

**THE 2007-2008 CIVIL GRAND JURY
FOR THE
CITY AND COUNTY OF SAN FRANCISCO**

**THE HOMELESS HAVE HOMES, BUT THEY ARE
STILL ON THE STREET**

*It is Time to Measure Our Investment in
Homelessness and to Improve the City's Quality of Life*

**RELEASE DATE
JULY, 2008**

THE PURPOSE OF THE CIVIL GRAND JURY

The purpose of the Civil Grand Jury is to investigate the functions of City and County government, tax-supported agencies and districts, and any agencies or districts created by state law to develop constructive recommendations for improving their operations, as required by law.

Each Civil Grand Jury has the opportunity and responsibility to determine which departments, agencies and officers it will investigate during its one-year term of office. To accomplish this task, the Civil Grand Jury divides into committees. Each committee conducts its research by visiting government facilities, meeting with public officials, and reviewing appropriate documents.

The nineteen members of the Civil Grand Jury are selected at random from a pool of thirty prospective jurors. San Francisco residents are invited to apply. More information can be found at: <http://www.sfgov.org/site/courts>, or by contacting Civil Grand Jury, 400 McAllister Street, Room 008, San Francisco, CA 94102, (415) 551-3605.

STATE LAW REQUIREMENT

Pursuant to state law, reports of the Civil Grand Jury do not identify the names or provide identifying information about individuals who spoke to the Civil Grand Jury.

Departments and agencies identified in the report must respond to the Presiding Judge of the Superior Court within the number of days specified, with a copy sent to the Board of Supervisors. For each finding of the Civil Grand Jury, the response must either (1) agree with the finding, or (2) disagree with it, wholly or partially, and explain why. Further, as to each recommendation made by the Civil Grand Jury, the responding party must report either (1) that the recommendation has been implemented, with a summary explanation of how it was implemented; (2) the recommendation has not been implemented, but will be implemented in the future, with a time frame for the implementation; (3) the recommendation requires further analysis, with an explanation of the scope of that analysis and a time frame for the officer or agency head to be prepared to discuss it (less than six months from the release of the report); or (4) that recommendation will not be implemented because it is not warranted or reasonable, with an explanation of why that is. (California Penal Code, sections 933, 933.05)

TABLE OF CONTENTS

SECTION	TOPIC	PAGE
I.	EXECUTIVE SUMMARY	1
II.	INTRODUCTION	2
III.	BACKGROUND	4
	A. THE HOMELESS POPULATION	4
	B. CARE NOT CASH	5
	C. SUPPORTIVE HOUSING	5
	D. PROGRESS TO DATE IN REDUCING HOMELESSNESS	6
IV.	DISCUSSION	7
	A. HOMELESSNESS SPENDING – A BIG BUSINESS	7
	B. ROLE OF NON-PROFITS – WHERE MOST OF THE MONEY GOES	8
	C. ECONOMIC MODELS FOR SUPPORTIVE HOUSING: MASTER LEASE AND DEVELOPMENT	9
	D. COSTS OF SUPPORTIVE HOUSING – AN INCENTIVE TO MIGRATE?	10
	E. STUDIES OF SUPPORTIVE HOUSING’S COST EFFECTIVENESS	11

TABLE OF CONTENTS

SECTION	TOPIC	PAGE
	F. MEASURES OF PROGRAM SUCCESS – TIME TO GO BEYOND ‘RETENTION RATE’ AND TO FOSTER INNOVATION	12
	G. COST/BENEFIT COMPARISONS – LET’S FIND OUT WHAT WORKS BEST	13
	H. CONTRACTOR TRACKING AND REPORTING REQUIREMENTS – INCREASE THEIR USEFULNESS	13
	I. THE HOMELESS AND SAN FRANCISCO’S QUALITY OF LIFE – A COMPLEX CONNECTION	14
V.	FINDINGS	15
VI.	RECOMMENDATIONS	16
VII.	CHART OF REQUIRED RESPONSES	18
VIII.	APPENDIX	I.
	A. INVESTIGATIVE PROCESS	I.
	B. SOURCES	II.
	C. OTHER INFORMATIONAL INTERNET LINKS	IV.
	D. SHELTERS AND AFFORDABLE HOUSING	V.

I.

EXECUTIVE SUMMARY

Homelessness has long been an abiding problem in San Francisco -- a problem affecting everyone, as it is a quality of life issue for all. Efforts to address it have grown into a major enterprise -- homeless spending is big business. For the current fiscal year, the City budgets about \$186 million for direct spending on the homeless or those at risk of becoming homeless. This figure is nearly six times more than the \$31.1 million the Budget Analyst's estimates of direct spending on the homeless in fiscal year 1993-1994. The current budget excludes the cost of County Adult Assistance Program welfare grants, emergency medical response, hospitalization, jail costs, most city management and overhead functions, and much else.

Given its interest in the twin issues of government accountability and the quality of life in the City, the 2007-2008 Civil Grand Jury (the "Jury") decided to examine homelessness spending and whether the City's efforts are making a difference. The sheer size of the budget caused some members of the Jury to wonder whether perhaps the providers of services were benefiting more than the intended beneficiaries.

The Jury found that the answer to whether the current programs are working depends on the question posed. For the question: Are providers unduly profiting from these programs? The answer is no. Providers of services, both private and government, are dedicated to their mission. City staff does monitor and track spending. The City is steadily improving the tracking of spending and working towards coordination and consolidation of services.

Is the "housing first" strategy working? The answer again is yes, it is working. Projects currently in the pipeline exceed the goal of the Ten-Year Plan for 3,000 more supportive housing units. The City started with 2000 units and now has over 4500 such units. Many of the homeless population have a place to live.

However, if the question concerns the public perception of the program's success, the answer is less positive. Panhandling, public drinking and drug use on the streets and in the parks, sleeping in doorways, etc., continues, creating the impression that the City still has as large homeless problem as it did prior to the innovations of recent years. This impression is not true. Many of the folks seen on the street are not homeless -- they have homes, but their life is still on the street.

As the City is close to achieving its housing goal, it is now time to take stock and set new goals, based on a rigorous economic analysis of its current homeless population and housing programs, as well as the need to address quality of life issues for all residents of San Francisco.

II.

INTRODUCTION

Homelessness has long been San Francisco's abiding social problem. The City's mild weather and liberal, tolerant outlook have traditionally made it a haven for the homeless. And the forces that swelled the ranks of the homeless nationwide in the 1980's hit the City especially hard -- urban development, reduction in residential treatment for the mentally ill, HIV, family disintegration and high housing costs.

The City has tried various approaches to solving the problem. Past initiatives included:

- Matrix, emphasizing police enforcement, and
- Continuum of Care, focused on shelters and housing.

More recently, the City enacted "Care Not Cash" to replace cash welfare payments with in-kind assistance, primarily housing. Care Not Cash became the foundation of a ten-year "San Francisco Plan to Abolish Chronic Homelessness" ("Ten-Year Plan") developed in 2004 by a high profile working group led by former Supervisor Angela Alioto. The Ten-Year Plan concluded that chronic homelessness could be abolished through the creation of 3000 more housing units (half through master leases and half through new construction or major renovation), and this goal continues to provide a unifying vision for today's homeless programs.

Although the Ten-Year Plan had several recommendations for two other core strategies, client outreach and homelessness prevention, its target for increased supportive housing became the City's primary rallying point. Much of the ramp-up was financed through the concurrent inception of the Care Not Cash voter initiative measure, passed in 2002, which slashed welfare checks to the homeless in favor of providing housing and in-kind services. The savings from reduced welfare checks were put into a special fund to provide new homeless housing and services.

The twin mantras of the Ten-Year Plan are "housing first" and "harm reduction" (also known as "care not cure"). Rather than trying to get the addicted and mentally ill into treatment before offering them housing, the policy is to get them into housing first, limit the harm that they can do to themselves and others, and then offer them voluntary services that will address their mental or physical health, addiction, or other issues. Today, this is the national model, backed by grants for permanent supportive housing funded by the U.S. Department of Housing and Urban Development ("HUD").

When resources are scarce, solutions to homelessness must be both compassionate and cost efficient. The Ten-Year Plan promised both.¹ The vision, energy, and commitment

¹ "Logic and compassion dictate that moving our 3,000 chronically homeless into permanent supportive housing would be cost effective, saving the taxpayers millions of dollars each year. Doing so would also

of everyone involved in the City's homeless programs are of a very high order. The City clearly has the will to end chronic homelessness. The challenge is how to house the homeless without creating a new, ever-growing, and unsustainable entitlement program.

It is also time to address the closely related quality of life issues that are felt by every San Francisco resident. The City's residents are justifiably skeptical about the quantifiable successes of the Ten-Year Plan, because their eyes tell them a different story as they walk downtown or in their neighborhoods.

The Jury's investigation focused on supportive housing and services because of the proven success of this model and because this is the cornerstone of the City's homeless strategy. The agencies involved in implementing the City's homeless strategy include the Health Department, the Human Services Agency, the San Francisco Redevelopment Agency, the Mayor's Office of Housing, the Mayor's Office of Community Development, the Department of Children, Youth and their Families, the Department on the Status of Women, the Department of Aging and Adult Services and the Police Department.

The Jury focused mainly on programs sponsored by the Health Department and the Human Services Agency, which together oversee most of the City's supportive housing.

The Health Department's supportive housing programs for the homeless who are mentally or physically ill follow the same principles of "housing first" and "harm reduction" as do the Human Service Agency's for the chronic homeless. Rather than trying to get the disabled, addicted or physically or mentally ill into treatment before offering them housing, the policy is now to get them into housing first, and then offer them supportive services to address their chronic medical and other issues. Treatment and support services are voluntary, but are more likely to be accepted and to be successful once a person is in stable housing.

The Jury also considered the relationship of homelessness and affordable housing, as well as shelters. Some thoughts on these are found in the report's Appendix.

provide the chronically homeless with their best opportunity to break the cycle of homelessness that controls their lives." Ten-Year Plan, p. 8

III.

BACKGROUND

A. THE HOMELESS POPULATION

Homelessness is down. The decline is significant – a 26% drop since 2002.

To qualify for federal funds, the City counts its homeless population in the last week of January every two years. At last count (January 31, 2007) there were 6,377 homeless, up 2% from 6,248 in 2005 (a slight increase which the City attributes to better counting methods). Both counts are substantially below a 2002 count of 8,640. By January 2005, eight months after Care Not Cash went into effect, the homeless population had declined 28%. At the same time, the number of “street homeless” declined. The homeless were moving off the streets and out of shelters to settings where, although still technically homeless, they were receiving consistent care: transitional housing, treatment centers, jails, and hospitals. The Jury is aware that some dispute the accuracy of these counts. However, it believes that the trend that the numbers reveal is a real one.

The homeless population is a composite one. Distinct groups include:

- drug addicts and alcoholics
- the sick and disabled
- seniors
- families
- battered women
- youths leaving foster care
- discharged prisoners
- veterans
- people with AIDS
- immigrants
- the unemployed

Ninety percent of the homeless are single adult males. The largest and most problematic group consists of the “chronic homeless.” These are single adults who have been homeless for over a year or who have had recurrent episodes of homelessness in recent years (defined by HUD as four episodes in the past three years). Most are addicted to drugs or alcohol, and have physical or mental health issues as well. This group represents the hard core who are hardest to reach and who impose the greatest costs on the City as they cycle in and out of shelters, jail, treatment facilities, emergency rooms, and hospitals. According to interviewees involved with recent homeless counts, San Francisco’s homeless population, compared to other cities’, has more chronic homeless (36%), more with HIV (about 7%), and more veterans (about 25%, a group likely to increase in the next few years).

The homeless population in San Francisco is aging quicker than the population as a

whole. One study showed that from 1990 to 2003, the median age increased from 37 to 46 years, while the percentage over 50 nearly tripled (from 11% to 32%).²

This aging trend suggests that the homeless are a fairly static cohort, reflecting an increase that dates from the 1980's. If so, a one-time increase in housing stock may have lasting effects. An increase in chronic health conditions and in visits to emergency rooms and hospital admissions was also reported, suggesting that, as this cohort ages further, it will be cost effective to integrate health care into supportive housing. As the need for acute care of the street homeless wanes, the need for long-term homeless housing and a stable source of operating funds to support it will become more pressing.

B. CARE NOT CASH

Care Not Cash was key to the Ten-Year Plan to end chronic homelessness through a "housing first" policy which has been reaffirmed in a recent 5-year plan. Before its introduction, San Francisco was one of only two counties in California that gave cash assistance to its homeless (\$332 or \$410 a month) rather than housing, food and other in-kind services. Today, the homeless typically get \$59-65 in cash (compared to the full cash grants of \$342 or \$422 for those not covered by Care Not Cash), and \$120 in food stamps, in addition to housing and access to health care, job-training and other City provided or sponsored services funded in part by the savings in cash payments.

C. SUPPORTIVE HOUSING

Supportive housing is housing that provides its residents with services such as drug and alcohol recovery, medical care, social services case management, counseling programs, job training, and legal assistance – often directed at obtaining eligibility for Supplemental Security Income ("SSI") benefits. The nature and extent of services at any particular site will depend on the population served. The overall cost effectiveness of the supportive housing program will depend on continually calibrating the services provided to meet client needs.

The Health Department's supportive housing serves a population requiring intensive medical and "behavioral" (i.e., mental health and substance abuse) services, and typically has an on-site psychiatrist and social worker.

The Human Services Agency's supportive housing typically has on-site caseworkers, but relies more on roving and off-site services for medical and addiction treatment.

²Judith Hahn et al, UCSF, "The Aging of the Homeless Population: 14-Year Trends in San Francisco" (*J Gen Intern Med* 2006; 21:775-778)
<http://www.springerlink.com/content/u5135p47h7701775/fulltext.pdf>

The Ten-Year Plan called for the addition of 3,000 units of supportive housing targeted at the homeless by 2010, half through new construction, and half through master leasing of existing residential hotels. This approach is designed both to improve the welfare of the homeless and to be cost effective. Although it costs about \$40 a night to provide supportive housing compared to about \$22 for a room in a residential hotel without services, it is the only approach that keeps the chronically homeless permanently housed.

“Retention rates” in supportive housing units, i.e. the percentage of residents who stay housed or leave for other permanent housing each year, are 97%. The underlying theory behind the Ten-Year Plan is that by keeping the homeless off the streets and out of hospital emergency rooms, shelters, and jails, its costs are fully offset by savings elsewhere. However, the Ten-Year Plan does not elaborate on its claim that supportive housing for the chronically homeless would save the taxpayer \$45,000 per person per year.³

Claims like these are plausible but need to be rigorously examined. Once the 3,000 additional unit goal has been achieved, any future increase in supportive housing units needs to be justified anew by assessing the remaining homeless population and the marginal cost of getting them into permanent supportive housing.

D. PROGRESS TO DATE IN REDUCING HOMELESSNESS

Care Not Cash went into effect in May 2004. Within 8 months, the homeless population had fallen 28%. This sharp initial drop was followed by a more gradual decline. Much of the early drop was due to the immediate success of a program giving bus tickets out of town to those with someplace to go, and to the large number of homeless who left the welfare rolls rather than accept the sharply reduced checks (officials speculate some of these may have been coming in from other counties to collect). The rest can be attributed largely to movement into addiction treatment centers or supportive housing.

From December 2003 (the end of the calendar year preceding its inception) through December 2004 (8 months following the May inception) the number of homeless adults receiving County Adult Assistance Program (“CAAP”) welfare payments (usually at the lowest of its two benefit levels) declined from 2,632 to 642. It has since hovered at about 600.

From 2004 through December 2007, 4,317 formerly homeless single adults have been housed. Since Care Not Cash went into effect, supportive housing units have increased from about 2,000 to about 4,500. Of the current total, 880 are sponsored by the Health Department under a “Direct Access to Housing” program that provides more intensive medical services to the elderly, disabled and the mentally or physically ill. The rest are sponsored by the Human Services Agency. Projects that are currently planned or under

³ “Statistics show that the care of one chronically homeless person using Emergency Room services, and/or incarceration, cost San Francisco an average of \$61,000 each year. On the other hand, permanent supportive housing, including treatment and care, would cost \$16,000 a year.” Ten-Year Plan, p. 8

development will add about 450 units by early 2010.

IV.

DISCUSSION

A. HOMELESSNESS SPENDING – A BIG BUSINESS

In many ways San Francisco has a Homeless Industry. Homeless spending is big business. For its current fiscal year, the City budgets about \$186 million for direct spending on the homeless or those at risk of becoming homeless. The Jury has not attempted to quantify the generous contributions from individuals, charities, and foundations.

This figure does not include the money represented by CAAP welfare grants, emergency medical response, hospitalization, jail costs, most city management and overhead functions, and much else.

Although estimates of homeless spending differ widely and include different costs, it is clear that homeless spending has mushroomed since the City began to track it. The Budget Analyst's previous reports estimated direct spending on the homeless to be \$31.1 million in fiscal year 1993-1994, and \$73 million in fiscal year 2001-2002 (with administrative overhead and capital costs raising the latter total to \$104.3 million).

Thus, the City's budget for direct spending on the homeless or those at risk of becoming homeless increased nearly 600% since fiscal year 1993-1994.

The 2001-2002 Budget Analyst Report is now six years old, and predates the Ten-Year Plan and Care Not Cash. Updating the report would provide worthwhile data to aid in assessing whether the trend in ever-increasing spending on homelessness is changing. While more limited audits have been done, such as the Controller's 2008 audit of Care Not Cash, there has not been a comprehensive assessment since the early part of the decade.

Money spent on homeless services comes from a variety of federal, state, and local sources. Federal funds include: \$18.8 million of McKinney-Vento Homeless Assistance Act HUD funding for building permanent supportive housing; \$8.6 million under "Shelter Plus Care," a federal supportive housing program for people with disabilities; \$8.1 million in Housing Opportunities for People with AIDS Act ("HOPWA") funding for those with HIV; Veterans Administration funds; SSI payments to individuals (or to third party agents on their behalf), and Medicare.

State funds include Medi-Cal payments, \$1.8 million in "Prop 63 Funds" for the mentally ill, proceeds of a 2002 bond measure for affordable housing, and even a pinch of tobacco tax revenue.

Local funds include general revenues, proceeds of development bonds, developer fees, hotel tax revenue, property "tax increment" (increases in property taxes in redevelopment areas), and a few private grants.

Much of this funding is uncertain and highly variable in amount. For example, recent Affordable and Homeless Housing Bond ballot measures have passed or failed by narrow voter margins. The sheer number of funding sources and agencies involved, and the need for constant coordination and cooperation among agencies, create unique challenges for budgeting and planning.

The City has been adept at dealing with these challenges so far. For example, it has made up for cutbacks in HOPWA and other AIDS funding by tapping general funds and by adding AIDS homeless units in mixed buildings, or by developing self-sustaining businesses as part of its housing program. Some uses or combinations of funding sources are proscribed; for example, funds may be available for capital costs of constructing a building, but not for subsequent operating expenses. The City has recently created a local operating subsidy fund to pay ongoing operating costs of supporting housing, so that in a project like the soon-to-open Salvation Army community center (where private philanthropy funded the construction), the City can subsidize operating costs and avoid the gradual erosion of services that occurs when new supportive housing is created without a stable long-term source of operating funds.

B. ROLE OF NON-PROFITS – WHERE MOST OF THE MONEY GOES

Most of the City's spending on supportive housing (at least \$90 million) goes to over 80 private, mostly non-profit organizations. They are community based, usually formed around a particular neighborhood, demographic group, or issue. Some are large and highly sophisticated, others small and dependent on collaborations with others to run their programs. Most depend largely or entirely on City contracts for their funding.

Perhaps because of this dependence, politics infuse their relationship with the City. On the one hand, City officials occasionally said things like: "Non-profits spend too much time on advocacy and not enough time running their programs," or "Some non-profits have a strong sense of entitlement," or that they would anticipate "political fallout" from any attempt to terminate a contractor. On the other hand, one non-profit manager feared (rightly or wrongly) that a visit he got from a Controller's Office auditor was the result of his having publicly expressed views on a policy issue that differed from the Mayor's. He spent months unnecessarily gathering data to defend his program. Objective cost/benefit measures of success could help ease these tensions.

On the whole, however, the Jury observed that relationships seem harmonious. The City recognizes the value of working through organizations with a strong cultural and community base, and the non-profits welcome opportunities to collaborate with City staff, who they find experienced, supportive, and willing to work closely with them.

To the extent that some non-profits may, in fact, feel a sense of entitlement, the Jury believes this can be remedied to a great extent by strengthening performance measures as recommended later in this report.

C. ECONOMIC MODELS FOR SUPPORTIVE HOUSING: MASTER LEASE AND DEVELOPMENT

Supportive housing in San Francisco has been created in two main ways -- a master lease program whereby existing buildings are leased from private owners and re-let to the homeless, and a development program whereby specially-built housing is owned and developed by non-profits using private contractors and city-backed financing.

The master lease approach typically involves the City's funding master leases between non-profits and residential hotels or SRO's (i.e., buildings for "Single Room Occupancy," once called "flophouses"), usually with small rooms and shared bathrooms. These can be quickly renovated and converted to homeless use, but the housing quality is uneven. These master leases are usually for 10-year terms with a 10-year renewal option. This approach has been criticized for helping to shrink the pool of private SRO's and forcing up rents on the lowest rung of the private housing market ladder.

The development approach often costs more and typically takes 1 to 5 years. But the newly built housing has amenities like kitchens, baths, and common rooms that greatly enhance the quality of life. The development corporation owns the land, develops it through the use of city-backed financing, and operates the project thereafter. It gets a development fee (during construction), management fees (once opened), and has right of first refusal to purchase the building though with many covenants designed to assure the building remains dedicated to housing purposes.

One major such developer is the Tenderloin Neighborhood Development Corporation which operates at least 12 buildings, mostly in the Tenderloin. Other such buildings are currently being developed in the Mission and South of Market.

The typical development model uses property purchased by the non-profit with improvements being constructed with the aid of loans from private capital sources such as banks, with additional loans and/or loan guarantees being made by the City directly or through the San Francisco Redevelopment Agency. Private financing at attractive rates is available to these projects because of low-income housing or other federal tax credits. A typical arrangement uses cooperating corporations and limited and general partnerships arrayed, under City direction, to finance and operate the project. The loans are theoretically repayable in 55 years, but are typically forgiven sooner, when tax benefits have been exhausted.

Although the sums involved are large and the financial arrangements complex, the Jury found no evidence that excessive profits are being made. Nor is there any evidence of

profiteering in non-profit owned development, where fees and loan terms are standard, and non-profit lenders must often partner with commercial banks to make projects viable.

City officials involved in master lease negotiations indicate that the owners of residential hotels that enter into master leases are able to make more money renting their rooms to the City at a lower rate based on 100% occupancy than they could renting them out directly at a 30-40% occupancy rate. Although many of these deals were negotiated at a time when the City was scrambling to ramp up supportive housing as fast as possible and saw master leasing as the best short-term approach, the hotel owners did not have the upper hand. The transactions occurred against a backdrop of increasing regulation of residential hotels in the 1990's that spawned some major litigation and left the hotel owners little choice, since they were precluded from going out of business or converting residential hotel rooms to other uses.

There is a wide range of housing provided to the homeless. The two most common types, however, are master leased hotels and new or reconstructed purpose-built facilities. The differences between these two dominant approaches are described elsewhere in this report. Even though the two approaches to developing a housing unit, the time-to-market and the gross development costs are very different, many housing advocates assert that unit costs for development and operations, amortized over time, are comparable. Since new construction costs have increased significantly in recent years, and are likely to continue increasing, it seems unlikely that this real or perceived comparability will continue. Little or no analysis of these competing approaches has been done. A comprehensive, cost benefit analysis is in order to guide future decisions as to whether one or the other of the two alternatives makes the most sense as a model for additional housing development.

D. COSTS OF SUPPORTIVE HOUSING – AN INCENTIVE TO MIGRATE?

Supportive housing is not cheap. The recent Controller's Office: Performance Audit of Care Not Cash (April 30, 2008) concluded that the program was meeting its goals, but noted that the housing and supportive services received were worth about \$1300 per month, much more than the former maximum cash payment of \$410 per month. The Controller said that it was likely that Care Not Cash had reduced but not eliminated the incentive for the homeless to flock to the City. Migration is easy because all that the City requires in order for someone to qualify for general assistance is that the person spend 15 days in the City and declare an intent to reside here permanently. High-quality homeless programs might thus exert their own magnet effect.

The supportive housing services administered by the Human Services Agency for the Care Not Cash population of single homeless adults are typically limited to a 24-hour security desk and minimal casework help. Supportive housing through the Health Department programs costs more because services for the sick and disabled are more intensive. They may include on-site doctors, psychiatrists, nurses, and a more intensive

caseworker-to-client ratio. Health Department staff estimate that services account for about half the total cost of their supportive housing.

The City cannot afford free housing for all comers. It is essential that supportive housing continually demonstrate its cost effectiveness by reducing both the overall homeless population and the costs of local services that the homeless would otherwise consume, including shelters, hospitals, nursing homes, jails, and police and ambulance costs. The next bi-annual homeless count in January 2009 should show whether the initial decline in homelessness when Care Not Cash began is a continuing trend. The upcoming count should expand its efforts to conduct a survey to provide demographic data and help identify current needs.

E. STUDIES OF SUPPORTIVE HOUSING'S COST EFFECTIVENESS

Continual monitoring is needed to demonstrate the cost effectiveness of supportive housing programs. To date, some studies have shown a reduction in health care costs in the Health Department's supportive housing programs:

a) A Goldman School of Public Policy, University of California, Berkeley study of the homeless entering two City sites between 1994 and 1998 (Canon Kip Community House and the Lyric Hotel, early innovators in supportive housing for the mentally ill) showed marked reductions in emergency room visits and hospitalizations among the "dually diagnosed" homeless (in this case, those diagnosed with mental illness and at least one other condition, usually addiction, HIV, or other physical disability). The study compared their medical expenses for the two years before they moved in with the two years after and found that hospitalizations and emergency room visits had about halved.⁴

b) An internal Health Department review of housing and health costs for 98 formerly homeless adults entering its Plaza Apartments site when it first opened in December 2006 demonstrated a net saving in one year of about \$20,000 per resident, after factoring the cost of building and operating homeless housing into its "housing as health care" equation. The savings were, however, largely attributable to 10 residents who moved in from Laguna Honda Hospital, a long-term nursing care facility. Substantial if less dramatic savings were seen in data from two other sites operated under Health Department contract, Folsom Dore and the Empress. The factors that seemed to contribute most to housing stability and reduced health care usage were a mixed population building, a high concentration of seniors, and a neighborhood with less drug activity. However, the savings seen with the mentally ill or those with physical disease or disability have yet to be demonstrated among the chronic homeless or in the broader supportive housing population.

⁴ Tia Martinez and Martha Burt, "Impact of Permanent Supportive Housing on the Use of Acute Care Health Services by Homeless Adults" (*Psychiatric Services*, July 2006, Vol. 57, No. 7: 992-999) <http://ps.psychiatryonline.org/cgi/reprint/57/7/992>.

F. MEASURES OF PROGRAM SUCCESS – TIME TO GO BEYOND ‘RETENTION RATE’ AND TO FOSTER INNOVATION

Measures of cost effectiveness also need to be developed for judging specific programs and organizations.

The key measure of success in supportive housing programs is the retention rate, i.e. the percentage of residents who stay or leave for other permanent housing in a given period. The Human Service Agency’s contracts typically set a target of a 90% retention rate over one year. Most of their non-profits achieve 97%.

The Jury believes that more rigorous measures of success are needed.

Success measures could focus on outcomes relative to intake criteria. These might stress cost inputs ("Per Unit Per Annum" operating costs + capital costs or lease costs of bringing buildings online) and benefit outcomes (housing retention rates + savings on public service costs like emergency services, jails and hospitalizations). This analysis would also have to include controls such as by population served, size of building and intake criteria (since some programs are selective and others take all referrals).

Innovation and experimentation should be encouraged. This could be achieved by a framework that provides the same per unit resources to each organization, but sets few if any rules about how its programs are run. There is evidence, for example, that the caseworker to client ratio is irrelevant in the typical Human Services Agency single adult site.⁵ The Tenderloin Housing Clinic is experimenting with two smaller “step up” SROs: in place of the on-site caseworker and security desk staff, there are an on-site hotel owner/manager and a locked garden gate to which every tenant has a key. The owner is allowed to select his tenants, many of whom work or are in job training programs. With Health Department clients the requirement might call for an intensive caseworker/client ratio, or caseworkers who can be contacted round the clock. The residential treatment facility might require a licensed social worker, whereas para-professionals, peer counselors or volunteers could suffice in some supportive housing programs.

The Jury believes that more variation and innovation should also be encouraged in the tenant mix and types of housing arrangement -- for example, by allowing communal living, or transitional housing programs tied to acceptance of specific kinds of services. While the “harm reduction” principle generally requires that services be voluntary, there is room for differences in approach. Several interviewees commented to the Jury that expectations were unnecessarily low for the homeless who entered supportive housing programs. There are currently a few housing programs which have selective intake criteria and require their residents to stay “clean and sober” and/or to be enrolled in treatment programs. One of these is the soon-to-open Salvation Army housing project in the Tenderloin, which offers 40 apartments to the chronically homeless who “are actively

⁵ Human Services Agency internal data

working toward rehabilitating their lives.” If tenant rights preclude such conditions in permanent housing, an expansion of transitional housing programs with incentives tied to participation in treatment programs should be considered.

G. COST/BENEFIT COMPARISONS – LET’S FIND OUT WHAT WORKS BEST

There are wide differences in operating costs. Some can be explained by the size of the building and the number of rooms over which the cost of the front desk security is spread. Some may be attributable to the relative lack of experience most non-profits have in property management, so that buildings run smoother with professional property managers. The Community Housing Partnership has an innovative approach in this area--a supportive employment program which trains its formerly homeless residents in property management. It now manages six buildings for other non-profits with its own home-grown staff.

The Human Services Agency is currently developing a “best practices” working group to explore the reasons for the variations in service and operating costs – whether tenant mix, service mix, staffing patterns or building conditions -- and to help define cost and outcome measures that will be used to evaluate future contract performance. It hopes to develop outcomes measures beyond retention rate (mentioned above), such as employment, income (either earned or from a mainstream benefit program such as SSI) or a move to other permanent housing. As the supportive housing system matures and residents turn into long-term tenants, such outcomes will become more common, although retention rate will probably remain the major measure of success.

The Jury fully supports this working group’s efforts, and believes this sort of cost/benefit analysis and emphasis on objective input/output measures of success should be undertaken in other homeless programs too, including supportive housing for seniors, families, and Health Department clients. There is great potential for cross-fertilization of ideas between programs. For example, rent subsidy vouchers now available to families and for AIDS patients might be considered for the chronically homeless adults, especially if they can be used outside San Francisco where rents are lower (as vouchers for families now can as long as they are under case management in the City).

H. CONTRACTOR TRACKING AND REPORTING REQUIREMENTS – INCREASE THEIR USEFULNESS

The same objective performance measures would improve oversight and accountability without stifling innovation and creativity. They could also reduce reporting requirements. Currently each contractor files periodic reports, varying greatly in form and content, to one of seven departments administering the funds.

Non-profits that operate supportive housing programs are required to file quarterly and

annual reports along with backup financial and other data. Some of the data relate to the key measures of housing retention and increased client incomes (whether through employment or qualification for SSI or other mainstream benefits) or reduced costs. But others are tied to looser objectives or to process measures (such as number of caseworker contacts, or attendance at coffee hours). A required annual client survey is limited to four narrow questions (e.g. whether posted notices are in a language the client can read) rather than being a customer satisfaction survey of a kind that a non-profit might devise and use for itself.

These particular reporting requirements are probably HUD's, but to the extent the City has reporting requirements of its own it should ask for information which is simple to provide and uniform across agencies, so that a non-profit with funding from various sources can use the same report for all. Ideally, it would ask for information that the non-profit finds useful to track for its own internal purposes, such as client housing and service history.

The City's supportive housing programs expanded rapidly to meet the 3,000 additional housing unit target of the Ten-year plan. It now expects to meet this goal in 2010. Although no goals beyond this point have been set, projects currently in the pipeline will increase homeless housing units at a slower pace thereafter. Now it is time to take stock, set new goals, and increase cost effectiveness.

While there is no computerized system for tracking and analyzing this large loose network of homeless housing and service providers, federal permanent housing funds are being used to pay for two staff positions to develop one. The Jury believes that such a tracking system, properly designed and maintained, will be an invaluable tool for establishing the effectiveness and cost effectiveness of these entities.

I. THE HOMELESS AND SAN FRANCISCO'S QUALITY OF LIFE – A COMPLEX CONNECTION

The Jury has focused in this discussion primarily on the economic aspects of the City's initiatives to address homelessness. The amounts of money and the scope of the challenges are vast, and these have to a great extent received the appropriate amount of attention by City leadership and departments. The Jury is aware, however, that many San Franciscans equate the homeless with conditions they encounter every day as they travel virtually anywhere in town: panhandling, public drunkenness, public drug use, sleeping in doorways, and the like.

It is likely that San Francisco residents and visitors have not noticed improvement in these conditions since the Ten-Year Plan and Care Not Cash began. They are understandably skeptical of counts of the homeless population that show sharp reductions.

To some extent, the success of these programs has been invisible to the public, because many of the formerly homeless people who now have places to live still spend much of their day on the street. It is important that public support be maintained for worthwhile programs to house the homeless. This can be achieved only if the City formulates an equally aggressive, long-term plan to address quality of life issues.

V. FINDINGS

1. Homeless spending is large scale, complex and dispersed, but the City has no mechanism for regularly monitoring it across departments.
2. Updating the six-year old 2001-2002 Budget Analyst's Report of direct and indirect homeless spending would provide worthwhile data to aid in assessing whether the trend in ever-increasing spending on homelessness is changing.
3. Current performance measures are not useful in comparing the overall performance of non-profit providers.
4. Efforts to monitor the cost effectiveness of supportive housing program have not been comprehensive, and have not included all cohorts of the population at risk of homelessness.
5. The costs of different homeless housing programs vary greatly for reasons which are poorly understood. Little analysis of these differences has been done.
6. It is unclear whether current plans to create one type of building over another or to develop new models are informed by past experience or by any cost/benefit analysis.
7. The City is just beginning to develop simple outcome measures of success relative to cost in its supportive housing programs.
8. Greater freedom to experiment with different approaches and levels of service could facilitate greater cost effectiveness in supportive housing programs.
9. While the City needs to monitor its contracts closely, it could simplify reporting requirements and provide a computerized method for tracking and comparing outcomes among non-profits that non-profits themselves could use in collaborations among themselves as well as for their own internal uses.
10. San Franciscans' continued support of efforts to house the homeless may depend on their observing an improvement in quality of life attributes such as aberrant street behaviors.

