

Housing First Cost Analysis

Framing the Challenges: A Case Study of California

Dr. Carolina Reid, UC Berkeley

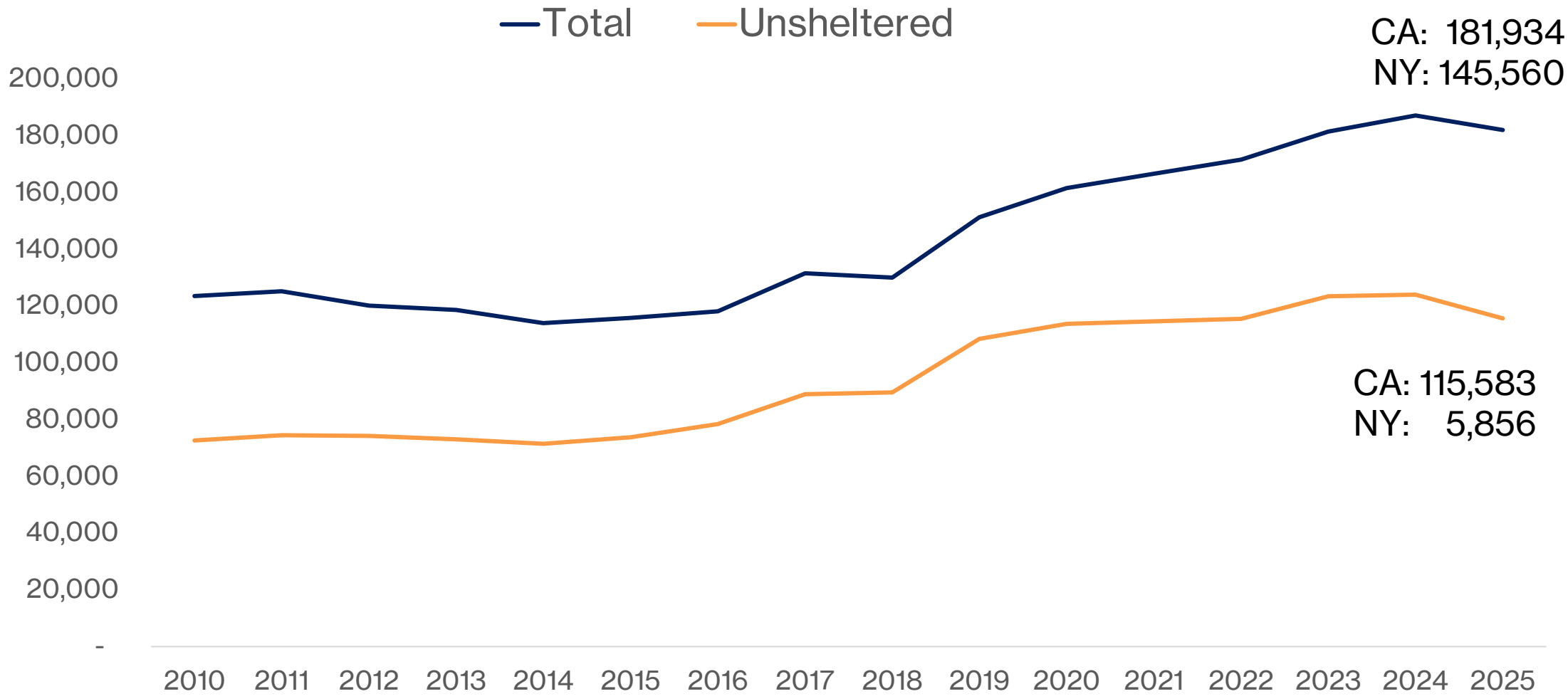
Outline of Talk

- Introduction to California Housing First Context
- Why it is so difficult to measure cost “savings” associated with Housing First?
  - Variation in delivery of housing and services across Housing First models
  - System fragmentation (data integration)
  - Time dimension (when do you measure costs/savings?)
  - Variation in subpopulations and their system use
  - Variation in the costs of the “alternative” approaches to intervention
- Implications

Homelessness in California:
The Context for Housing First

- Definition of homelessness is narrow: unhoused, living either in a place not fit for human habitation (e.g., park bench, car, sidewalk), or in a temporary shelter
  - New York, where a significant share pf the evidence for Housing First has been developed, is a “right to shelter” state
  - **In comparison, California does not have a right to shelter**

Homelessness in California:
The Context for Housing First



Homelessness in California: The Context for Housing First

- Any program that receives state funding must follow "Housing First" principles
  - No requirement to get "clean"
  - No requirement to accept services (autonomy)
  - Drug use or illegal activity is not grounds for eviction
  - Full lease rights in subsidized housing/PSH
- We apply similar principle of autonomy and voluntarism to shelters
- Weak welfare state
  - Trump administration is making conditions worse
  - But, we're also seeing a retreat from Housing First principles among Democratic city leaders

Trump Administration Proposes a Drastic Cut in Housing Grants

In a major shift, HUD's plan would direct most of the $3.9 billion in homelessness funds away from Housing First to programs that prioritize work and drug treatment.

The New York Times

San Jose Considers Arresting Homeless People Who Refuse Housing

The mayor of the Silicon Valley city has proposed arresting people who don't accept offers of shelter. It's the latest sign of frustrations over tent encampments in California.



Homelessness in California:
The Context for Housing First

Supportive housing includes subsidized housing and services, but is characterized by many different models with different cost structures



Voucher +
Third Party Service
Provider



Scattered Site +
Third Party Service
Provider



Single Room
Occupancy
Buildings



Converted
hotels/motels



Low-Income
Housing Tax
Credit (LIHTC)

- Can include on- or off-site supportive services staff
- Services can be provided by the property owner, by a third-party service provider, or a mix of both

SROs: Often Older Buildings, Smaller Units, Shared Common Spaces

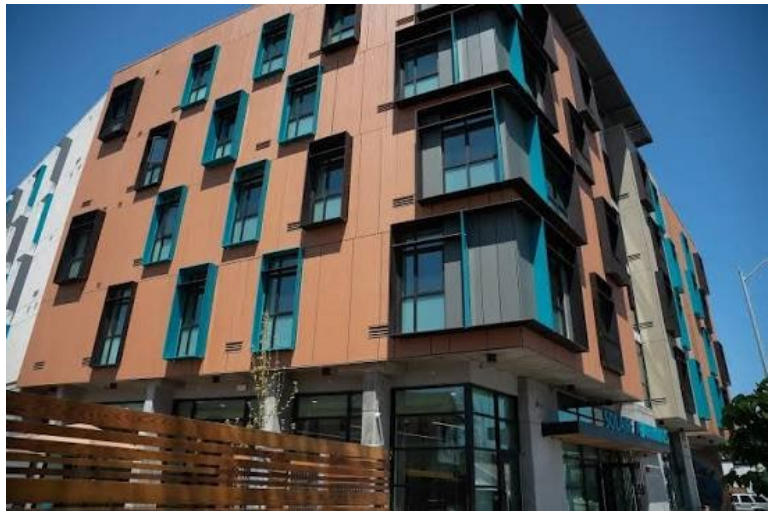


Hotel/Motel Conversions, Adaptive Re-Use





LIHTC: Percent Supportive Housing Units Varies Across Properties











Homelessness in California: The Context for Housing First

Three separate systems pay for services within supportive housing

Rental subsidies and CoC funding

WHO PAYS

Federal, state and local funding sources

WHAT IT PAYS FOR

Staffing at supportive housing properties, can include case managers or resident service coordinators

County health systems

WHO PAYS

Counties, using state and federal money

WHAT IT PAYS FOR

Mental health and substance use treatment

Medi-Cal (CalAIM)

WHO PAYS

Medi-Cal, California's Medicaid program: public health insurance for people with low incomes, run through managed care plans

WHAT IT PAYS FOR

Housing Trio: help finding housing, deposits, and support to stay housed

ECM: intensive care management for members with complex needs

Measurement Challenges

Measurement Challenges Implementation of Housing First

Different country contexts shape the “costs” attributed to Housing First

Cost of Housing First =

Shelter

Building: long-term asset + expenditure
Subsidy: long-term expenditure

\+

Services

Level of service: e.g. peer support, case management, ADL supports

\+

Health Care

Health care: access and types of interventions covered

Each can be large, small, or zero depending on what other systems already pay for, so cost estimates are hard to compare across countries.

Measurement Challenges

System Fragmentation

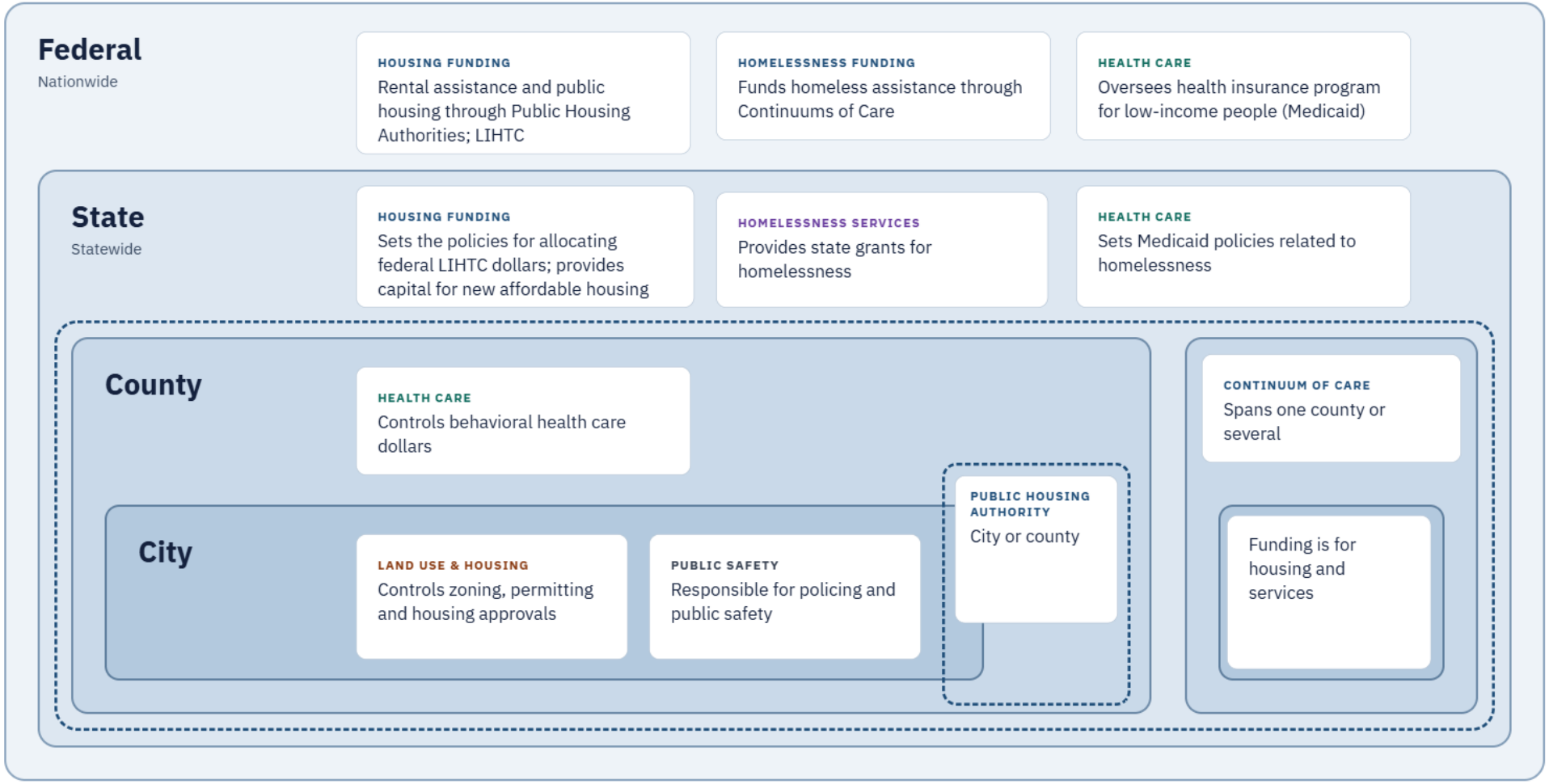
In the US, the costs of **providing** Housing First fall on the **housing and health systems**



Measurement Challenges

System Fragmentation

Across multiple levels of government



Measurement Challenges

Short- versus Long-Term Shelter/Housing Costs

Los Angeles Times

HOUSING & HOMELESSNESS

Affordable housing in California now routinely tops $1 million per apartment to build



$1,2 million a unit to build

San Francisco Chronicle

Exclusive: Should tiny cabins count as real housing? A new plan could offer hope for S.F.'s crisis

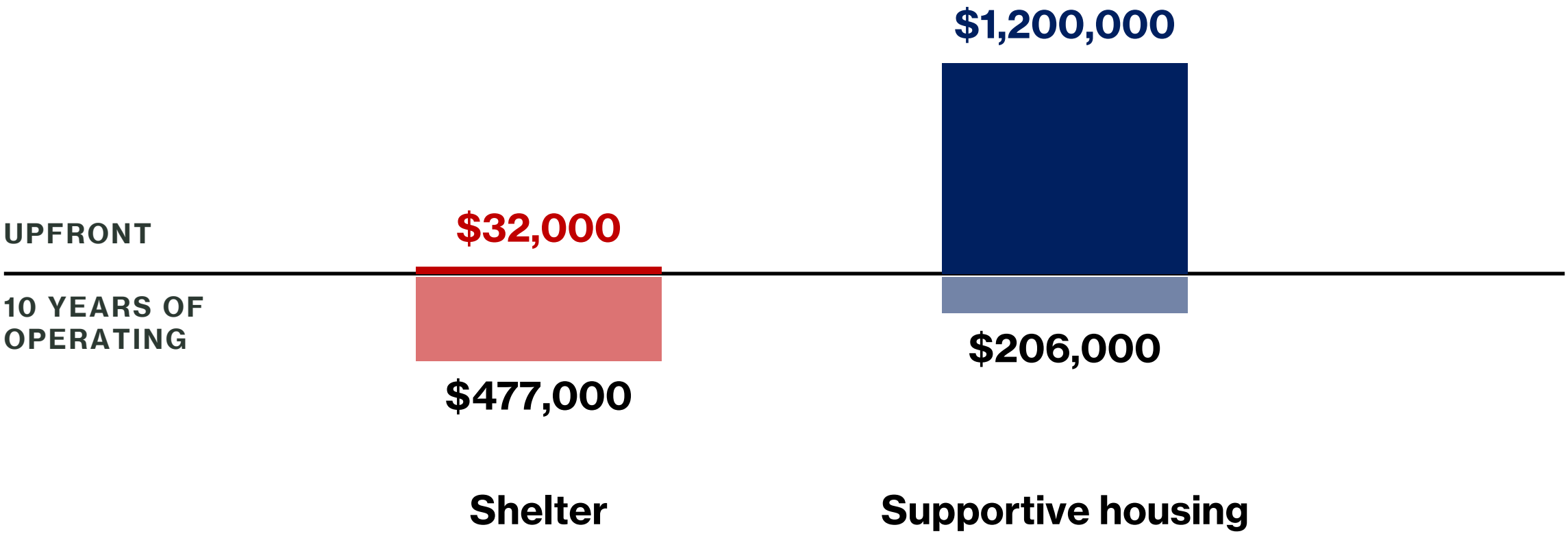


$32 thousand a unit to build

Measurement Challenges

Short- versus Long-Term Shelter/Housing Costs

Politics favors short-term over long-term cost savings



Operating costs start at $41,600 (shelter) and $18,000 (supportive housing) a year and are assumed to grow 3% a year. Rounded to the nearest $1,000.

Measurement Challenges

Short- versus Long-Term Shelter/Housing Costs

Total cost per unit, upfront plus operating

	1 year	4 years	10 years	30 years
Shelter	$74,000	$206,000	$551,000	$2,184,000
Supportive housing	$1,218,000	$1,275,000	$1,406,000	$2,056,000

Measurement Challenges

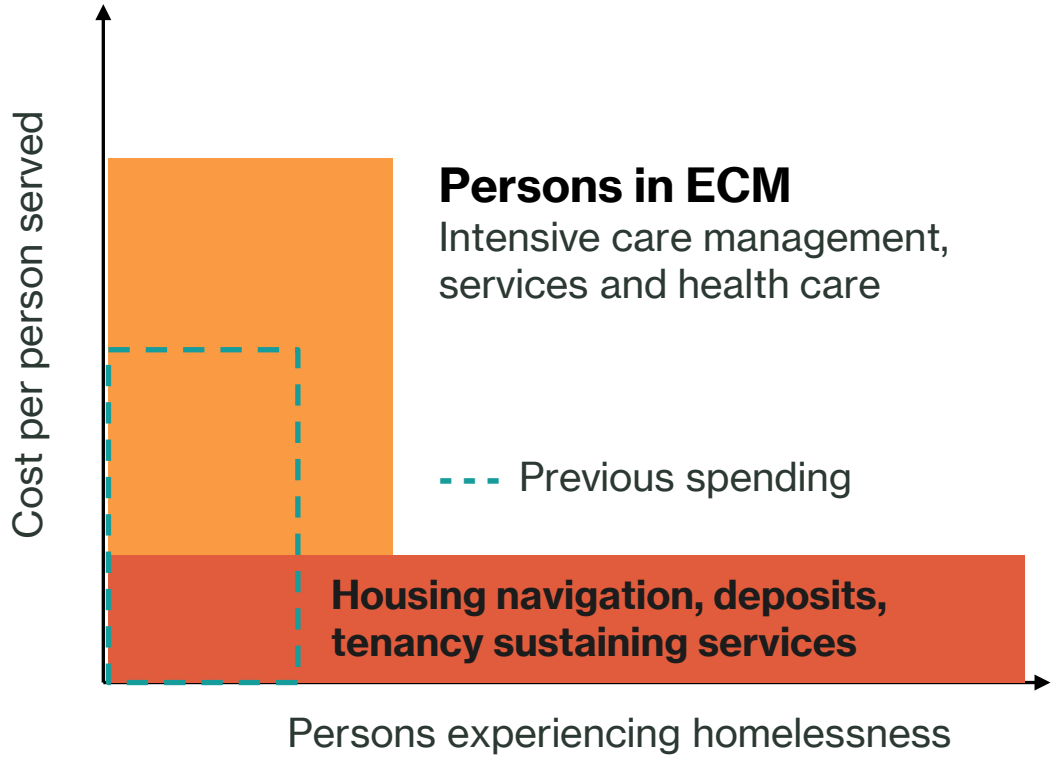
Health Care Utilization and Costs

Cost per person served × persons served = total cost (the shaded area)

Health Care System

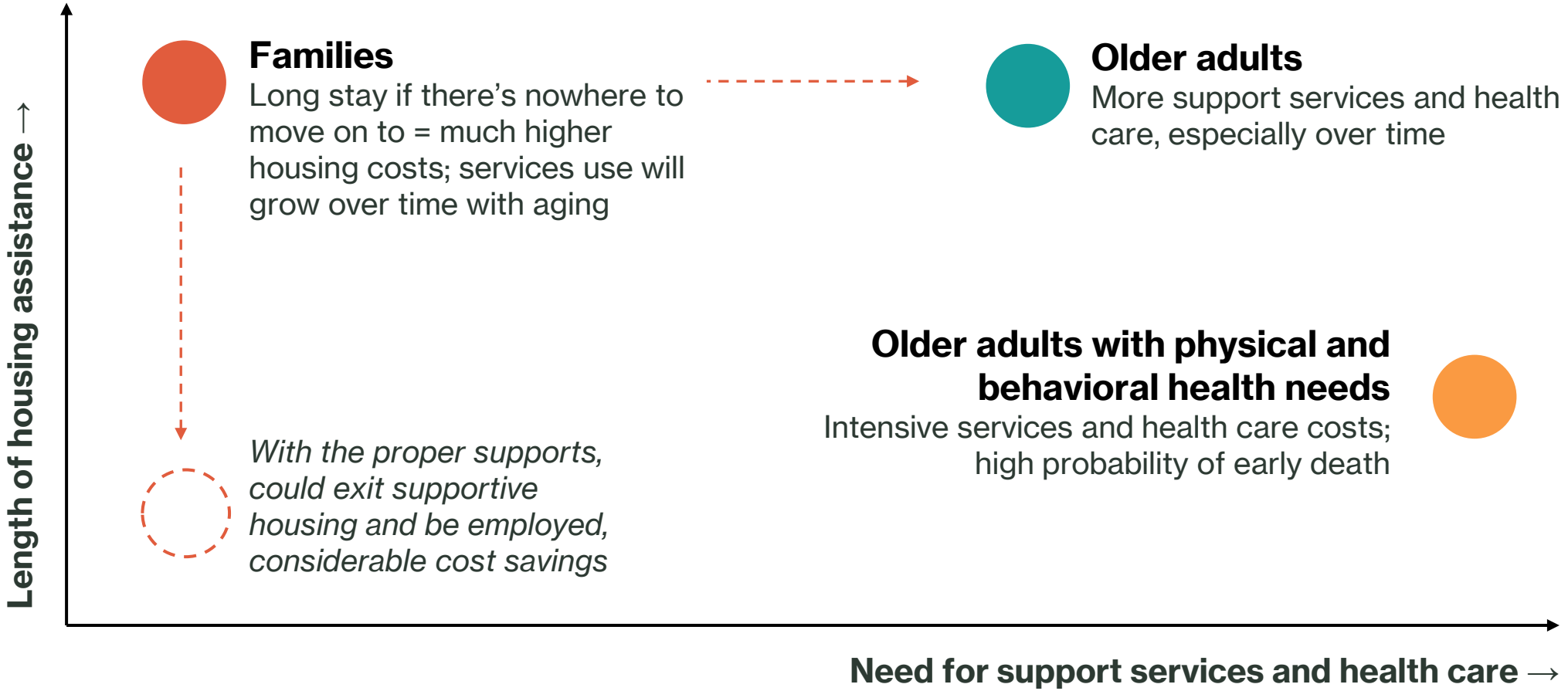


Under Housing First/CalAIM



Measurement Challenges

Subpopulation Needs and Cost Profiles



Measurement Challenges

Counterfactual: Costs of other Homelessness Interventions

The estimated cost of Housing First depends on the alternative it is measured against

Cost of Housing First
compared to...

Housing assistance



"Do Nothing"	Prevention	Shelter	Rapid Re-Housing	Voucher	Subsidized housing unit
Depends on the societal baseline	Depends on targeting, model	Depends on the model and services provided, uptake	Depends on the model and returns to homelessness	Depends on local housing market costs and length of use (and work disincentives); returns to homelessness	Depends on local housing market costs and length of use (and work disincentives); returns to homelessness

Implications for the Field

- **Research Gaps**
  - Model and measurement fidelity
  - RCTs/experimental designs with different subpopulations
  - Comparative research: how institutional approaches to addressing homelessness matters
  - Aging and costs
- **Policy Questions**
  - What “cost” figures will be enough to move the needle on implementation?
  - Does the cost savings argument shape prioritization of who receives assistance in unintended ways?
  - What if Housing First principles lead to more individual positive outcomes (e.g. more humane end of life care, greater life satisfaction and community participation) but these don’t produce public sector cost savings?

Thank you!