002 - <http://www.ci.sf.ca.us/dhs/cashaid/ga.htm>

Sub-Program 2: Personal Assisted Employment Services (PAES)

PAES is a City-sponsored program operated by DHS that provides a cash stipend to employable adults along with the education, training and supportive services necessary to gain lasting employment. Participants, unless exempt because of a verifiable, temporarily disabling condition, or because of age develop and follow an employment plan leading to work and self-sufficiency. PAES supportive services may include psychological and vocational assessment, substance abuse and mental health counseling, expenses for work-related clothing, tools and supplies, a housing subsidy and transportation assistance to and from work. PAES employment services are limited to 27 months, with a possible six-month extension if this is likely to lead to employment.³³

Sub-Program 3: Supplemental Security Income Pending (SSIP)

SSIP provides temporary support to disabled individuals while their applications for Supplemental Security Income (SSI) is being processed. The county is reimbursed if the application is successful. 40 percent of SSIP participants are homeless.

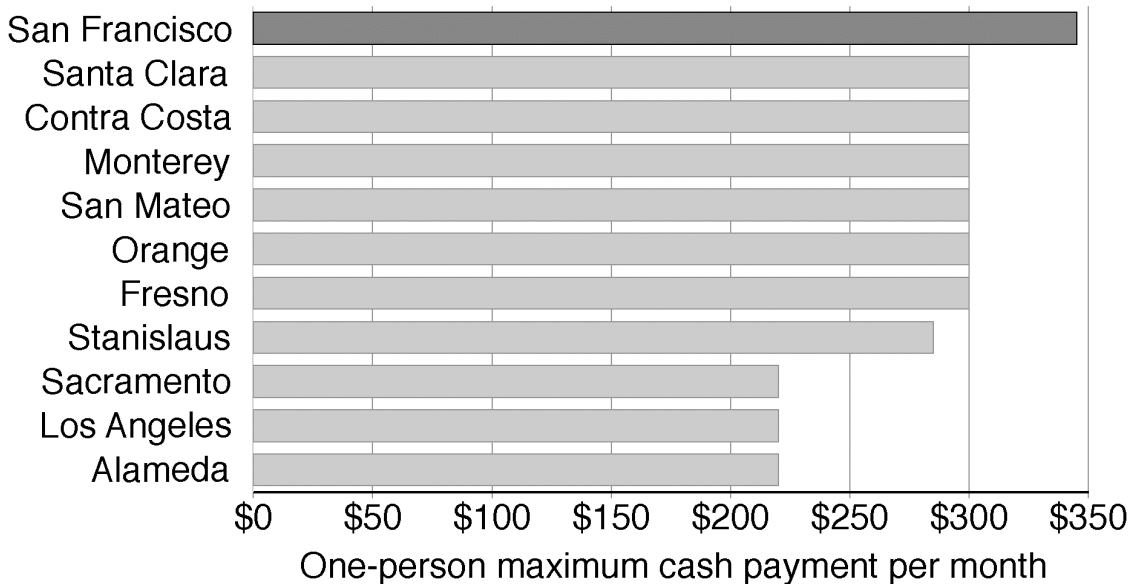
Sub-Program 4: Cash Assistance Linked to Medi-Cal (CALM)

CALM provides financial assistance for individuals receiving Medi-Cal benefits because they are either aged or disabled, but who do not qualify for SSI. Only about one percent of CALM participants are homeless.

Current Debate on County Assistance Programs

General Assistance payments have come under fire recently. San Francisco’s monthly payment is greater than that of other counties as shown in the following chart.

County General Assistance Payments



In San Francisco, the assistance is provided as cash payments. In most other counties in the Bay Area and the state, assistance is provided largely in services with minimal cash benefits. Marin County is the only

³³ San Francisco Department of Health Services, 2002 - <http://www.ci.sf.ca.us/dhs/cashaid/paes.htm>

other bay area county that provides its assistance in cash. Its payment of \$200/month is much lower than San Francisco's average payments of \$385 for PAES, \$345 for GA, \$274 for SSIP and \$354 for CALM.³⁴ The cash portion of other counties' assistance programs for the homeless are: \$138 in Santa Clara County, \$58 in San Mateo County and \$18 in Alameda County.³⁵

The annual budget for General Assistance in San Francisco is approximately \$9.5 million, with payments to an average monthly caseload of 2,472 homeless individuals.³⁶ The average duration for an individual to receive CAAP payments is 34-37 months, depending upon the program.³⁷

Critics of cash grants believe much of the money received is used to purchase drugs and alcohol, and in fact, studies on homeless substance abuse have shown that the more income a person with substance abuse problems earns, the more drugs or alcohol he or she will consume³⁸. Homeless advocates, however counter that the money is often used for food and shelter, sometimes helping pay friends or relatives for sharing their housing.

The "Care not Cash" ballot measure is a positive step in the direction of replacing San Francisco's cash payments with direct provision of services. This measure should help more people get the care they need and reduce the incidence of drug overdoses associated with general assistance.

Gap in Assistance and Costs of Living in San Francisco

Even with the various assistance programs available to the poor and disabled, the amount of assistance fails to cover average rents for housing in San Francisco. The following graph shows the discrepancy between the cost of housing in an SRO units cost more than the two assistance programs available for adults who are not disabled.

³⁴ Board of Supervisors Budget Analyst, Report to the San Francisco Board of Supervisors, Survey of the Cost of Direct Services Provided to the Homeless Population, December, 2001.

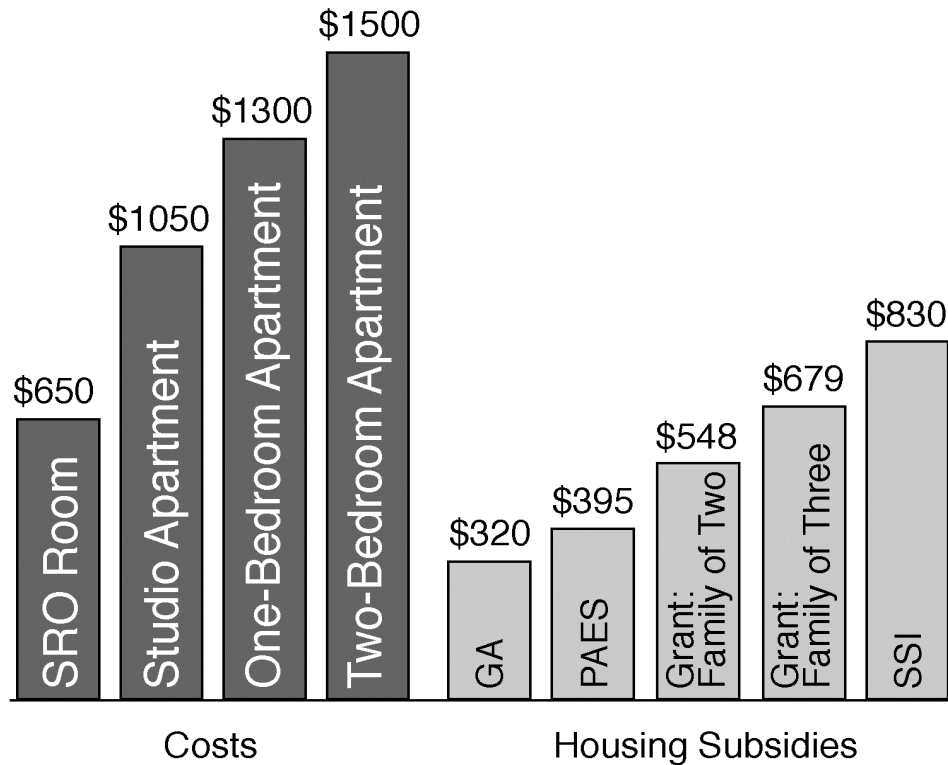
³⁵ San Francisco Department of Human Services, Planning Section of Finance and Policy Bureau, "Shelter Conditions and Related Services", January, 2002.

³⁶ Board of Supervisors Budget Analyst, Report to the San Francisco Board of Supervisors, Survey of the Cost of Direct Services Provided to the Homeless Population, December, 2001.

³⁷ San Francisco Department of Human Services, 2002.

³⁸ James D. Wright, Beth A. Rubin, Joel A. Devine, Besides the Golden Door: Policy, Politics and the Homeless, Walter de Gruyter, Inc., New York, 1998. pp 120.

Rental Costs versus Housing Subsidies in San Francisco



Source: San Francisco Department of Human Services, February, 2002.

For the disabled, blind, or elderly who are unable to work, the situation is about the same. SSI payments are enough to cover the cost of an SRO room, but only leave \$180 per month for food, clothing, transportation, and other expenses. The SSI payments fail to cover the average cost of a studio apartment in San Francisco as shown below. Even if the SSI recipient is housed in an SRO, the rent takes approximately 78 percent of their income—which is much greater than the 30 percent HUD standard for housing affordability.

For poor families, including those headed by single mothers, the disparity is even worse. Assistance for a family of three barely covers the cost of rent for one room at an SRO and falls far short of what is needed for the 2-bedroom apartment that a family of three should occupy. A family of three would spend approximately 96 percent of its income on rent for an SRO if no other income is earned.

For many people, the disparity in assistance and rental costs leads to at least partial homelessness each month. Many people can afford housing for the first days of the month, but are forced out when they've exhausted their assistance payments. This also precludes the residents from obtaining legal tenancy in their housing.

Law Enforcement

San Francisco's lack of enforcement and prosecution of "quality of life" laws breeds contempt for the law and frustration amongst its citizens, law enforcement agencies and even amongst homeless people.

This lack of enforcement must be corrected immediately. Civil behavior can be required without making homelessness “illegal.” Standards of behavior can be enforced equally for all citizens, without singling out poor people. And violators can be directed into support services rather than the prison system.

“Quality of Life” Laws in San Francisco³⁹

Offense	Law
Sitting or lying on sidewalks	It is not against the law to sit or sleep on streets or sidewalks. A city law (San Francisco Police Code, Article 1, Sec. 22-24) makes it illegal to obstruct the free passage of persons on any public passageway or place.
Aggressive panhandling	A city law (San Francisco Police Code, Article 2, Sec. 120-1) bans a solicitor from closely following a solicitee and requesting money or other things of value after the solicitee has made it know that they do not want to give money or other things of value to the solicitor.
Camping in parks	City laws (San Francisco Park Code, Article 3, Section 3.12 and 3.13) ban camping in parks and sleeping in parks during certain hours. Other behaviors are regulated by the Park Code as well.
Consumption of alcohol on streets or sidewalks and public drunkenness	It is not illegal to possess an open container in San Francisco, but a city law (San Francisco Police Code, Article 1, Section 21) bans consuming alcoholic beverages on public streets, etc. or on public property open to public view.
Trespassing	A city law (San Francisco Police Code, Article 1, Section 25) makes it illegal to willfully enter upon or remain on private property or business premises after the owner of premises asks the person to leave. The trespasser must be given oral or written notice of a request to leave the premises and such notice must describe the specific area and hours to keep off or keep away.
Possession of shopping carts	A state law (California Business and Professions Code 22435.2) exists that makes it illegal to remove a shopping cart from its rightful place, to possess a shopping cart with the intent to deprive the owner of possession of the cart or to abandon the shopping cart in another location. This law is not enforced in San Francisco.

Currently, some of these laws are not enforced, such as the state law banning possession of shopping carts. Other laws are not prosecuted by the District Attorney’s office. Because services for homeless people are so overwhelmed, law enforcement cannot direct people to services instead of incarceration if they choose to enforce and prosecute crimes. The only option typically available is fines, which homeless people cannot pay, or incarceration, which is expensive and wasteful.

³⁹ Legislative Analyst Report to San Francisco Board of Supervisors, San Francisco’s “Quality of Life” Laws and Seattle’s “Civility” Laws, January, 2002.

The City spends \$30.5 million annually on incarceration of homeless people. This amount is outside of the \$104 Million the City spends on direct services for the homeless. The daily costs of incarceration are \$50 to \$60 for the general jail population and \$300 to \$400 for medical or psychiatric jail population.⁴⁰ SPUR believes that these funds could be directed into more productive channels with a better homeless policy.

Medical Treatment

The primary venue for providing medical treatment to San Francisco's homeless population is the emergency room at San Francisco General Hospital. Medical services are also provided at the City's medical clinics. Some nonprofit agencies also provide medical services to homeless people.

Homeless people are far more likely to end up hospitalized than the general population. In one study in San Francisco in 1992 and 1993 found the hospitalization rate for homeless persons was 2.7 times greater than that for the general population.⁴¹ Another study found that homeless veterans were seven times more likely to be hospitalized than other low-income veterans.⁴²

San Francisco General Hospital Emergency Room

San Francisco General Hospital handles the majority of the medical needs of homeless people in San Francisco. This is the most expensive venue to provide medical services. This amount of money is outside of the \$104 million that the City spends on direct services for homeless people.

Neighborhood Medical Clinics

There are several neighborhood medical clinics in San Francisco. Two often used by homeless people are the Tom Waddell Clinic in the Tenderloin neighborhood and the new Mission Neighborhood Resource Center which opened on May 18, 2002.

The Mission Neighborhood Resource Center provides laundry facilities, showers, voice mail, lockers, and nutritional support in addition to health care. Homeless people and those at risk of becoming homeless are its target clients. The center receives most of its funding from the San Francisco Department of Public Health (\$750,000/year) and the Health Care for the Homeless Federal fund (\$270,000/year).

Medical services for homeless and runaway youth are provided by Larkin Street Youth Services. Larkin Street operates facilities that serve the Tenderloin and the Haight neighborhoods. It offers services including shelters, case management, and medical services for homeless youth including those with AIDS.

Costs and Opportunities

Medical services provided to homeless people are extremely expensive because they are provided mostly in the emergency room once problems have reached a crisis state. In fiscal year 1998-1999 charges for inpatient care to homeless people were \$69 Million. Seventy percent of this was not paid by Medicaid or

⁴⁰ California Department of Mental Health, *Effectiveness of Integrated Services for Homeless Adults with Serious Mental Illness*, 1999.

⁴¹ Braun R, Hahn JA, Gottlieb SL, Moss AR, Zolopa AR. "Utilization of Emergency Medical Services by Homeless Adults in San Francisco: Effects of Social Demographic Factors," AHSR & FHRS Annual Meeting Abstract Book; 12:114.

⁴² Rosenheck RA, Leda C, Sieffert D, Burnette C. "Fiscal Year 1995 End of Year Survey of Homeless Veterans in VA Inpatient and Domiciliary Care Programs," West Haven, CT: Northeast Program Evaluation Center, 1996.

insurance.⁴³ The money spent on medical care for homeless people is outside of the \$104 Million that the City spends on direct homeless services.

Mental Health Care

There are several venues for mental health care in San Francisco. For those with the most severe problems, there are institutions that provide services in a locked-down environment. There are also acute residential treatment programs designed to help keep people out of hospitals. Transitional housing with mental health care services are another option. Finally, supportive housing and similar programs provide access to mental health care services either on or off-site. The duration of each program is inversely proportional to the cost per day.

Most City programs for mental health care, however, are overwhelmed by the demand. In the 1996–1997 reporting period, over 3,000 people who sought mental health treatment were turned away due to lack of space.⁴⁴

Mental Health Services, Durations, and Costs

Program Type	Duration	Cost
Hospitalization / Institutionalization	1 day – permanent	\$1,000–\$1,200 / day
Incarceration in Special Medical/ Psychiatric	Varies	\$300–\$400/ day
Acute Residential Treatment	2 weeks	\$260–\$280 / day
Transitional Residential Treatment	2 – 3 months	\$140–\$180 / day
Supportive Housing or Similar	Permanent housing	\$37 / day

Critique of the Current System

In summary, the current system isn't working for anyone.

Lack of Vision

San Francisco's many nonprofits and City departments do not share a unified vision for treating the homeless. In fact, their views are often contradictory.

This disagreement can be seen in the politically-charged nature of making changes to the services provided for the homeless. Without a high-level roadmap there can be no comprehensive vision strategy for programmatic and policy development. This disconnect wastes huge amounts of time, money and energy and keeps the City from moving forward to resolve the problem of homelessness.

Programs Focus on Symptoms Instead of Problem

On the whole, we spend more money treating the symptoms of homelessness—when they've reached a crisis level—than on providing housing and needed services. For example, the City spends millions of

⁴³ Tia Martinez, Goldman School of Public Policy, University of California, Berkeley in partnership with Corporation for Supportive Housing, SF DPH, SF DHS, Shelter Plus Care Program, and Health, Housing and Integrated Services Network, *Evaluation of the Impact of Supportive Housing on Hospital and Emergency Room Use in San Francisco*, 2001.

⁴⁴ Community Mental Health Services, SF Department of Public Health, 1997.

dollars each year cleaning up after homeless people, confiscating their property, storing their property, and treating street illnesses. These are symptoms of the problem of homelessness. This money does nothing to solve the problem of homelessness.

Lack of Information on Homelessness

The City has no idea how much money is spent on homeless services. Estimates range from \$100 million to over \$200 million per year. The budget analyst office's report found that the City spent \$104 Million on direct services to homeless people. This estimate does not include medical costs for visits to San Francisco General Hospital, for policing and incarceration, or for costs to the Department of Public Works.

RECOMMENDATIONS

The problem of homelessness is not one that can be solved immediately. The conditions that have created this problem have grown over decades, so time will be needed to correct them. The ultimate goal of course is to help individuals achieve independence and self-sufficiency. However, for many people the transition will not be immediate, and for some it will not happen at all. The key is to move away from paying for emergency services to long-term programs such as affordable housing with support services. This kind of strategy will help alleviate homelessness and lower the City's costs.

To begin this transition we have developed a series of key recommendations. They are divided into activities which should be undertaken immediately (within the next year or two) and those which will require a longer timeframe. (Note: additional recommendations are contained in Appendix B.)

Immediate (1–2 Years)

Increase Funding for Supportive Housing

Supportive housing offers the long-term solution to homelessness. It is a cost-effective solution that improves the lives of homeless individuals and improves the condition of the community at large. The cost of providing housing and services to homeless people is comparable to the cost of providing shelters, emergency medical services, acute mental-health care services, drug-rehabilitation, and incarceration.

- When homeless people become housed, especially in supportive housing environments, their rates of incarceration drop dramatically. One California study of formerly homeless people who were housed in supportive housing found that their rate of incarceration dropped by 50 percent in the first year they were housed versus the year prior to obtaining housing.⁴⁵ A study from San Antonio, Texas, found that each homeless individual cost the city's state-funded systems \$14,480 per year, primarily in overnight jail costs.⁴⁶ This cost exceeds the cost of providing supportive housing for the individual for an entire year.
- Additionally, once homeless people are housed in supportive housing environments their usage of expensive emergency room services declines dramatically. One California study found that patients in

⁴⁵ Center of Mental Health Services, *Making a Difference: Interim Status Report of the McKinney Research Demonstration Program for Homeless Mentally Ill Adults*. (Rockville, Maryland: US Department of Health and Human Services, 1994).

⁴⁶ Pamela M. Diamond and Steven B Schnee, *Lives in the Shadows: Some of the Costs and Consequences of a "Non-System" of Care* (Austin, Texas: Hogg Foundation for Mental Health, University of Texas, 1991).

supportive housing for one year had a 57 percent decrease in emergency room visits and a 58 percent drop in the number of inpatient days compared with the year prior to obtaining housing.⁴⁷

- When homeless substance abusers are housed upon completion of substance abuse programs, they are far more likely to remain sober. In a Minneapolis study of 201 graduates of residential substance abuse treatment programs, they found the following relationships between types of housing after graduation from the treatment program and sobriety:
 - 56.6 percent of those living independently remained sober
 - 56.5 percent of those living in a halfway house remained sober
 - 57.1 percent of those living in an unsupported SRO remained sober
 - 90 percent of those living in supportive housing remained sober⁴⁸

Additionally the State of California conducted a study to determine the effectiveness of combining permanent housing and mental health care for homeless individuals across several counties. The study found the following results:

Decline in Service Utilization for Study Participants⁴⁹

Evaluation Criteria	12 Months Prior to Enrollment	Since Enrollment (annualized)	Percent Reduction
Number of Days Homeless	159,495	65,523	59%
Number of Days Incarcerated	41,129	11,007	73%
Number of Days Hospitalized	10,213	3,654	64%

The State of California spends approximately \$400 million annually on incarceration and treatment of people suffering from severe mental illness. The Department of Corrections and the criminal justice system also house a combined total of approximately 4,500 persons in the state mental hospitals, for an additional annual state cost of over \$300 million.⁵⁰

The study states:

“Even though it is still too early to make substantive claims regarding the long term effects of these services upon the use of hospital services, the law enforcement costs formerly associated with this population have dropped significantly. With daily jail costs ranging from \$50 to \$60 for the general jail population, and a range of \$300 to over \$400 for the medical/psychiatric jail population, any substantial reduction in the number of jail days produces an important local savings and/or cost avoidance.”⁵¹

⁴⁷ Tony Proscio, *Supportive Housing and Its Impact on the Public Health Crisis of Homelessness* (California: Corporation for Supportive Housing, May 2000).

⁴⁸ Eden Programs, 1993, Unpublished Manuscript (Minneapolis: data available from Eden Programs and Corporation for Supportive Housing, 1993).

⁴⁹ California Department of Mental Health, *Effectiveness of Integrated Services for Homeless Adults with Serious Mental Illness*, 1999.

⁵⁰ *Ibid.*

⁵¹ *Ibid.*

The Size of the Need

Estimates from various service providers and city departments are that the city needs between 5,000 and 7,500 new units of supportive housing to solve the homeless problem.

The biggest need is for services for dually diagnosed people, meaning those with two or more major problems like substance abuse problems, mental illness, and HIV/AIDS.

All avenues of providing supportive housing should be utilized, but master leasing offers the best short-term strategy for increasing the number of supportive housing units. Because the city does not have enough vacant units to be master-leased without displacing existing tenants, new construction will be needed. New supportive housing could be built by the nonprofit builders or by for-profit builders teamed with nonprofits or public agencies to provide services.

It is estimated that there are approximately 2,000 units of vacant or severely underutilized SRO housing in San Francisco that could be master-leased without displacing existing tenants. The building owners typically pay the up-front capital costs of renovation, using loans secured by the ten-year City leases.

The following table defines the annual cost for obtaining 5,000 to 7,500 new units of supportive housing.⁵²

Cost of Providing New Units of Supportive Housing Utilizing Master Leasing and Nonprofit New Construction

Type	Number	Capital Cost	Annual Cost
Scenario 1: 5,000 "New" Units			
Master Leased Units (Operating and Service)	2,000		\$ 26,400,000
New Construction (nonprofit)	3,000		
Capital Costs		\$435,000,000	\$ 31,296,537
Operating and Service Costs			\$ 21,600,000
			\$ 79,296,537
Scenario 2: 7,500 "New" Units			
Master Leased Units (Operating and Service)	2,000		\$ 26,400,000
New Construction (nonprofit)	5,500		

⁵² Assumptions: 2,000 units of vacant SRO housing would be available for master leasing; Average monthly costs (operating, services and lease) for master leased units is \$1,100 per month; average operating and service costs for nonprofit housing is \$600 per month; Construction costs for new construction at \$110,000 per unit for single adults (75 percent) and \$250,000 for families (25 percent); Capital costs are amortized over 30 years at 6 percent.

Type	Number	Capital Cost	Annual Cost
Capital Costs		\$797,500,000	\$ 57,376,985
Operating and Service Costs			\$ 39,600,000
			\$ 123,376,985

Based on past studies, most of these costs will be recouped through reductions in existing services currently provided by the City. This means that money currently spent to address the symptoms of homelessness would be reallocated over time to providing supportive housing, the long-term solution to homelessness. Construction of the new units as shown above would require the City to issue bonds to pay for construction costs or would require the nonprofits to raise money based upon long-term leases with the City.

If for-profit developers build the new housing, with private funding, the scenario is different. It costs the private sector more to borrow money than it costs municipal governments, increasing the annual payments for capital costs. Lease payments also rise accounting for the developer's profit, which is required to entice a developer to operate in any market. While this scenario increases annual operating costs, it precludes the City from having to sell bonds. Utilizing for-profit developers yields the following costs:⁵³

Cost of Providing New Units of Supportive Housing Utilizing Master Leasing and For-Profit New Construction

Type	Number	Capital Cost	Annual Cost
Scenario 1: 5,000 "New" Units			
Master Leased Units (Operating and Service)	2,000		\$ 26,400,000
New Construction (for-profit)	3,000		
Capital Costs		\$435,000,000	
Lease Payments			\$ 42,132,762
Operating and Service Costs			\$ 21,600,000
			\$ 90,132,762
Scenario 2: 7,500 "New" Units			

⁵³ Assumptions: 2,000 units of vacant SRO housing would be available for master leasing; Average monthly costs (operating, services and lease) for existing master leased units is \$1,100 per month; average operating and service costs for for-profit housing is \$600 per month; Construction costs for new construction at \$110,000 per unit for single adults (75 percent) and \$250,000 for families (25 percent); Capital costs are amortized over 30 years at 8 percent; Developer profit on monthly leases is 10 percent.

Type	Number	Capital Cost	Annual Cost
Master Leased Units (Operating and Service)	2,000		\$ 26,400,000
New Construction (for-profit)	5,500		
Capital Costs		\$797,500,000	
Lease Payments			\$ 77,243,397
Operating and Service Costs			\$ 39,600,000
			\$ 143,243,397

Enforce Standards of Civil Behavior

Right now, the City's rules for what's acceptable behavior on our streets are not well defined. Laws that are in place are not enforced or prosecuted. This lack of clarity is both confusing for all citizens and promulgates the notion that the city is lawless.

Citizens are frustrated because some laws are not enforced. Additionally, the police are frustrated by the lack of prosecution of laws that they enforce.

The city's leaders must define what is acceptable behavior on our streets and what is not. This should be an inclusive, citywide debate that includes input from homeless people. The Supervisors must then pass or repeal laws to make a consistent, enforceable policy. The City must then support enforcement and prosecution of these laws.

The ultimate goal should not be to make homelessness illegal. Homeless people are members of the community. If laws are passed, alternatives to the banned behaviors must be available and the goal of any law should not be incarceration but entry into programs that provide treatment. Although an easy solution, our studies indicate incarceration does not help individuals solve their problems and it is one of the most expensive options for dealing with the homeless.

Improve Shelter Conditions

Shelter conditions must be improved so that homeless people will want to use them instead of sleeping on the streets. At a minimum, they need to be safe and clean.

More shelters should be open 24 hours a day so that homeless people are not kicked out onto the streets each morning. Case workers should also be available during the times when the shelter population is present, instead of limiting their hours to 9 to 5 shifts, as some shelters do.

Shelter safety must be improved. Right now, there is a perception among many homeless that the shelters are more dangerous than living on the streets. This needs to change so that homeless people will utilize shelter services.

A variety of shelter types should be employed tailored to the specific needs of different populations. Most importantly, the special needs of the mentally ill must be accommodated when updating the shelter intake system.

Provide Vouchers for Services instead of Cash Payments

San Francisco is one of the few counties to provide cash-based assistance programs to homeless people directly. Our monthly support also exceeds that of surrounding counties. While not all GA recipients are substance abusers, many are. Studies show that substance abuse is correlated to income—the more income an addict has, the more drugs or alcohol he or she will abuse.

Instead of providing cash grants to homeless individuals, the county should provide the majority of support in the form of vouchers for housing and other services. Cash payments for individuals who are housed, even in “casual” rental situations should be maintained. In general terms, this is the idea behind the “Care not Cash” proposal.

Any money saved should be diverted to supportive housing programs, providing long-term solutions for many homeless individuals.

Increase Funding for Affordable Housing

A lack of affordable housing is the most important contributor to homelessness. San Francisco needs to build support for the local, state, and Federal proposals to provide more money for affordable and supportive housing.

On a local level, the City should add supportive housing through an expanded master lease program. We should also fund the construction of new affordable housing units through local revenue sources including bonds and, possibly, an increased real estate transfer tax.

Recently, the Board of Supervisors passed a city ordinance mandating below market-rate housing be included in new developments of ten units or more. This means that ten to seventeen percent of the units in market-rate projects will be rented or sold at deep subsidies. Over time this will make a substantial additional to the stock of affordable housing.

On a state level, we should try to pass an affordable housing bond.

And on a national level, we should support efforts to create a national housing trust fund that would allocate \$5 billion annually to affordable housing. This trust fund would provide 1.5 million rental homes affordable to people with extremely low incomes over ten years and would be funded with surpluses from the Federal Home Administration (FHA) and the Government National Mortgage Association (GNMA).

Long-Term (3–5 Years)

Encourage Construction of New Residential Hotels

The City should encourage new residential hotels to be built, both by for-profit developers and non-profits. New SRO construction in San Francisco runs approximately \$100,000 - \$110,000 per unit. Because of the high cost of building new units and the long timeline required to acquire funding and develop new housing, this approach will not be able to make a large impact in a short time. It is a major component of the long-term solution to homelessness.

Increase Supply of Housing at all Levels

San Francisco needs more housing at every level. The current shortage affects every resident of San Francisco and makes some people homeless. If enough market rate housing was being built in the city, the

prices would be lower and we wouldn't need subsidized affordable housing. It is unlikely, however, that the City can provide enough new housing to make housing affordable through the private market alone. Therefore we need both more market-rate housing and more subsidized affordable housing.

The following are ways to increase the supply of housing in San Francisco:

- Increase opportunities to build housing without applying for conditional use permits. For example, any building over forty feet high requires one—even if the zoning code allows a building 300 feet tall. The risk of going through the conditional use permitting process discourages builders from taking full advantage of the zoning envelope.
- Allow greater densities (up-zone) around public transit hubs such as BART and Muni stations and corners where several bus lines converge. This will encourage more housing, and greater use of public transit.
- Rezone industrial areas for housing. (Instead, San Francisco is doing the opposite—zoning large stretches of South of Market for industry, for example.) San Francisco has lot of underutilized land, and zoning it for housing would help alleviate the housing crisis. Despite rumors to the contrary, San Francisco is not full. There's lots of space for new housing.
- Regulate buildings not by the number of units they contain, but by their height, width, and length. This will encourage the construction of smaller, more affordable units.
- Require people to give reasons when they request discretionary review of a project. Today, all residents have to do is ask for the review, and pay a small fee—a formula for NIMBY behavior. Requiring reasons rather than larger fees ensures that all San Franciscans have equal access to the review process.
- Decrease—and in some cases eliminate—minimum parking requirements. People who verify that they don't own a car and won't get a residential parking permit should be allowed to have units without parking spaces assigned to them. San Francisco has the lowest car ownership rates in the United States, outside of New York City, and should reflect that in its building code.
- Legalize existing in-law units, and encourage the creation of new ones. Because they have a minimal visual impact on neighborhoods. In-law units are a relatively painless way to increase the rental housing stock.
- Allow planned unit developments on smaller parcel sizes. This means more units on less land.
- Build consensus about where to add new housing through comprehensive neighborhood plans. Neighborhoods should discuss and agree on plans in advance, and then automatically allow any project that fits into these plans. The California Environmental Quality Act (CEQA) allows cities to prepare master environmental reviews for whole neighborhood plans instead of project by project, which is a more logical way to study environmental impacts. San Francisco has already done it in the Van Ness corridor and South Beach. The City is working on three such plans, for the area around the Balboa Park BART station, the Central Waterfront, and Hayes Valley, and needs more.

CONCLUSION

For the same amount of money spent today the crisis of homelessness in San Francisco could be solved.

The City spends hundreds of millions of dollars each year on programs that deal with symptoms of homelessness—street cleaning, emergency room care, jail—but very little on programs that would address the underlying causes of homelessness such as affordable housing with supportive social services.

In order to make progress on homelessness San Francisco must redirect its funds into more productive channels. For a comparable sum of money we could provide homeless people with housing and supportive services (drug treatment and/or mental health counseling). Our research indicates that the need for acute care drops significantly when people receive treatment in residence. Over time, this drop in use of expensive emergency services would save the City enough money to pay for supportive housing for everyone who needs it.

APPENDIX A: RESOURCES

People Interviewed

1. Margot d. Antonetty, Senior Program and Operations Manager, San Francisco Department of Public Health
2. Steven J. Balma, Sergeant/Inspector, Southern Station, San Francisco Police
3. Joshua Bamburger, Medical Director, Housing and Urban Health, San Francisco Department of Public Health
4. Micha Berman , Program Director, SOMA Partnership
5. Paul Boden, Director, Coalition on Homelessness, San Francisco
6. Natalie Bonnewit, Project Manager, Community Housing Partnership
7. Tangerine Brigham, Program Director, Corporation for Supportive Housing
8. J. Scott Brown, Executive Vice President, The Tom Hom Group
9. Brian Cahill, Chief Executive, Catholic Charities, former head of San Francisco Department of Social Services
10. Brian Cheu, Executive Director, Lavender Youth Recreation and Information Center
11. Kelly Cullen, OFM, Executive Director, Tenderloin Neighborhood Development
12. Maggie Donahue, Director, Housing and Homeless Programs, San Francisco Department of Human Services
13. Steven Fields, Executive Director, Progress Foundation
14. Roger Gordon, Executive Director, South of Market Foundation
15. Laura Guzman, Director, Mission Neighborhood Resource Center
16. Dariush Kayhan, Supportive Housing Program Manager, San Francisco Department of Human Services
17. Charee Lord, Executive Director, North Beach Citizens
18. Belinda Lyons, Program Director, Mental Health Association of San Francisco
19. Salvador Menjavier, Director, Hamilton Family Services
20. Bob Nelson, Director, Dolores Street Community Services
21. Gavin Newsom, San Francisco Board of Supervisors

22. Brad Paul, Senior Program Officer, Evelyn and Walter Haas, Jr. Foundation, Former Director, Mayor's Office of Housing and Development, National Coalition for the Homeless
23. Harvey Rose and Ken Bruse, Budget Analyst to the San Francisco Board of Supervisors
24. Alan L. Schlosser, Legal Director, American Civil Liberties Union Foundation of Northern California
25. Randy Shaw, Director, Tenderloin Housing Clinic
26. George J. Smith, III, Director, San Francisco Mayor's Office on Homelessness
27. Anne Stanton, Executive Director, Larkin Street Youth Services
28. Mark Trotz, Director, Housing and Urban Health, San Francisco Department of Public Health

Task Force Participants

The following individuals were members of SPUR's Homeless Task Force:

Michael Alexander
David Burgess
Shannon Dodge
Gabe Ets-Hokin
Alfonso Felder
Amisha Gandhi
Roger Gordon
Anne Halsted
Vince Hoenigman
Heather Knapp
Toby Levine
Rafael Mandelman
Jane Martin
Leigh Ann Matsche
Gabriel Metcalf
Peter Mezey
Dick Morten
Bonnie Nelson
Gary Oatey
Manuel Rodriguez
Kirby Sack
Lynne Newhouse Segal
Dave Snyder
Linton Stables
Michael Sullivan
Greg Wagner
Howard Wong

Vince Hoenigman chaired the task force and was the primary author of the report. Evette Davis edited the entire report. Michael Norelli created the charts and graphs.

APPENDIX B: OTHER RECOMMENDATIONS

The following recommendations show ways in which the current services could be made more efficient and effective.

Bay Area

Coordinate Services Better Across the Bay Area

- The Federal government requires all counties receiving funds under the McKinney Act to develop databases to track various statistics and information. The Bay Area counties must work together to develop integrated information systems.
- It is inefficient to develop nine county systems that perform the same tasks. Information needs to flow among the Bay Area counties to improve coordination of services.

Fair Share of Housing and Programs

- Bay Area counties must provide a fair share of services that are needed by their citizens. Most counties in the Bay Area lack the services that are provided in San Francisco. Many of the homeless families served in San Francisco come from other Bay Area counties (roughly 40 percent, according to the Mayor's Office of Homelessness). A large number of homeless youth are sent to San Francisco from other counties because those counties lack programs to serve this population.
- San Francisco has a disproportionately large share of the total supply of ultra-affordable housing and supportive housing. SRO-type housing and supportive housing developments must be built in all Bay Area counties.

San Francisco

Provide Proactive Medical Services

- Currently most medical services that are utilized by homeless people are provided in the emergency rooms where costs are extremely high. There are several outreach-based medical services but they are not present in every neighborhood and they are highly impacted by the great need. More outreach services are needed, especially for handling drug-related health problems such as abscess wounds. Providing medical services in an outreach manner will save the City money and will help the lives of homeless people.

Increase Employment Opportunities

- There is a large need for job-readiness classes for homeless people and those at risk of becoming homeless.
- Training programs for homeless people and those at risk of becoming homeless should focus on career-track jobs instead of simply helping people acquire low-wage, entry-level jobs.
- The business community currently provides job listings for homeless service providers. There should be better integration between the business community and homeless programs so that both groups' needs can be met.

Coordinate City Programs Across Departments

- Nonprofits spend a huge amount of time and effort navigating varied contracting and reporting requirements of different departments. DPH and DHS specifically need to ensure that their contracting and reporting procedures are uniform.
- City departments should develop a less intensive grant process for smaller funding requests. Several organizations reported that the grant process was overly cumbersome for small grants. They felt the paperwork was justified for major grants but that they spent too much time trying to obtain relatively small amounts of money for programs already funded.

Restructure Outreach Programs

- Currently much of the outreach to homeless people is provided by people who do not work at the agencies that could provide services to homeless people. Homeless people are handed referrals to various services, which might not even have space for the individuals. This is wasteful and causes disillusionment.

Engage Homeless People

- The City's outreach needs to be improved to build trust and relationships that will help homeless people utilize services and move beyond the streets.
- Homeless or housed, we are all part of the community. People with housing need to recognize this and people without housing need to live up to this.

Change Contracting Procedures

- Reduce "entitlements" for funding. In San Francisco, many programs receive funding simply because they have received it before. Programs that are not effective or efficient should not be funded, even if it leads to their dissolution. Most programs are excellent and meet their performance goals but the ones that do not should be fixed or eliminated.
- Award contracts based upon success rates with target populations. Right now, contracts are highly political and applications do not require information on past success rates. This shouldn't limit new programs, but should help keep inefficient programs from being funded each cycle. Programs should be based upon desired outcomes such as people moved off the streets, numbers served, safety, and cleanliness of facilities.
- Nonprofits need to merge. In San Francisco, nonprofit aid providers are segregated by ethnic group and sexual orientation, among other categories. This reduces administrative efficiency. Instead of segregating services, we need to ensure that service providers are culturally competent, have the necessary language skills and materials for the entire population to be served.

Increase Efforts to Qualify Homeless People for Government Benefits

- Qualifying for SSI is not easy and many eligible people are not receiving the support that the law allows. The process of qualifying for SSI is long and challenging. When a person does qualify, the benefits to the individual and to the city are huge. The payments are much greater than the GA payments offered by San Francisco and they are paid outside of the City's budget. More support for homeless people is needed to help them qualify for SSI and other programs.

Quantify Needs to Increase Funding

- San Francisco and the homeless service providers need to rely upon quantified facts as opposed to emotionally-based pleas to secure increased funds from government agencies. When needs have been documented and rational solutions have been proposed and quantified, the chances of success are far greater.