



Bay Area Homelessness

A Regional View of a Regional Crisis

April 2019

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The Economic Institute is guided by a board of advisors drawn from influential leaders in the corporate, academic, nonprofit, and government sectors. It is housed at and supported by the Bay Area Council, a public policy organization that includes hundreds of the region's largest employers and is committed to keeping the Bay Area the world's most competitive economy and best place to live.

About this Report

At the end of each year, the Bay Area Council surveys its members to determine which public policy areas are of the greatest concern to the region's largest employers. In the Council's 2017 survey, ending chronic homelessness emerged as a top public policy priority for the first time. The Bay Area Council's Executive Committee, chaired by Bernard Tyson, President & CEO of Kaiser Permanente, requested that the Bay Area Council Economic Institute conduct a report on the current state of regional homelessness. This study, undertaken in cooperation with global consulting firm McKinsey & Company, aims to provide policymakers with new data and perspectives on how to solve what has become the defining moral challenge facing both the Bay Area region and California writ large.

To gather perspectives from those who work daily to address homelessness, the study team interviewed 35 experts and practitioners, including county and city officials, nonprofit providers, philanthropic leaders, healthcare professionals, advocates, and homeless individuals themselves. County officials spanned the region from Alameda, Contra Costa, Marin, Napa, San

Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties. Organizations represented included SHELTER Inc., Larkin Street Youth Services, Tipping Point, Hamilton Families, Abode Services, Corporation for Supportive Housing, UCSF, Social Finance, HomeBase, EveryOne Home, and Destination: Home. The study team also embedded itself with the Larkin Street Youth Services' outreach team to better understand the day-to-day lives of Bay Area community members experiencing homelessness.

Regional homeless data was compiled using the annual or biennial Point-in-Time (PIT) counts, conducted by volunteers and public employees within individual counties. PIT data is aggregated at the county and state level to produce estimates of their respective homeless populations and used by public officials and nonprofits to design and budget for services targeting people experiencing homelessness.

The U.S. Department of Housing and Urban Development's (HUD) PIT and Housing Inventory Counts (HIC) are the primary quantitative sources for this study. For the PIT count, HUD mandates that each recipient of federal funding related to homelessness (i.e., counties) conduct a count during one night in January. Due to its snapshot methodology, the PIT count only sizes the homeless population at one point in the year, rather than throughout the entire year. HUD allows for regions to apply a multiplying factor in order to account for this (e.g., between 2-3x in San Francisco). However, because the PIT and HIC methodologies are relatively consistent across years and regions, they are still one of the best sources for comparisons beyond one county or period.

Additionally, many jurisdictions engage an external research firm to conduct the PIT count. Several counties in the Bay Area conduct their PIT counts through Applied Survey Research (ASR). In addition to the HUD requirements for the PIT count, ASR also surveys a sample of the homeless population in select counties.

Lastly, the research team combined the PIT and HIC counts with U.S. Census Bureau population data for select regions. This enables comparisons of homelessness and population trends in the Bay Area with those of peer metropolitan areas (e.g., New York, Boston, and Chicago).

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Executive Summary

Until very recently, homelessness was considered the problem of individual cities and counties. For a metropolitan region like the Bay Area, which is divided into nine counties and 101 cities, this approach fails to meet the needs of an intraregionally mobile homeless population. In this report, a regional lens provides a new perspective on the homelessness crisis and offers new ways to address the problem.

By virtually every measure, the Bay Area's homeless crisis ranks among the worst in the United States.

The Bay Area has the third largest population of people experiencing homelessness (28,200) in the U.S., behind only New York City (76,500) and Los Angeles (55,200), according to Point-in-Time counts. The Bay Area also shelters a smaller proportion of its homeless (33 percent) than any metropolitan area in the U.S. besides Los Angeles (25 percent), making the crisis highly visible across the region. The absolute size of the Bay Area's homeless population, combined with the region's dearth of temporary shelter options and an insufficient supply of supportive housing, desensitizes the public and condemns the homeless to lives of hardship.

According to the 2019 Bay Area Council poll, residents of the nine-county San Francisco Bay Area rank homelessness behind only housing affordability (which is closely related to homelessness) and traffic congestion as the region's biggest challenges, and the number of residents who believe homelessness is the region's top problem has nearly tripled since 2015.

Despite progress on several fronts, a solution to the crisis remains elusive. Oakland Mayor Libby Schaaf and San Jose Mayor Sam Liccardo have pioneered the use of cabin communities and tiny homes, respectively, to keep homeless communities intact while providing shelter and services. In San Francisco, Mayor London Breed launched the Rising Up initiative to provide

housing subsidies and job placement services to more than 500 young people experiencing homelessness. Santa Clara County is recognized statewide for having developed the most transparent analyses of its existing homeless services. San Francisco has added large numbers of permanent supportive housing and rapid re-housing beds in the last five years, and has more supportive housing per resident than any other U.S. city.

The private sector has also been increasingly engaged. In 2018, Kaiser Permanente announced \$200 million to fight homelessness nationwide, with the first project being the \$5.2 million acquisition of a 41-unit housing complex in East Oakland that will be rented to low-income families. In Santa Clara County, Cisco has committed \$50 million to build more housing, improve technological capacity, and scale promising programs.

Yet between 2011 and 2017, the number of people experiencing homelessness in the Bay Area slowly grew. This trend occurred even as the region was growing its inventory of homelessness support assets, including permanent supportive housing units and rapid re-housing programs. While jurisdictions have been successful in moving more homeless individuals and families into stable housing, a larger number of people are experiencing homelessness for the first time.

The Bay Area's chronic housing shortage especially at extremely low-income levels, limited growth in wages

at the bottom of the income spectrum, an insufficient inventory of short-term shelters and permanent supportive housing, and too few resources for mental health and addiction services, each played a role in leading up to the current crisis. Complex funding streams tied to specific populations or uses also make a solution difficult to attain. Federal funding programs have prioritized permanent housing solutions as the most effective path to ending homelessness. As such, the inventory of temporary shelters and other emergency options for shelter in the region has fallen.

Faced with the combined shortage of deeply subsidized housing units and short-term shelters and transitional units, the majority of the region's homeless population goes unsheltered each night. This dynamic has forced Bay Area cities and counties to grapple with homelessness on dual fronts. They must balance the immediate need to address the humanitarian crisis on their streets and in homeless encampments, while also focusing on the longer-term solution to homelessness: providing a home to every individual and family.

This balance is necessary because providing permanent housing to every person experiencing homelessness will take many years under the status quo. Given existing growth rates in the inflows into homelessness and assuming the region could sustain 2017's annual increase of permanent supportive housing units (2,500), the Bay Area will not be able to provide a bed to each of its homeless residents until 2037. But even that projection is optimistic given that Point-in-Time counts only reflect the homeless population on a single night. An actual solution might be much further away.

Until very recently, homelessness was considered the problem of individual cities and counties. For a metropolitan region like the Bay Area, which is divided into nine counties and 101 cities, this approach fails to meet the needs of an intraregionally mobile homeless population. For instance, the Bay Area's myriad datasets on homelessness are incompatible, and assets are planned and built without coordination or optimization. Problems in one community spill into another. According to Jeff Kositsky, Director of San Francisco's Department of Homelessness and Supportive Housing, "Homelessness in San Francisco will never be solved as long as the city is surrounded by 15,000 unsheltered homeless people in the neighboring counties."

Solving the Bay Area's homelessness crisis requires interventions across all stages of homelessness:

- Preventing individuals from becoming homeless is a cost effective way to keep the crisis from growing.
- Providing accommodation to the unsheltered homeless residents who currently have no place to go will alleviate the crisis on the region's streets.
- Maximizing the number of units and housing programs dedicated to homeless individuals and families will provide a long-term solution.

Successfully offering interventions across this spectrum will require additional resources to expand the region's inventory of support assets, as well as policy reforms at the local, regional, and state level to optimize existing programs. In this report, we use regional data to support policy recommendations in three categories:

1. Stem new inflows into homelessness and increase exits.

Addressing homelessness at its earliest stages requires more effective diversion and prevention programs to keep individuals and families in their homes. An expanded housing supply available to extremely low-income households can be achieved through incentives targeted to units reserved for households earning between 0 and 30 percent of area median income. More work must be done across counties to understand and meet the existing and projected accommodation need.

2. Drive greater state and regional collaboration.

For instance, the state could play an active role in homelessness solutions by consolidating its efforts into a State Homeless Services Agency that can offer flexible funding for housing construction and services. The agency can condition funding on the creation of regional homelessness management plans that standardize definitions for monitoring and tracking homelessness data and trends.

3. Simplify and improve homeless services.

Private and philanthropic capital can be deployed in innovative ways, from testing the effectiveness of interventions with Pay for Success programs to using technology to streamline services. Regional task forces on funding and technology can identify gaps in existing funding sources and design platforms for intake, care, and tracking.



By the Numbers: Homelessness in the Bay Area

Large, Unsheltered, and Growing

Despite an unprecedented era of economic expansion, the Bay Area has one of the most visible homeless problems in the United States. In 2017, an estimated 28,200 individuals were homeless across the nine-county Bay Area according to Point-in-Time (PIT) counts, making it the nation's third largest population of people experiencing homelessness, behind only New York City (76,500) and Los Angeles (55,200). As a percentage of the overall population, the Bay Area has the fifth highest homeless concentration in the U.S., with 36 homeless individuals for every 10,000 residents, behind New York City (89), Los Angeles (54), Seattle/King County (53), and Boston (50). Were the Bay Area counties ranked separately, San Francisco would have the second largest ratio of homeless-to-non-homeless residents in the nation (78), Sonoma County (56) would have the third highest, and Marin County (43) the seventh highest.

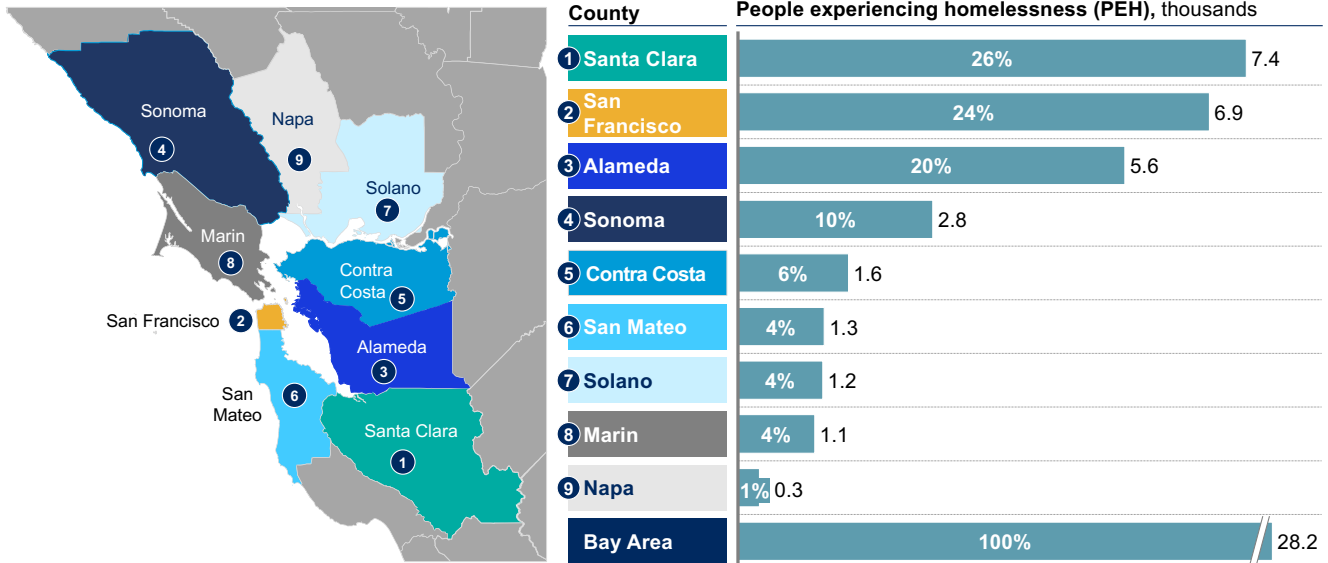
The Bay Area also provides less shelter to its homeless population than other regions. In 2017, the Bay Area sheltered just 33 percent of its homeless population, less than half the weighted average provided by 13 peer regions studied here (67 percent), and the second lowest behind only Los Angeles (25 percent). Rival metros in the Midwest and East Coast shelter far greater percentages of their homeless populations than the Bay Area, including 74 percent in Chicago, 85 percent

in Washington, D.C., and 95 percent in New York City. In both absolute and relative terms, the size of the Bay Area's homeless population combined with the lack of shelter makes the region's homeless population more visible than elsewhere in the United States.

Unsheltered homelessness, in particular, creates severe health and safety risks for both those experiencing homelessness and for those in the surrounding community. In March 2017, an outbreak of Hepatitis A at a San Diego homeless camp infected 592 people and killed 20. "Epidemic levels" of typhus, a disease transmitted by fleas, swept through homeless camps surrounding Los Angeles over the summer and fall of 2018. Homeless encampments in Oakland caught fire on at least four separate occasions between September and November 2018.

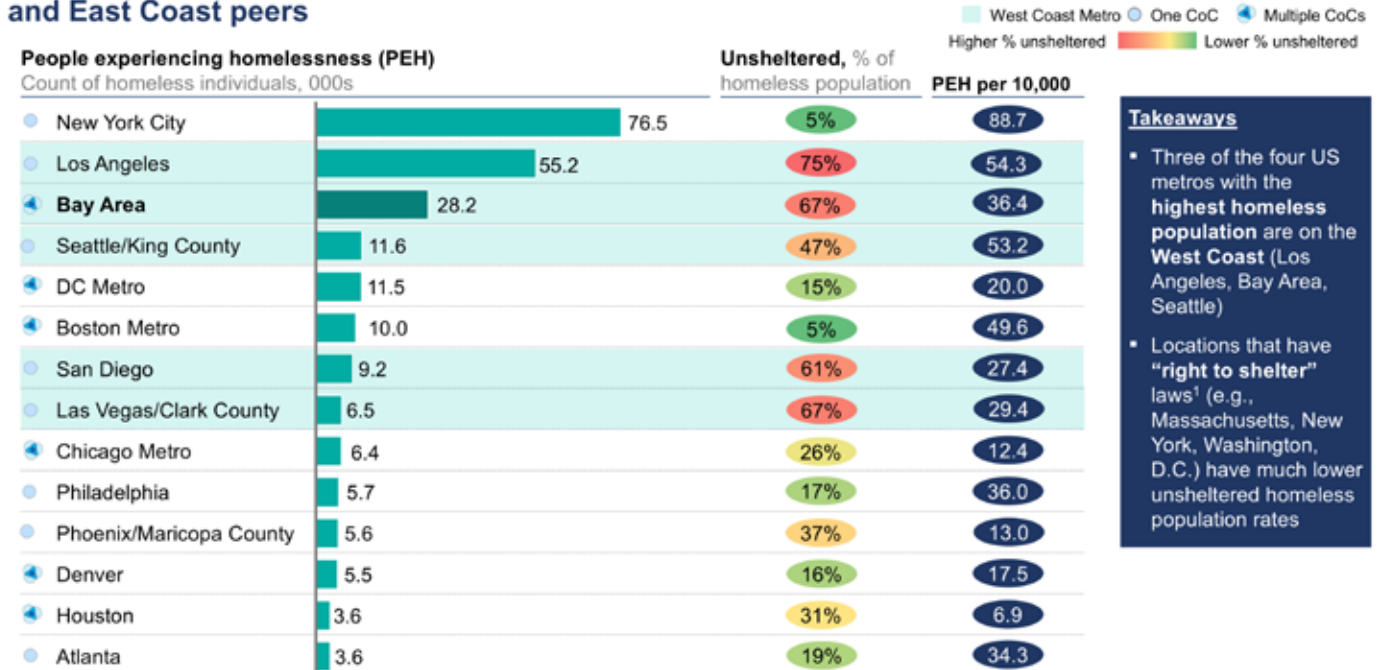
Significant differences also exist between counties within the Bay Area. Solano and Santa Clara counties have the highest unsheltered rates relative to the number of individuals who are experiencing homelessness. San Francisco is a leader in providing permanent housing. Yet even the Bay Area's bright spots tend to lag national averages. For example, Napa County shelters a greater percentage of its homeless population than anywhere else in the Bay Area, yet its unsheltered rate (37 percent) is still above the average among the peer group of metro areas analyzed.

In 2017, roughly 28,200 people were estimated to be homeless across the nine Bay Area counties according to Point-in-Time counts, with 70% in three counties



Source: 2017 HUD PIT count data by CoC, 2017 US Census population estimates
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

West Coast metros have a unique unsheltered challenge when compared to Midwest and East Coast peers

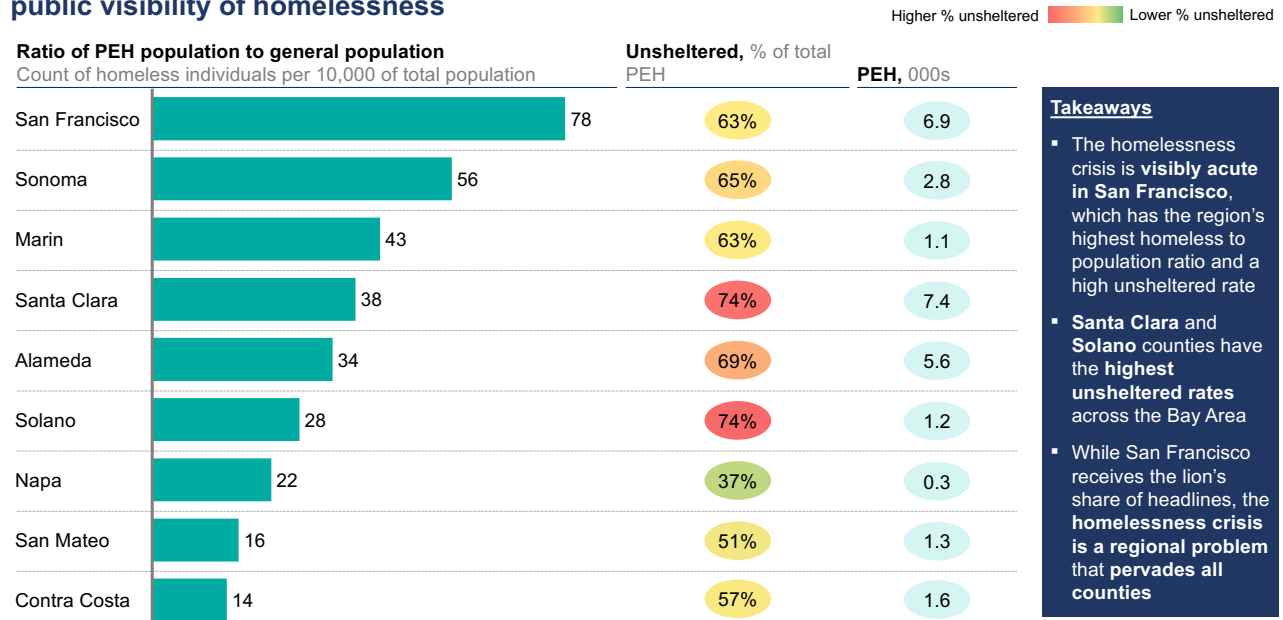


Takeaways

- Three of the four US metros with the highest homeless population are on the West Coast (Los Angeles, Bay Area, Seattle)
- Locations that have "right to shelter" laws¹ (e.g., Massachusetts, New York, Washington, D.C.) have much lower unsheltered homeless population rates

¹ "Right to shelter" laws require state or local governments to provide emergency shelter to all individuals eligible for services
 Source: 2017 HUD PIT count data, US Census 2017 population estimates, Continuum of Care county composition
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

High homelessness rates relative to population and high unsheltered rates magnify the public visibility of homelessness



Takeaways

- The homelessness crisis is **visibly acute in San Francisco**, which has the region's highest homeless to population ratio and a high unsheltered rate
- **Santa Clara and Solano** counties have the **highest unsheltered rates** across the Bay Area
- While San Francisco receives the lion's share of headlines, the **homelessness crisis is a regional problem that pervades all counties**

Source: 2017 HUD PIT count data, US Census 2017 population estimates, Continuum of Care county composition
Analysis: McKinsey & Company and Bay Area Council Economic Institute

Who Are the Bay Area's Homeless?

Compared with other regions across the United States, the Bay Area's homeless population is large and unsheltered. Compared to the general population of the Bay Area, it is disproportionately comprised of homeless men, unaccompanied youth, and people of color. Whereas families compose the largest segments of the homeless populations of Chicago (34 percent), New York City (59 percent), and Boston (61 percent), families make up only 14 percent of the overall Bay Area homeless population. Conversely, a large portion (28 percent) of the Bay Area's homeless population qualifies as chronically homeless—defined as an unaccompanied individual with a disabling condition who has been continuously homeless for more than one year, or has had at least four episodes of homelessness in the past three years. Chronically homeless individuals make up only 15 percent of the homeless population in Chicago, 8 percent in New York, and 13 percent in Boston. The Bay Area's relatively high rate of chronic homelessness and relatively low rate of family homelessness is shared with other West Coast metro areas.

The Bay Area's homeless population also does not reflect the region's diversity. The Bay Area's homeless population is disproportionately comprised of single, male minorities over the age of 25. A relatively high percentage (25 percent) identify as LGBTQ+. The Bay Area's homeless population is also mostly comprised of long-time residents: 56 percent have lived in their county for 10 or more years, and the vast majority (89 percent) have lived in their current county for more than one year (see Appendix C). Given this information, the region's crisis is one of its own making, and not a product of the migration of homeless individuals from other states or regions. With that said, intraregional movement of people experiencing homeless does occur, and data sharing initiatives between counties are beginning to identify how certain individuals are utilizing services across the region over time.

Relative to other regions, the Bay Area homeless population is made up of more chronically homeless and youth, but fewer families

Demographic breakdown of PEH, % of total PEH in region

Geography	PEH, thousands	Chronically homeless	Unaccompanied youth (under 25)	Homeless people in families	Homeless veterans
New York City	76.5	8%	3%	59%	1%
Los Angeles	55.2	30%	9%	15%	8%
Bay Area	28.2	28%	20%	14%	9%
Seattle/King County	11.6	24%	13%	24%	11%
DC Metro	11.5	22%	4%	49%	4%
Boston Metro	10.0	13%	3%	61%	3%
San Diego	9.2	24%	13%	17%	12%
Las Vegas/Clark County	6.5	7%	32%	5%	11%
Chicago Metro	6.4	15%	5%	34%	9%
Philadelphia	5.7	16%	5%	41%	4%
Phoenix/Maricopa County	5.6	17%	6%	32%	9%
Denver	5.5	20%	8%	27%	10%
Houston	3.6	15%	5%	26%	11%
Atlanta	3.6	10%	6%	14%	11%

West Coast Metro One CoC Multiple CoCs
 Higher % of region demographic Lower % of region demographic

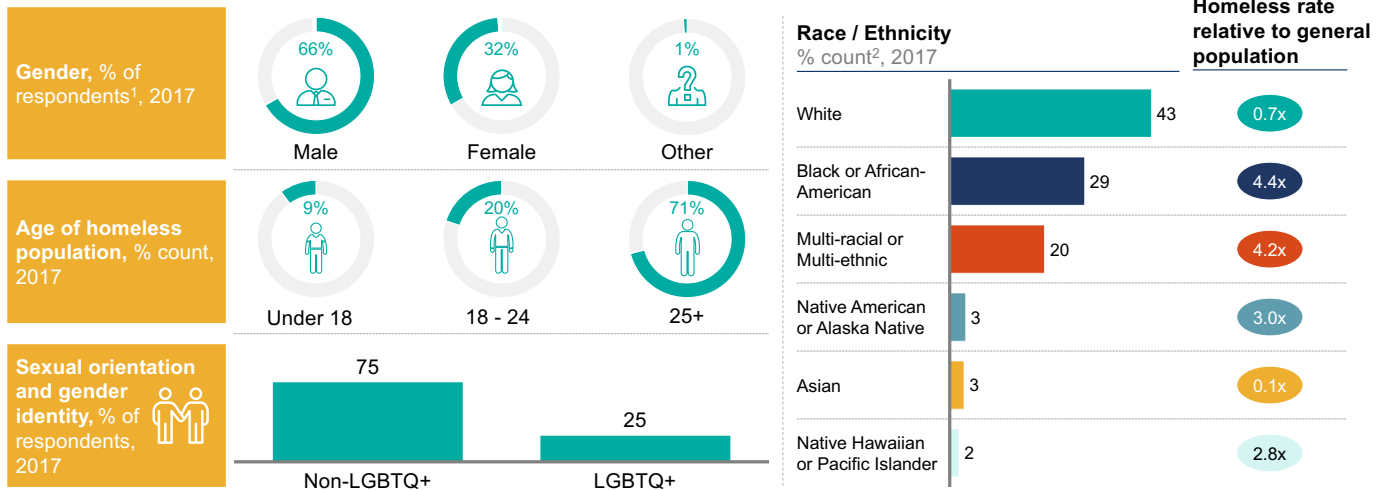
Takeaways

- The Bay Area has 2nd highest chronic homeless percentage and 2nd highest youth homeless percentage of all top metros
- West Coast metros tend to have higher chronic and youth homeless percentages
- “Right to Shelter” cities (e.g., New York, Boston) have the highest family homeless percentages, but lower chronic and youth homeless percentages

Source: 2017 HUD PIT count data, Continuum of Care county composition
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

The Bay Area homeless population is composed primarily of older males, with a high minority and LGBTQ+ concentration relative to the general population

Demographics of people experiencing homelessness



¹ Percentage may not sum to 100 due to rounding
² Race / ethnicity includes 88% of total Bay Area homeless population, all counties except Contra Costa, Marin, Napa, San Mateo (no data available)

Source: San Francisco, Marin, Sonoma, Alameda, Santa Clara, Solano 2017 PIT counts and reports, Applied Survey Research
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

Mapping the Homelessness Crisis Response System

While the definition of homelessness encompasses people living in shelters, on the streets, in tents, and in cars, an end-to-end view of the region's response system is necessary to truly understand the magnitude of the issue. In addition to people experiencing homelessness, an end-to-end view also includes those who are at risk of becoming homeless and those who have recently been re-housed. This report looks at the entire crisis response system, which includes three main stages of homelessness:

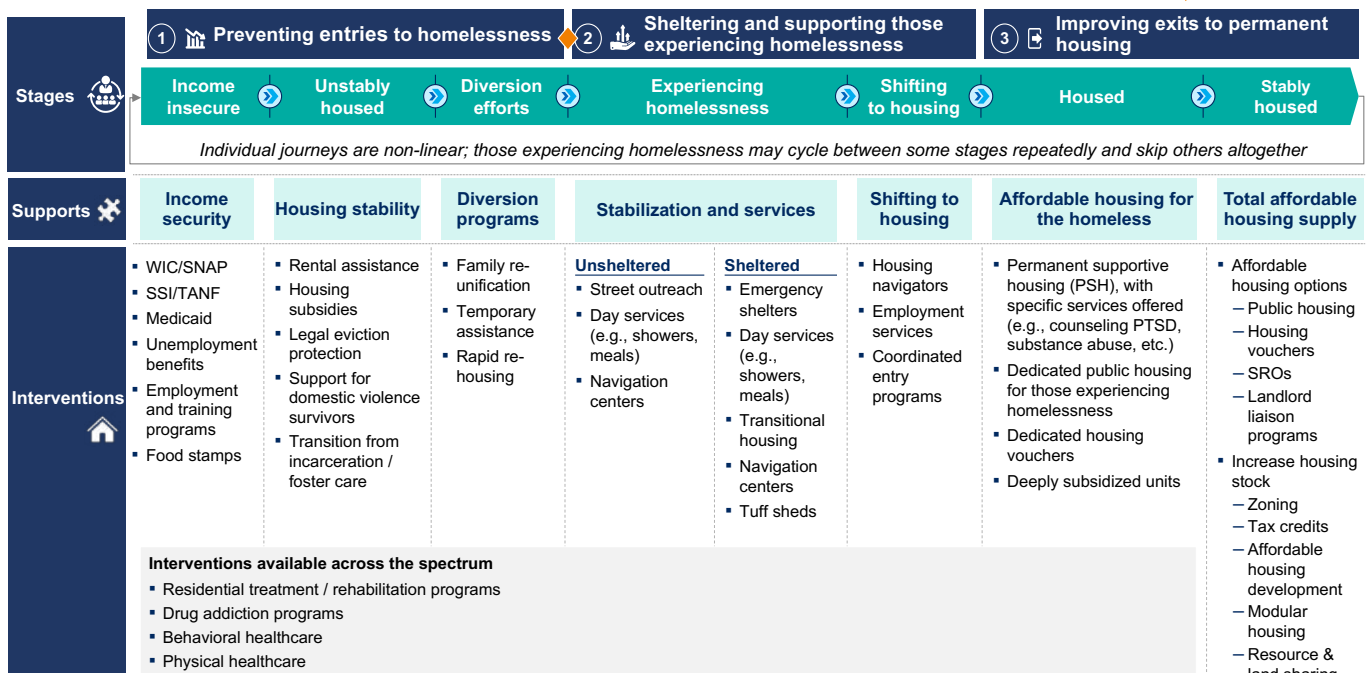
- **Entering homelessness:** At this stage, individuals are at high risk of becoming homeless, and interventions that prevent entries to homelessness can be very helpful. Programs include those that increase income security and housing stability, such as unemployment benefits and rental assistance.
- **Experiencing homelessness:** This stage encompasses both homeless individuals who

are sheltered and those who are unsheltered. Responses at this stage provide stabilization services and attempt to shift individuals to housing. The most appropriate intervention will depend on an individual's particular situation, but approaches often include programs such as emergency shelters, navigation centers, transitional housing, and coordinated entry programs (which assess individuals, determine eligibility for certain programs, and provide referrals to housing or shelter).

- **Exiting homelessness:** This stage of the crisis response system includes those who are receiving services to support their housing. Though it is not as visible as the stage of experiencing homelessness, it makes up a large part of the response system. Some programs provide affordable housing specifically for those experiencing homelessness. Interventions include such programs as permanent supportive housing, rapid re-housing, housing vouchers, and increasing the extremely low-income housing stock with the help of construction incentives and diverse sources of funding.

There are three major stages of homelessness: entering, experiencing, and exiting

◆ Precipitating event



Key Terms: Permanent Supportive Housing, Rapid Re-Housing, and Shelters

Housing First refers to a specific approach to homelessness based on the philosophy that stable housing is a primary human need, which must be met in order to maximize successful treatment of other issues related to housing instability, such as behavioral, psychiatric, and chemical dependency problems. The Housing First approach does not require people experiencing homelessness to address all of their problems—including behavioral health problems—or to progress through a series of service programs before they can access housing. Nor does it mandate participation in services, either to obtain or retain housing. Housing First-based programs often provide rental assistance of varying duration, depending on the household's needs. Participants sign a standard lease and are able to access supports as necessary. They may use a variety of voluntary services that promote housing stability and well-being during and after placement.

Housing First programs generally deploy multiple models for resolving homelessness. The most prominent are **permanent supportive housing (PSH)** and **rapid re-housing**. Permanent supportive housing (PSH) is an evidence-based housing intervention that combines non-time-limited affordable housing assistance with support services. Targeted at the most vulnerable in the homeless population—usually people with co-occurring and/or severe instances of mental illness, substance use, and medical problems—PSH is typically paired with support services like intensive case management or counseling for PTSD, substance abuse, and other ailments for which treatment must be subsidized. PSH is considered by many experts to be the best long-term solution to chronic homelessness, and a cornerstone of the “housing first” approach to homelessness.

Rapid re-housing serves a wider variety of individuals and families by providing short-term rental assistance and location services, including motels/hotels. Rapid re-housing aims to help people obtain housing quickly, increase their self-sufficiency, and remain housed. The core activities of rapid re-housing—finding housing, assisting with rent and move-in, and providing case

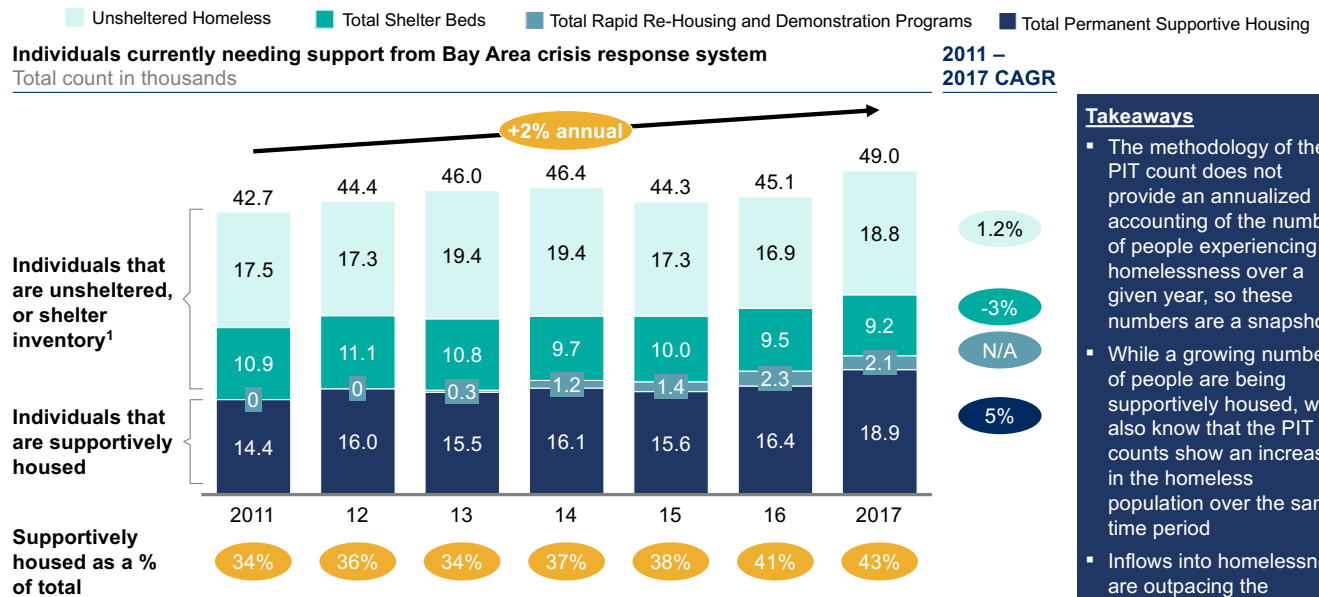
management and services—operationalize Housing First's fundamental principles.

Transitional housing provides homeless individuals with temporary housing and social services that allow them to move to and maintain permanent housing. According to HUD, transitional housing may be used to cover the costs of up to 24 months of housing with accompanying supportive services. Transitional housing usually takes the form of a room or apartment rather than a shelter. Program participants have a lease, sublease, or occupancy agreement in place when residing in transitional housing.

Emergency shelter typically refers to any facility which provides temporary shelter for the homeless without requiring occupants to sign leases or occupancy agreements. Relative to permanent supportive housing, shelters can be quicker and less expensive to build, and involve varying degrees of communal living. Emergency shelters provide overnight accommodation and may have high thresholds for entry. Some types of shelter, such as **Navigation Centers** or Oakland's cabin community program, may have lower thresholds for entry and provide other stabilization services such as meals, shower facilities, and social workers to help the homeless identify permanent supportive housing. They also permit individuals to stay for longer periods of time and may allow them to bring in partners, pets, and belongings. San Francisco opened the nation's first Navigation Center for homeless individuals in 2015, with more centers added since. These centers provide comprehensive services to San Francisco's most vulnerable chronically homeless individuals and connect them to housing.

Under HUD definitions, those living in PSH and rapid re-housing count as housed, whereas those living in shelters, navigation centers, and transitional housing count as homeless. HUD also does not classify those who are precariously housed as homeless (e.g., individuals or families who are living doubled up in single-family homes).

Accounting for Permanent Supportive Housing and Rapid Re-Housing beds, the Bay Area crisis response system has at least 49,000 individuals to support



Takeaways

- The methodology of the PIT count does not provide an annualized accounting of the number of people experiencing homelessness over a given year, so these numbers are a snapshot
- While a growing number of people are being supportively housed, we also know that the PIT counts show an increase in the homeless population over the same time period
- Inflows into homelessness are outpacing the corresponding exits through rapid re-housing and PSH programs

1 Assumes that shelter beds are 100% utilized, and that bed count serves as an approximation for the sheltered homeless population
 Source: HIC and HUD PIT count data 2011-2017
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

It is important to note that an individual's or family's path into and out of homelessness is not linear. According to the Family Options Study conducted in 2015, 20 percent of families who received rapid re-housing services returned to an emergency shelter seven to 18 months after enrolling in services. Of families who entered permanent supportive housing, 5 percent returned to an emergency shelter 21 to 32 months after receiving services.¹

This end-to-end view of the stages of homelessness and the interventions used in each stage provide a clear view of the complexity of the problem and the breadth of solutions available. Local governments and service providers do not only seek to house those individuals that are currently experiencing homelessness. They also have tools and resources at their disposal to stem new entries into homelessness and to keep the formerly homeless housed. However, few entities have this end-to-end view of homelessness outside of county Continuums of Care (CoCs). Most service providers are focused on one type of program or stage of homelessness, with very few organizations addressing the entire system.

At the end of this spectrum, exits from homelessness provide the clearest solution to the problem—a permanent home. The Bay Area has added significant capacity in recent years to its overall stock of permanent supportive housing (PSH) units and rapid re-housing programs, yet visible progress remains elusive (see Appendix A for homelessness trends). Between 2011 and 2017, the region increased its supply of PSH units at a rate of 5 percent per year (4,500 total units) and launched several rapid re-housing programs now capable of housing 2,100 individuals. These efforts are consistent with the U.S. Department of Housing and Urban Development's (HUD) shift to a Housing First approach, which prioritizes permanent housing over temporary shelters, with treatment of conditions such as substance abuse or mental health issues beginning once individuals have been housed.

However, these investments appear to have come at the cost of a reduction in the Bay Area's inventory of emergency shelter beds. During the same time period (2011-2017), the number of shelter beds in the region declined by 3 percent per year (about 1,700 beds lost in total).

John's Story: One Path through Homelessness

No path to homelessness is the same. For most, however, becoming homeless happens when all other safety nets fail. John, for example, is a 42-year-old man who makes \$18 per hour at his job. He has resided in his Bay Area county for 14 years.

John is living paycheck to paycheck. He has an unexpected medical expense and ends up missing his rent payment, forcing him to leave his apartment.

Potential intervention: Legal assistance to prevent eviction (e.g., a hotline to a tenants' union), temporary rental assistance, or other temporary financial assistance to cover basic needs (e.g., WIC/ SNAP for food)

John moves in with his uncle, but is now located far from his work.

Potential intervention: Family reunification (e.g., a bus ticket to family members in another location)

John's commute is too long, causing him to arrive late to work repeatedly. Consequently, he loses his job.

Potential intervention: Rapid re-housing—search and relocation services paired with short- and medium-term rental assistance—in an area closer to John's employer and training programs

Lacking the means to contribute to the household, John gets into a dispute with his uncle and is asked to leave his uncle's home. John is homeless.

Potential intervention: Housing navigator services and/or behavioral health care/case management for cohabitation instability

John must now take up temporary residence in his car while looking for shelter.

Potential interventions: Street outreach to locate John and inform him about available programs and options such as day services like showers and meals, and navigation centers that offer services, such as case management

Eventually, John comes off a shelter's waitlist and gets a bed, but he has to spend most of each afternoon waiting in line to obtain the bed for the night. Now John has shelter, but his path out of homelessness is blocked. He cannot find a new job because he spends most of his time waiting for a bed and meeting his basic needs. If he is lucky, John might obtain a housing subsidy in the Bay Area, but most housing goes to people who have been chronically homeless for a long time, with co-occurring and severe physical and behavioral health issues. In Alameda County, for every 3,000 people that enter homelessness, there are only 1,500 exits to permanent housing. In the Bay Area, for every sheltered person experiencing homelessness, there are at least two unsheltered individuals.

Potential interventions: More emergency shelters, coordinated entry programs, and navigation centers that offer services such as case management, connections to employers or employment services, and/or housing navigators

Long-term interventions: Housing subsidies, dedicated housing vouchers, rapid re-housing services, and more affordable housing development

Although Housing First is proven to be the most effective way to move people out of homelessness and keep them housed to date, the time and funding needed to acquire land and build or retrofit new units can take many years. If the trends established between 2011 and 2017 for the rate of entry into homelessness were to continue, and the region built 2,500 units of PSH each year (matching 2017, its best year for building new PSH units), the Bay Area would be on track to provide a unit to every person experiencing homelessness by 2037. It is important to note that the time period tracked in this analysis includes a period of unprecedented economic expansion in the Bay Area. During a recession, rates of entry into homelessness may be significantly higher.

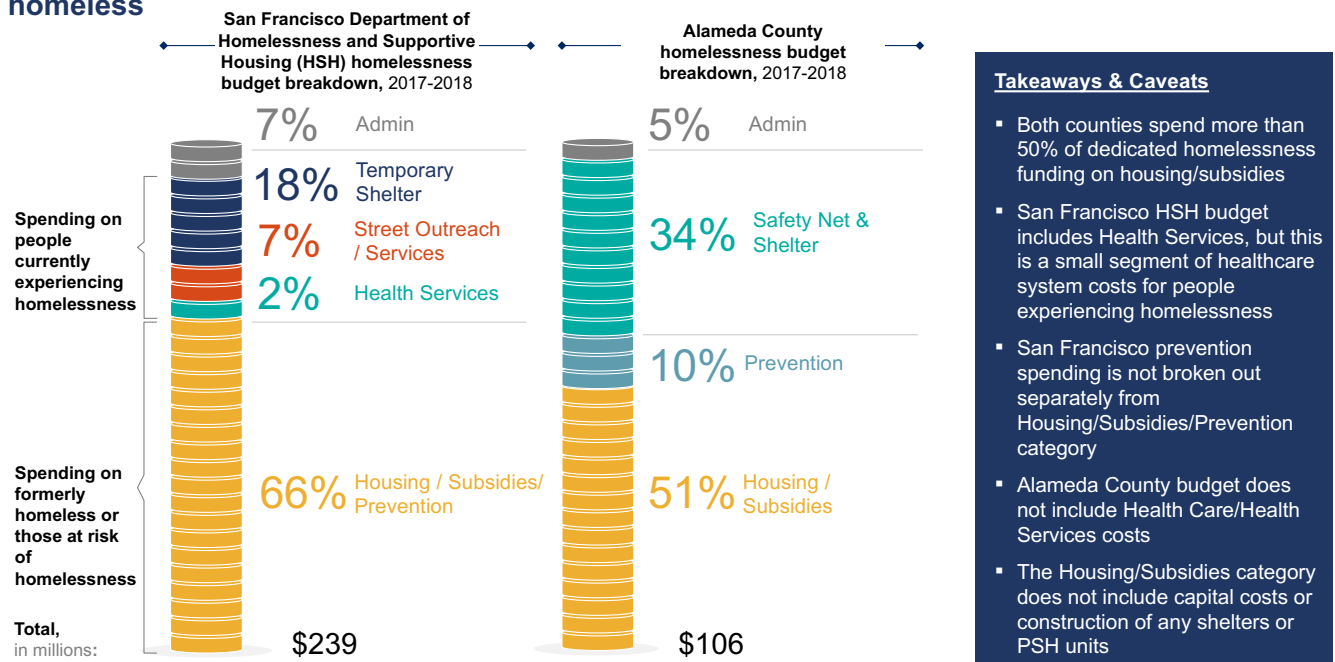
Current Resources

Estimating the total resources dedicated to addressing homelessness in the Bay Area is fraught with difficulties. Cities and counties utilize different accounting methods to track homeless services, making apples-to-apples

comparisons difficult. In Alameda and San Francisco counties, the majority of spending related to homelessness does not actually go to services for people experiencing homelessness. Instead, funds are used on housing—likely for a combination of subsidizing units and providing services to residents living in those units. Even across a small sample size of two counties, making comparisons in how dollars are used is difficult given differing terminologies and inconsistent reporting.

The funding for services for people experiencing homelessness comes through a number of sources. At the federal level, HUD administers numerous homelessness programs, the largest of which include the Emergency Solutions Grant Program and the Continuum of Care Program. The Continuum of Care Program is notable in that it is designed to create greater coordination amongst homeless service providers within a region. In the Bay Area, each county has designated a Continuum of Care (CoC) that operates a data tracking system called a Homeless Management Information

Most direct county homelessness spending goes toward housing subsidies for the formerly homeless



Source: San Francisco City FY17-18 Budget & HSH strategic plan documents, Alameda County 2018 Strategic Plan - EveryOne Home
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

System; creates a standardized way that individuals and families at risk of homelessness or experiencing it are assessed and referred to the services that they need; and administers funding to and coordinates activities of nonprofit service providers. In other regions across the U.S., a single Continuum of Care may span multiple counties or an entire region.

Another layer of complexity in mapping public spending on homelessness comes from the state. California funds homelessness programs through at least seven different state agencies, departments, and executive offices. Some of these programs receive support from voter approved general obligation bonds, including \$2 billion from the No Place Like Home Act, \$1.5 billion from The Veterans & Affordable Housing Bond Act, and \$600 million from the Veterans Housing and Homelessness Prevention Act (all approved November 2018). Other programs are funded directly through the Emergency Solutions Grant Program at the federal level. In 2017, the California legislature created the Homelessness Coordinating and Financing Council—housed at the Business, Consumer Services and Housing Agency—to streamline the state’s homelessness efforts. The Council is currently developing estimates of state spending on homelessness.

Estimates on total public spending on homelessness in the Bay Area are complicated by a lack of consistency and transparency between local, state, and federal jurisdictions. The use of these funds is also highly constrained by its source. For example, the 28 separate programs administered over seven state agencies each has a slightly different target population—some target individuals with mental illness, others target families, and others are dedicated to homeless youth or the elderly. These specifications mean that service providers or local jurisdictions are often unable to pool funding.

In addition to a full understanding of the total amount of money dedicated to providing housing and services to people experiencing homelessness, the region lacks sufficient understanding of the ways in which homeless populations consume public resources. Improved accounting for and tracking of indirect homeless services, particularly those resulting from unsheltered homelessness, can improve resource allocation, service quality, and outcomes for homeless individuals.

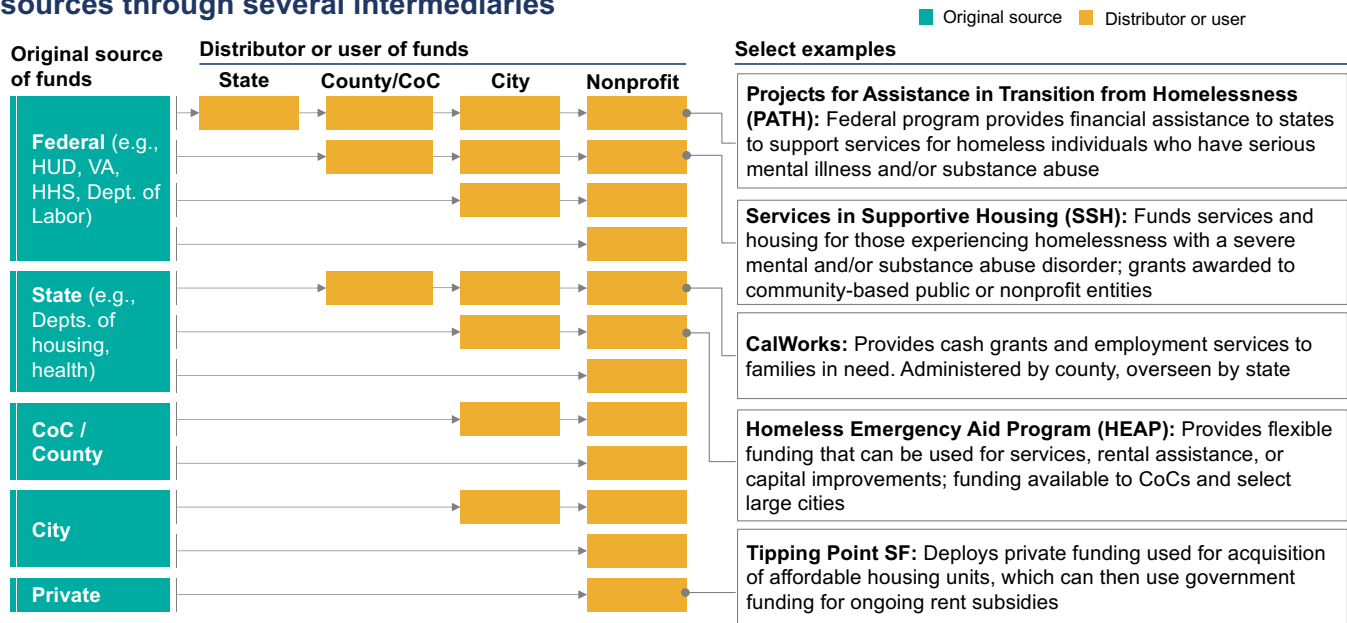
San Francisco: Housing the Formerly Homeless

San Francisco has more units of permanent supportive housing (PSH) per resident than any other city in the United States, and its stock of housing for the formerly homeless is growing. Units and buildings for the formerly homeless are spread throughout the city, where service providers often partner with the city to work with tenants. One of the largest currently existing PSH buildings in the city is the Richardson Apartments, located at Fulton and Gough Streets and completed in 2011. At this location, UCSF’s Citywide Case Management program offers services to some of the hardest to serve chronically homeless individuals in the Bay Area.

Several new developments are under construction as San Francisco adds to its stock of supportive housing. In progress is Mission Bay South Block 9, set to open in 2021. The project will provide 141 units of rental housing with supportive services for formerly homeless individuals. Mayor London Breed announced in March 2019 the creation of a new development of housing for the formerly homeless at the site of the parking lot behind the federal courthouse at 7th and Mission. The building will house 260 units and will be constructed by nonprofit developer Mercy Housing.²

In late 2018, San Francisco also rolled out the Online Navigation and Entry (ONE) System. The ONE System tracks each homeless individual’s touch points with service providers by aggregating data from 15 city and state agencies. This information allows caseworkers to calibrate health and housing interventions based on individual’s histories and to effectively place those most in need into housing.

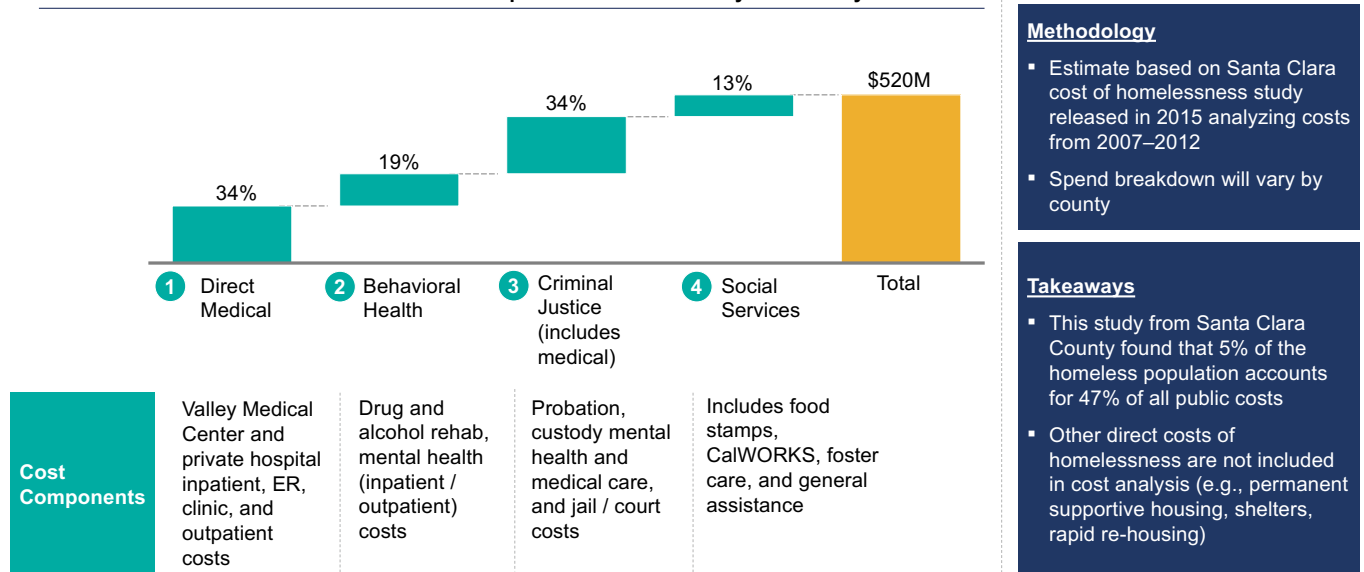
The direct homelessness funding landscape is complex, with dollars flowing from multiple sources through several intermediaries



Source: Interviews with county officials
<https://www.hhs.gov/programs/social-services/homelessness/grants/index.html>
https://www.hud.gov/program_offices/comm_planning/communitydevelopment/programs
https://www.hudexchange.info/resources/documents/IntroandOverview_HUDPrograms_Presentation.pdf
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

Alleviating the homelessness crisis can reduce the burden on the healthcare, criminal justice, and behavioral health systems

EXAMPLE: Homelessness indirect cost landscape – Santa Clara County Case Study



Source: Economic Roundtable - "Home Not Found: The Cost of Homelessness in Silicon Valley", 2015; NHIP 2016 Cost of Residential Homeless Study
 Analysis: McKinsey & Company and Bay Area Council Economic Institute



B Street, Santa Rosa

A first-of-its-kind study in Santa Clara County demonstrates the difficulty in estimating the indirect financial impact of homelessness on public services. The study estimated that homelessness cost Santa Clara County \$520 million annually from 2007 to 2012 (not including spending on accommodation and direct services), and 47 percent of those public service costs were associated with just 5 percent of the homeless population. Healthcare, including emergency room visits, outpatient care for homeless residents, and behavioral health interventions accounted for the single largest category of expenditures (53 percent), followed by criminal justice related expenditures (34 percent), such as probation, custody mental health care, and jail/court costs. Social service programs constitute 13 percent of the total. Other public sector costs are also attributable to the lack of shelter. In San Francisco,

for instance, the city's large unsheltered homeless population helped drive the city to spend \$54 million on street cleaning in 2018, four times as much as Chicago despite that city being 3.5 times larger by population, and 4.5 times larger by area.

Several recent local initiatives have added more money to homelessness response funding pools. In 2016, Santa Clara County voters approved Measure A, a \$950 million affordable housing bond. The bond provides funding for supportive housing and deeply subsidized housing units for extremely low-income households (earning less than 30 percent of area median income). It also aims to improve coordination amongst the county, the cities, and other agencies and organizations working on affordable housing. The bond is projected to fund 4,800 new affordable housing units over 10 years.

Also in 2016, Oakland voters approved Measure KK, which allows the City to issue up to \$600 million in bonds to fund infrastructure projects and affordable housing. The money will go toward new developments and renovating and preserving affordable housing units.

Additionally, in 2018 San Francisco voters passed Proposition C, which enacted a gross receipts tax on large businesses that will raise between \$250 million and \$300 million annually for housing and homelessness services in the city. However, Proposition C's passage is currently being challenged in the legal system.

How Much Will it Cost to End Homelessness?

Providing accommodation to the Bay Area's population of people experiencing homelessness can take multiple forms. A true solution to homelessness would require a permanent home for each homeless individual or family. Solving unsheltered homelessness would at the very least require a temporary bed for the entire homeless population; however, shelters only mask the issue as their inhabitants are still homeless and these individuals still face significant obstacles to securing permanent housing. New York City's experience shows that a reliance on shelters can create an endless cycle of homelessness for families and individuals at significant public costs.

To accommodate the unsheltered homeless individuals and families who currently have no place to go, the region has numerous options that vary by type (see page 11) but also by costs.

Emergency Shelters and their Cost

Emergency shelter beds can be a relatively quick and cheap way to move unsheltered homeless individuals indoors. Yet, because shelters lack the stability and permanence individuals and families need, they are generally not seen as part of a permanent solution and the number of shelters across the region has declined between 2011 and 2017. The federal government has shifted funding away from new shelters in recent years, so there are few examples from across the region that can provide data on the costs of providing shelter beds.

In Santa Clara County, the Board of Supervisors agreed to lease property from the City of San Jose to create a shelter for LGBTQ+ individuals. Approved in October 2018, the 20-bed facility will cost \$1.2 million to repair and upgrade with an additional lease payment to the city of \$315,000—for a total cost of \$75,750 per bed for construction and lease. An agreement with LifeMoves, a non-profit that will operate the facility, shows a budget of approximately \$400,000 per year for services (or \$20,000 per bed per year).

Navigation Centers and Transitional Sites

Jurisdictions across the region have taken very different approaches to providing more flexible forms of shelter, and each example below offers insight into the costs associated with certain types of accommodation.

In San Francisco, three new navigation centers (which have a low threshold for entry) were approved in 2018. At two sites that are now open, on South Van Ness and at 5th and Bryant Street, the city was able to lease land from Caltrans for \$1 per month using provisions within Assembly Bill 857 (Ting).

- The Van Ness site has 126 beds and was constructed for \$3.7 million.
- The 5th and Bryant location holds 84 beds with a total construction cost of \$4.2 million.
- A third approved navigation center, at Bayshore Boulevard, is housed within an existing structure that the city is leasing. The lease and improvements of the 128-bed shelter will total \$6.2 million.

Across all three locations, the cost per bed ranges from \$30,000 to \$50,000 for construction and lease. Annual estimates for operating costs range from \$33,000 to \$38,000 per bed per year.

In Oakland, the city has utilized cabin communities (see page 19) to provide temporary shelter to people experiencing homelessness. According to city council documents, each cabin community—which vary in size but can typically shelter 40 people per site—has a startup cost of \$200,000, or \$5,000 per bed. The annual operating cost for each site is approximately \$850,000, or \$21,250 per bed per year.

Oakland Cabin Communities

Emergency shelters often have a high threshold for entry, and permanent supportive housing takes time to construct, so Oakland Mayor Libby Schaaf partnered with private donors, businesses, and nonprofit organizations to create a new form of temporary shelter in place of tent encampments. This took the form of cabin communities, small structures that provide shelter and safety to homeless individuals. The cabin communities provide insulated shelter, meals, a bed, portable restroom facilities, on-site security, and the security of a double occupancy unit with a locking door to individuals formerly residing on the street.

The City of Oakland has built four cabin communities within the last 15 months. Each cabin community includes around 20 cabins, each accommodating two people. The capital and operational costs of the first three sites were largely privately financed, with a small amount of funding provided by the city and Alameda County. Funding partners include Kaiser Permanente, Sutter Health, and the Oakland Metropolitan Chamber of Commerce, among others. The cabin community model also includes flexible funds that can be used

to pay for family reunification, transportation, move-in costs, and new clothing for job interviews.

The cabins offer a low barrier to entry model that permits people to live with pets, partners, and personal possessions. Each site can accommodate approximately 80 people over the course of a year, assuming each stay lasts for six months. The sites include case workers and other services that help residents find jobs and move into permanent housing. The cabin communities have seen a great deal of success thus far. Of those who have participated, 55 percent were placed into permanent housing, and many also found jobs.³

With the help of new state legislation, Caltrans is also leasing surplus property to the city for additional sites. In October 2018, the city received approval for \$8.6 million in funding from California's Homeless Emergency Aid Program to open three additional cabin communities and four RV "safe parking" lots to serve individuals living in vehicles. Once these are completed, Oakland will have provided shelter to approximately 800 individuals experiencing homelessness.



Sign located on 5th Street and Filbert Street, Oakland

Subsidized and Permanently Supportive Housing

Providing housing is the most widely accepted permanent solution for people experiencing homelessness. While it is difficult to compile an average cost of constructing PSH because costs vary throughout the region and by project, existing estimates for below-market-rate housing can serve as a reasonable proxy. In 2018, the California Tax Credit Allocation Committee approved the use of tax credits in over 200 projects (totaling more than 20,000 new and rehabbed units) across the state. Average per unit costs for new construction by Bay Area county are displayed below:

- Alameda County: \$529,460
- Contra Costa County: \$419,903
- Marin County: \$529,757
- San Francisco County: \$730,560
- San Mateo County: \$691,167
- Santa Clara County: \$565,458
- Solano County (Jan. 2019): \$393,580
- Sonoma County: \$451,819

Newly completed or approved PSH projects and rapid re-housing projects can also provide single data points on the costs to build new units for the homeless:

San Jose: The Villas on the Park project will provide 83 units to formerly homeless individuals when completed. The total cost of the project is estimated at \$38.9 million, or \$468,675 per unit. The development's total budget will be funded by construction and permanent loans from commercial banks, tax credit equity of approximately \$14.1 million, over \$1.1 million of developer fees contributed back, and city funding of \$16.6 million (inclusive of land).

Vallejo: Through a combination of loans from the Valley Housing Authority and the City of Vallejo, state grants, and tax credits, Eden Housing has proposed the construction of 75 units of PSH for homeless Vallejo residents on two parcels of city-owned property. Utilizing Mare Island-based Factory_OS, a modular home and multi-family dwelling manufacturer, Eden Housing expects the project to cost \$34 million, or \$450,000 per unit. Construction for the site is tentatively

scheduled to begin in November 2020 with the first tenants moving in around October 2021.

Oakland: While building new PSH is one solution for cities that can contribute land, other jurisdictions have focused on acquiring existing units and converting them into PSH or entering into master lease agreements with building owners. In Oakland, the city finalized the purchase of a single room occupancy residential hotel on West Grand Avenue in October 2018. The city paid \$7 million for the property, which has 70 units that can assist 90 individuals at a time. The cost per unit of \$100,000 was financed using funds from the Measure KK housing bond passed in 2016. The city estimates the full cost of a year of services and operations at this location to be \$2.1 million, or \$23,333 per bed per year.

The costs detailed in this section vary widely across all of the accommodation solutions currently being pursued in the region. Based on the highlighted examples:

- Shelters and transitional housing can range from \$5,000 per bed (in the Oakland cabin community model) to \$75,000 per bed (when construction and lease costs are fully factored in).
- For permanent supportive housing units recently approved or constructed, costs can be as low as \$100,000 per unit when acquired and refurbished, with a middle range near \$450,000 per unit when constructed on publicly-owned land, to \$700,000 when land costs are factored in.
- Costs to operate accommodation units vary across the region. Non-permanent shelter and transitional housing sites can cost between \$20,000 and \$38,000 per bed per year. In permanent housing, operating costs can range from \$23,000 to \$32,850 per bed per year depending on services delivered.

To provide a scale of the resources necessary to end homelessness under current methods of building and providing services, a simplified calculation shows that \$12.7 billion would be required to create a new unit of permanent housing (at \$450,000 per unit) for each of the 28,200 people experiencing homelessness identified in PIT counts. Providing services (at \$25,000 per person per year) to half of that population over 10 years would require an additional \$3.5 billion.



Homeless Encampment on Monterey Road, San Jose



2

How Homelessness in the Bay Area Reached Crisis Proportions

Individual cases of homelessness often result from a confluence of causes and circumstances, typically after a long chain of potential supports (such as jobs, family support, and social safety nets) fail. When asked about the primary reason for losing their home, homeless individuals in four counties (representing 69 percent of the region's homeless population—Santa Clara, San Francisco, Sonoma, and Solano counties) most often cited job loss (28 percent), followed by cohabitation instability (26 percent), substance abuse (17 percent), and eviction (14 percent). While these data points are self-reported (see Appendix B), they do provide some direction on the key factors involved in becoming homeless. However, understanding how the Bay Area's homelessness problem became a regional crisis requires an examination of larger historic and economic forces.

Housing Supply and Affordability

According to the California Legislative Analyst's Office (LAO), California's high housing costs are primarily the result of a severe housing shortage, especially in coastal regions like the Bay Area. Community review processes, environmental policies, impact fees, and a lack of fiscal incentives for local governments to approve housing, all contribute to a chronic shortage that skews the market toward higher prices. A 2016 study⁴ by the McKinsey Global Institute estimates California has 3.5 million fewer homes than needed, resulting in LAO estimates that show the average California home costs 2.5 times the national average while California's average rents are 50 percent higher. This insufficient supply of housing not only pushes up prices and creates greater risk of

eviction, it also blocks pathways out of homelessness as there are fewer affordable units available to those who no longer need the services or full subsidization of PSH.

The housing affordability challenge is particularly acute in the Bay Area, where strong job growth and limited housing production are creating significant imbalances in supply and demand. When looking at long-range plans, the nine-county Bay Area has already generated 62 percent of the new employment growth projected for 2010 to 2040 by Plan Bay Area, while only permitting 21 percent of the needed housing projected.

Housing for very-low-income households has been hardest hit by the region's level of underproduction. While the region permitted 99 percent of its market-rate units recommended by its 2007-2014 Regional Housing Needs Allocation (RHNA) targets—the process by which the state allocates future housing needs to regions—it only permitted 29 percent of the very-low-income units for households earning less than 50 percent of area median income. From 1999 to 2014, the Bay Area permitted 61,000 fewer very-low-income affordable housing units than RHNA prescribed. No county added a sufficient number of units for this income category, and only San Francisco permitted more than half of the units needed.

Housing shortages and the high costs they have produced have been exacerbated by relatively stagnant incomes. Between 2011 and 2017, household incomes at 30 percent of area median income grew by 15 percent in Santa Clara County, while rental prices in the least expensive quartile of units grew by 36 percent.

Insufficient housing supply affects every stage of the homelessness cycle



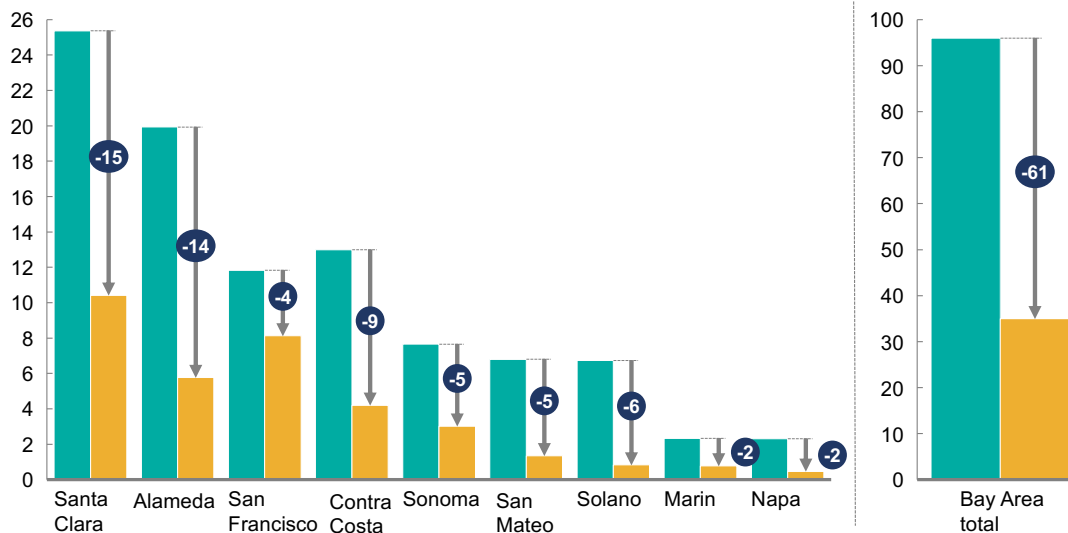
Expanding the supply of affordable housing would reduce pressures across the system. More people can stay in their current homes at lower rents, demand for shelters goes down as people stay housed, and more people exit homelessness to permanent housing with increased supply.

¹ Extremely Low Income (<30% AMI) and paying >50% of income in rent

From 1999 to 2014, every county in the Bay Area has added fewer Very Low Income affordable housing units than needed, with permits issued satisfying roughly 1/3rd of need

1999-2014 Very Low Income¹ Regional Housing Needs Allocation² and permits issued, by county
Housing units and permits in thousands

■ Very low income RHNA units
■ Permits issued



Takeaways

- Across all counties, there has been a **persistent deficit in permits** being issued for Very Low Income housing over the last 20 years
- RHNA reports permitted units but **not all permits are converted into buildings**, so the **actual housing gap is likely larger** than depicted

¹ Very Low Income defined as 0-50% of Area Median Income (AMI) by county. Extremely Low Income (0-30% AMI) is a subset of Very Low Income
² Regional Housing Needs Allocation, a guideline on the number of new units counties need to zone and plan for, broken down by income segments

Source: Association of Bay Area Governments, RHNA Progress Reports
Analysis: McKinsey & Company and Bay Area Council Economic Institute

For extremely low-income (ELI) households—those earning less than 30 percent of the area median income—the Bay Area’s expensive housing market dramatically narrows the margin between housing insecurity and homelessness. According to a December 2018 report from Zillow Research, the rate of homelessness increases markedly wherever median rents exceed 22 percent of the area median income, and rates of homelessness can approach crisis levels wherever median rents exceed 32 percent of area median income. In 2018, median rents in San Jose were 35.5 percent of area median income, 39.0 percent in San Francisco, and 43.7 percent in Santa Rosa. In such markets, higher median incomes are not high enough to keep pace with rents, and ELI renters are at risk of losing their housing entirely with even small rent increases.

In the Bay Area, an estimated 306,000 households qualify as ELI. These households earn less than 30 percent of the area’s median household income, which ranges from \$24,100 to \$34,590 across Bay Area counties. Two-thirds (or 196,000) of these households

spend more than 50 percent of their income on rent, often leaving less than \$1,000 per month for other basic expenses. While Alameda County has the highest number of severely rent-burdened ELI households, Solano, Sonoma, and San Mateo counties have the highest proportion of severely rent-burdened households among their ELI populations.

Even the affordable, subsidized housing that does exist in the region is often inaccessible to many who need and qualify for it. Most ELI households qualify for Housing Choice vouchers (also known as the Section 8 program) by federal Department of Housing and Urban Development (HUD) standards, but only a subset also qualify for the typically more restrictive local Public Housing Authority rules. Even for households that meet both federal and local guidelines, the scarcity of units creates long waiting lists. A tight rental market also means that landlords can be more selective in choosing their tenants, so that even with voucher in hand, many will not be able to find a landlord willing to rent to them on the private market.

Roughly 2/3rds of Extremely Low Income (ELI) households in Bay Area counties spend more than 50% of their incomes on rent

County	ELI ¹ households paying >50% of income toward rent ² Thousands of households	Total ELI households, 000s	% ELI HH severely rent-burdened
Alameda	48	73.3	66%
Santa Clara	44	66.0	66%
San Francisco	34	66.1	51%
Contra Costa	24	36.6	66%
San Mateo	17	23.3	72%
Solano	10	12.7	78%
Sonoma	10	13.8	71%
Marin	7	10.5	64%
Napa	2	3.6	65%

Takeaways

- Most Bay Area Extremely Low Income households are severely rent-burdened, spending more than 50% of adjusted monthly income on rent
- San Francisco has the lowest proportion of severely rent-burdened ELI households of the Bay Area counties at 51%

¹ Extremely Low Income defined as <30% of Area Median Household Income by county ² Severely rent-burdened defined as spending more than 50% of adjusted monthly income of rent
 Source: 2017 HUD Picture of Subsidized Housing, U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates, CHAS data 2011-2015 ACS
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

Insufficient Inventory: Shelters, Permanent Supportive Housing, and Rapid Re-Housing

The Bay Area's inventory of homelessness accommodations differs greatly by county. San Francisco's stock of permanent supportive housing (PSH) is equivalent to 53 percent of the total population needing services (includes homeless individuals and those living in PSH or rapid re-housing), higher than any peer metro reviewed in this analysis. Conversely, Napa County's PSH infrastructure is capable of housing just 12 percent of its population in need, yet its comparatively large inventory of emergency shelter beds can house 44 percent of the need. Solano County's combined PSH, emergency shelter, and rapid re-housing programs are capable of serving only 33 percent of the county's individuals in need of support.

Similar variations can be seen across the United States. For example, New York City, which provides accommodation to 96 percent of its population in

need, is one model. Its crisis response system is heavily weighted toward shelters, with its shelter inventory able to accommodate 70 percent of the city's population in need; conversely, only 24 percent have access to permanent supportive housing. As a result of this imbalance, homeless individuals and families can spend years, even decades spanning multiple generations, indefinitely stuck in communal shelter systems while they wait for housing. As of November 2018, nearly 40 percent of the 63,000 individuals in New York City shelters were children, and nearly half of them were under the age of six. The average length of shelter stay in New York City is 436 days.⁵ While New York City's shelter system—which grew because a right to shelter was court mandated—has the benefit of limiting the unsheltered population, the city's use of funds on this model instead of permanent housing means that opportunities to exit the shelter system are limited. This has contributed to a large population of homeless people and a high concentration of homeless families. Families comprise 59 percent of New York City's population of people experiencing homelessness, versus only 14 percent in the Bay Area.

Pay for Success Funding Models

Pay for Success is a promising, innovative model for financing homelessness interventions. Usually designed as a public-private partnership, the model pairs investors with service providers and independent evaluators. If the intervention being financed achieves its measurable outcomes, the government entity involved repays investors through savings the intervention generated. If it is not successful, the government does not pay.

In 2015, Santa Clara County launched California's first social initiative financed by a Pay for Success model, called Project Welcome Home. The County partnered with Palantir Technologies and Third Sector Capital Partners for technical assistance and advising, and it has received funding from a variety of foundations and companies. The project's lead service provider is Abode Services, and its lead evaluator is UCSF. Between 2015 and 2021, Project Welcome Home will provide community-based clinical services and permanent supportive housing to 150 to 200 chronically homeless

individuals who are currently some of the largest users of county services, such as emergency rooms and acute mental health facilities. Through the middle of 2018, Project Welcome Home participants have reduced their aggregate utilization of emergency shelter and Valley Medical Center emergency department and psychiatric services by 84 percent compared to the pre-enrollment period. Once the study period is completed, the Pay for Success model can help drive resources toward the most effective social programs.

Another pioneer of this model, Social Finance, conducted a feasibility study, analysis, and roadmap in 2018 to implementing Pay for Success in Sacramento to improve outcomes for the persistently homeless. The researchers recommended using a Pay for Success model to target the 250 highest-utilizing individuals with permanent supportive housing and mental health services. They found a potential benefit to the city of \$2,250 per individual that goes through the program.

Tipping Point Community

One challenge in responding to homelessness is that government funding often has restrictions on its use. In light of this difficulty, Tipping Point has utilized its status as a nonprofit to use private funds to expand the supportive housing stock in San Francisco. In the traditional, government-funded model of acquiring housing for people experiencing homelessness that has been the norm in San Francisco, the city enters into long-term master leases with building owners and rent subsidies are covered by government funding.

Tipping Point helps make two alternative models possible. In the first model, commonly known as the Moving on Initiative, Tipping Point partners with Brilliant Corners, a nonprofit that identifies private landlords willing to rent to tenants with federal Housing Choice Vouchers. Tipping Point provides flexible funds for Brilliant Corners to acquire units on the private market in ways that are not available with government funding. For example, while government funding cannot be used to hold a unit before a tenant moves in, private funds can be utilized to create holding agreements and to cover move-in costs or landlord incentives. Tipping Point has used this model to acquire units throughout the city, so that supportive housing is not limited to blocks in individual buildings.

Tipping Point's second innovative model is to build new permanent supportive housing stock. The organization has started a private fund, managed by the San Francisco Housing Accelerator Fund ("SFHAF"), to acquire land for more permanent supportive housing. SFHAF is working with a nonprofit housing developer to build the housing, and another nonprofit will provide services to tenants. Once the housing stock is built, the intent is that long-term rent subsidies will be funded by public dollars.

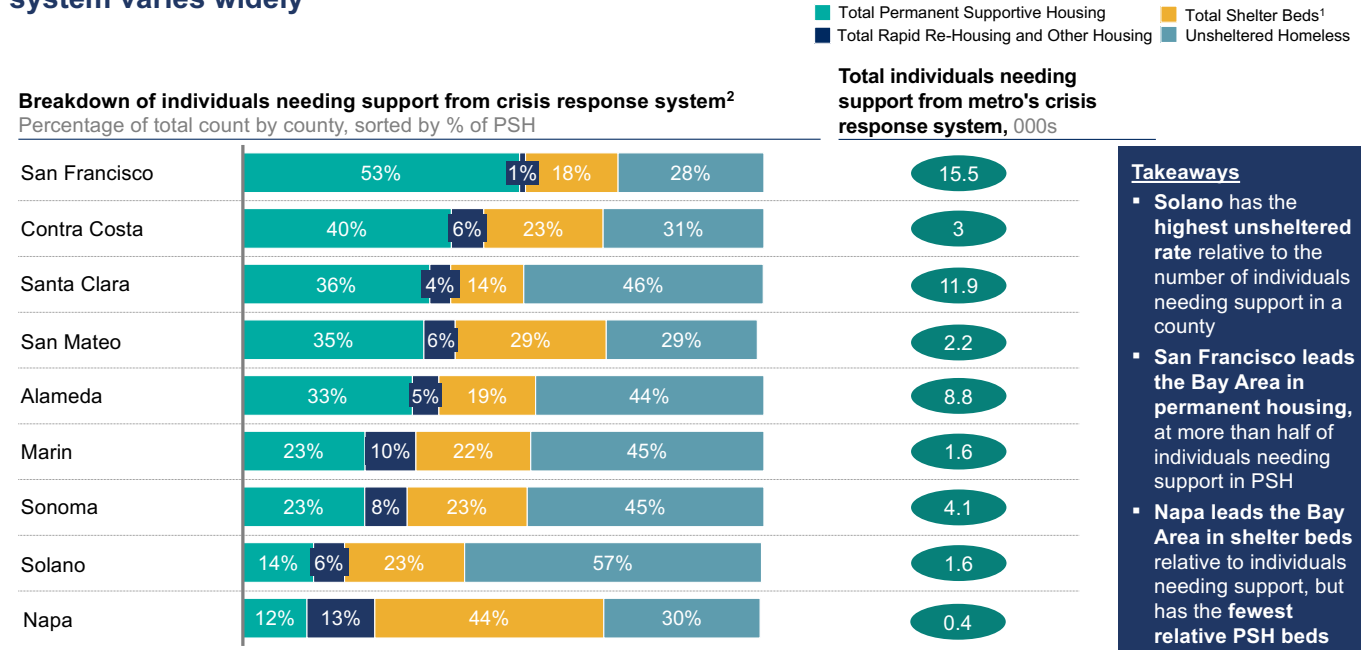
Chicago, on the other hand, has balanced shelters with PSH to address homelessness. The city supports 52 percent of the population in need with PSH, 32 percent with temporary emergency shelters, and 6 percent through rapid re-housing programs. Every region offers a different mix of solutions for homelessness, and each region's solution set should indeed be different given the population it is serving. In the Bay Area, this report has identified the dual problems of unsheltered homelessness and chronic homelessness that are common across the region, but neither can be solved as long as the region's inventory of crisis response assets falls well short of the demand.

Given that the Bay Area's homelessness crisis is not limited to a single city or county, coordinating solutions across city and county boundaries can generate efficiencies in service delivery. In fact, many of the regions analyzed in this report tackle the issue of homelessness through a single Continuum of Care that coordinates activities within multiple counties. Without a regional strategy, the Bay Area is at risk of backing itself into an inefficient mix of shelter and permanent supportive housing assets.

Yet, there are early signs that cities, counties, and the state are beginning to embrace regional approaches to homelessness. In 2017, representatives from the Bay Area's nine counties and 11 largest cities formed a regional collaborative to help coordinate strategies to end homelessness. This project, convened by the nonprofit HomeBase, seeks to share best practices on impactful interventions, reduce service duplication, tailor services to meet individual needs, and develop a regional consensus on the causes, trends, and the effects of mobility of the homeless population.

At the state level, California's Homeless Coordinating and Financing Council is taking steps to move state resources through federally-managed Continuums of Care, in part, to take advantage of these districts' larger sizes. In his administration's first proposed budget, California Governor Gavin Newsom proposed \$500 million to cities to incentivize regional planning for homelessness solutions.

Across Bay Area counties, the structure and capacity of each crisis response system varies widely

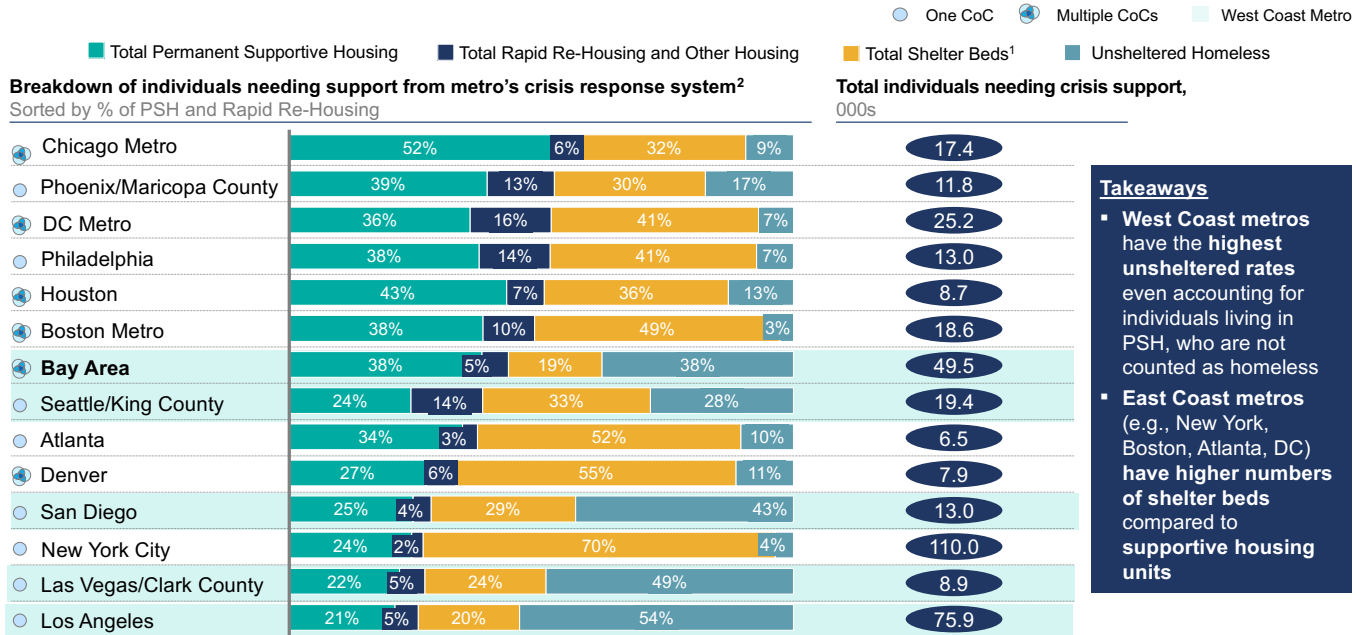


Takeaways

- Solano has the highest unsheltered rate relative to the number of individuals needing support in a county
- San Francisco leads the Bay Area in permanent housing, at more than half of individuals needing support in PSH
- Napa leads the Bay Area in shelter beds relative to individuals needing support, but has the fewest relative PSH beds

¹ Count of year-round available emergency shelter, safe haven, and transitional housing beds
² Combines all beds across asset types (assuming 100% utilization) and unsheltered homeless people
 Source: 2017 HUD PIT count data, US Census 2017 population estimates, CoC county composition
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

Bay Area is a leading West Coast metro in terms of Permanent Supportive Housing, but only shelters or houses 62% of individuals needing support from the crisis response system



Takeaways

- West Coast metros have the highest unsheltered rates even accounting for individuals living in PSH, who are not counted as homeless
- East Coast metros (e.g., New York, Boston, Atlanta, DC) have higher numbers of shelter beds compared to supportive housing units

¹ Count of year-round available emergency shelter, safe haven, and transitional housing beds
² Combines all beds across asset types (assuming 100% utilization) and unsheltered homeless people
 Source: 2017 HUD PIT count data, CoC county composition
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

Political Challenges

Debates around homeless policy are often charged with ethical dilemmas and fraught politics that can make progress elusive. At other times, well-meaning policy conflicts with other deeply-held values, particularly individual rights and individual liberty. For example, a voter-approved ordinance in San Francisco to ban sitting and lying on sidewalks was strongly supported by neighborhood and merchant associations, vocally opposed by the American Civil Liberties Union and city Democratic Party, and is today rarely enforced.

While voters and public officials are frustrated by the lack of places for the homeless to go, many vocally oppose locating homeless shelters in their own neighborhoods. In March 2018, residents in San Francisco's affluent Forest Hill neighborhood blocked an affordable-housing project that would have included permanent supportive housing units for the homeless. A San Jose plan to shelter up to 80 homeless people in three "tiny home" villages took over a year to pass city hall in the face of neighborhood opposition, and the villages are expected to take nearly two years to permit and build. Such delays and political wrangling can add time and costs to providing the homeless with shelter.

Solving the Bay Area's homeless crisis within a reasonable timeframe will require more decisive action in the locating and permitting of shelters and permanent supportive housing projects. In September 2018, Governor Jerry Brown signed Assembly Bill 2162 (Chiu) into law, which exempts all housing projects that consist of 100 percent affordable units and in which 25 percent of the units are set aside for permanent supportive housing for the homeless from costly and time-consuming environmental reviews and local approvals. In January 2019, Governor Gavin Newsom proposed strengthening these exemptions, and proposed allowing Caltrans to up-zone and lease excess land at below market rate for homeless services.

Holistic Data Tracking in Santa Clara County

Local jurisdictions often struggle with tracking both spending and progress on homelessness. Because so many different departments and types of services deal with homelessness both directly and indirectly, it can be very difficult to pin down how much is being spent on homelessness and whether it is having an impact. Additionally, since homeless individuals come into the system at different points of entry, organizations and governments are often not able to track their outcomes, or even to count how many individuals have been helped by their programs.

With this challenge in mind, Santa Clara County has launched a comprehensive homelessness data tracking system, collaborating with a wide variety of groups to effectively address homelessness. In 2014, Destination: Home created a 2015-2020 Community Plan to End Homelessness through a process that convened over 200 stakeholders. The plan established a concrete roadmap for homelessness efforts, and it has involved the release of annual reports with detailed reporting that tracks progress.

Santa Clara County also created an in-depth analysis of its homelessness costs and spending in a 2015 report entitled "Home Not Found: The Cost of Homelessness in Silicon Valley." The study is one of the most comprehensive bodies of information that has been assembled in the United States to examine the public costs of homelessness.⁶ Such information is extremely helpful in understanding the nature of homelessness in the county and better informing decisions about policy and programs.

Insufficient Public Resources for Psychiatric Care

The Bay Area's high percentage of chronically homeless individuals—higher than all other peer metros except for Los Angeles—points to the region's inability to permanently house those individuals with disabling conditions, including those with a psychiatric illness. Rates of mental health conditions are high among chronically homeless people in the Bay Area. In Santa Clara County, 50 percent of chronically homeless individuals report an emotional or psychiatric health condition. In San Francisco, this figure is 63 percent, and in Alameda County it is 66 percent. While the Bay Area population of individuals that are chronically homeless with a psychiatric condition is high, resources to treat these individuals have been on the decline.

When adjusted for the state's population growth, California's psychiatric hospitals house 93 percent fewer patients today than at their peak in 1959 (37,000 patients in 1959 versus 6,800 in 2017). The decline of state support for mental health began in the 1960s, following a series of high-profile scandals involving physical and sexual abuse at state asylums, resulting in state and federal reforms. These reforms were largely intended to relocate patients from large state-run hospitals to small community-based facilities. However, these and other reforms were never fully funded, and many patients were released to the streets, leading to increases in the number of people with mental illness entering California's criminal justice system.

Within the local hospital system, the total number of beds in California for acute psychiatric care is also falling due to facility closures. Across the state, hospitals and health facilities had 6,702 psychiatric beds in 2016 versus 9,353 beds in 1995. The California Hospital Association estimates that the nine-county Bay Area would need an additional 3,842 psychiatric beds to meet a stated goal of 50 inpatient beds for every 100,000 residents.⁷

Even when beds do become available in county hospitals and local health facilities, cities and counties remain limited in their ability to place individuals with severe psychiatric disabilities into conservatorship (involuntary care) beyond 72 hours (known as a

5150 hold). In 2018, State Senator Scott Wiener introduced Senate Bill 1045 to allow counties greater flexibility to place chronically homeless individuals suffering from mental illness and substance abuse into a conservatorship. The bill, signed into law by then-Governor Jerry Brown, was eventually limited to offering only San Francisco, Los Angeles, and San Diego counties a five-year window to pilot changes to conservatorship laws, including stabilizing individuals with severe illness and addiction through one-year conservatorships.

Urban Development History

California's relatively recent industrial development and rapid and sustained population growth over the 20th century have deprived it of inheriting large stocks of abandoned workforce housing that older cities in the Midwest and East Coast have transformed into shelters and extremely low-income housing. New York City, for example, lost 800,000 residents during the 1970s, resulting in the city assuming ownership, through tax foreclosures, of over 60,000 units in vacant buildings, and another 40,000 units in occupied and semi-occupied buildings.⁸

When the New York State Supreme Court ruled in *Callahan v. Carey* (1979) that individuals who were homeless "by reason of physical, mental, or social dysfunction" have a right to shelter provided by state and municipal governments, New York City was able to tap into some of this housing stock to build a network of shelters capable of sheltering 95 percent of the city's homeless population. However, this shelter capacity has helped to create the nation's largest concentration of homelessness in New York City. The city now spends significant funds on emergency shelter options (e.g., hotel rooms) as its shelter assets are fully utilized with limited opportunities for permanent exits.

On account of their unique economic and political histories, cities on the West Coast, including in the Bay Area, have no such redundant housing at their disposal. Another result of this history is that New York receives more federal funding for public housing than does the Bay Area, since it has more units to subsidize. In 2017, HUD subsidized over 11 percent of New York City's housing stock, while this number was only 4 percent for the Bay Area (see Appendix G).

Hamilton Families

Family homelessness is an ongoing problem in the Bay Area, with over 2,000 homeless students in San Francisco’s public schools. To address this, Hamilton Families has launched an innovative initiative called the Heading Home Campaign. The initiative is a public-private partnership, and it aims to help 800 families experiencing homelessness who have children in the San Francisco Unified School District to find stable housing through rapid re-housing.

Formed in 2017 under the leadership of the late Mayor Ed Lee, Heading Home is a collaboration between the City and County of San Francisco, the San Francisco Unified School District, Hamilton Families, and private philanthropy. It has raised over \$30 million to accomplish its goals, and to date, the initiative has moved over 300 families into permanent housing.

The rapid re-housing model finds housing for families as quickly as possible after they become homeless. Hamilton Families pays initial move-in expenses as well as a portion of rent, while also providing services and connecting families to community supports such as child care, employment, and income support.

Hamilton Families’ rapid re-housing approach helps avoid the traumatic effects that long-term homelessness can have on children. Rapid re-housing is offered without preconditions of employment or sobriety, and it includes services that are tailored to the needs of individual families. When used in other cities, it has been the most cost-effective and efficient way to help homeless families. For Heading Home program participants, 95 percent of families have remained stably housed one year after move-in. For all families referred to the program, 81 percent successfully

connect with a market-rate housing opportunity, and 65 percent of participants secure housing within 90 days of placement.

The Heading Home Campaign has been highly successful thus far, providing housing for hundreds of families. However, as all homelessness programs do, it still faces challenges. One of these is that it can be difficult to transition families out of Hamilton’s programs, and many need more support than initially expected. Hamilton Families has adapted to these challenges by lengthening the program subsidy to 24 months (from an original average of 12 to 24 months) and by supporting families after the subsidy ends through the continuation of case management services for an additional year. The organization is also experimenting with how to help families save money through individual development accounts.

Another challenge is that the most affordable housing options are often located outside of San Francisco (66 percent of families served have resolved their housing crisis outside of San Francisco), so families who choose to make this move are often separated from their existing service providers and relationships. Sometimes the new locations also have a lower concentration of social services. This means that Hamilton Families must supplement and augment programs to deal with the challenges of relocation, which means forging a new path with no existing models to copy. Nevertheless, Hamilton Families has continued to take innovative steps—such as building a research team to explore ways to incentivize and influence behaviors of program participants that promote long-term, stable outcomes—to reduce family homelessness in San Francisco.



5th Street and Filbert Street, Oakland



3

Recommendations

This section is divided into three major pillars of a solution to Bay Area homelessness with 10 corresponding recommendations.

Stem new inflows into homelessness and increase exits

The most cost-effective way of addressing homelessness is to prevent it from occurring in the first place. The region must do more to expand its overall housing supply and to improve diversion programs.

Recommendation #1: Improve prevention and diversion programs. Prevention and diversion programs help keep people experiencing housing insecurity in their homes, while also protecting the dignity of vulnerable populations and lessening the pressure on downstream crisis response systems. Diversion efforts could be made more effective by **tailoring diversion programs by demographic**—for example, housing vouchers may be more effective for families, whereas single elders could benefit more from subsidized permanent housing. Additionally, provisions such as providing legal counsel to tenants facing eviction has been an effective measure to keep people in their homes. The Keep Oakland Housed initiative is one example of a successful diversion program. Through a partnership between the San Francisco Foundation, Kaiser Permanente, the City of Oakland, and nonprofit providers, 473 households remained housed during the

last six months of 2018 through emergency financial assistance, legal representation, and supportive services. To inform and prioritize future investment, better testing of diversion programs across the region can help to evaluate their effectiveness in reaching target populations.

Recommendation #2: Expand the housing supply available to extremely low-income households. Despite a growing economy and low unemployment, homelessness in the Bay Area grew at an annualized average of 2 percent between 2011 and 2017. The growth of homelessness during an economic expansion is attributable to the region's inability to build homes at a rate appropriate for its job and population growth. To reduce the time and cost needed to build affordable housing, cities should implement by-right zoning to expedite projects that meet existing requirements, increase density limits (especially near transit hubs), and reduce or eliminate barriers to accessory dwelling units. Costs of construction can be reduced through the deployment of modular, pre-fabricated units. As a way of targeting housing production to the lowest income brackets, a new state tax credit program that is dedicated to the construction of units for extremely low-income households (0 to 30 percent of area median income) can act as a supplement to low-cost loans, city and county funding, and philanthropic contributions.

Recommendation #3: Understand and meet the accommodation need. Ending the Bay Area’s homelessness crisis requires creating accommodation options and other housing programs that can address both the immediate unsheltered crisis on the streets and the need for permanent solutions to homelessness. Since the homeless population is intraregionally mobile, and because each county differs in the way that it tracks individuals that access services, more work is required to understand the total number of accommodation units needed to address the current crisis and the projected inflows into homelessness. Regional coordination is needed to calculate a regionally optimal across-the-board increase in accommodation options and programs of every type, including rapid re-housing, permanent supportive housing, deeply affordable housing, emergency and longer-term shelters, post-hospitalization respite beds, and mental health rehabilitation beds. A regional solution set that balances innovative ways to immediately shelter those individuals on the street with investments in supportive housing can address the crisis from multiple avenues.

Recommendation #4: Test and rapidly scale new accommodation models. Individual needs differ based on history, demography, and other life factors. New service models targeting specific demographics should be tested and scaled to fill the gap while additional shelters and PSH units are under construction. Examples of effective models might include providing vouchers for families or improving the ability to identify housing or shelter assets across the region. Another idea is governments and nonprofits **offering subsidized permanent housing**, which does not include the supportive services that are attached to permanent supportive housing. This would be an efficient use of funds for vulnerable populations such as the elderly who are on fixed income, do not require supportive services, and would be especially hard hit by rapid re-housing into another county due to the difficulty of adjusting to new social networks. Understanding the types of short-term shelters that people experiencing homelessness are most likely to utilize—and investing in those assets that can be rapidly deployed when necessary—can also drive more efficient use of the shelter capacity across the

region and push more individuals to use shelters when available. Lastly, conservatorship pilot programs in the state’s biggest cities should be monitored and analyzed with potential to expand to other cities, but the capacity to accommodate those with severe psychiatric conditions must also be built simultaneously.

Drive greater state and regional collaboration

Recommendation #5: Consolidate existing state programs into new State Homeless Services Agency. Existing state homelessness programs are run out of seven different agencies, departments, and executive offices. The Homeless Coordinating and Financing Council, created in 2017 to streamline state programs, has had difficulty determining how and where current resources are spent. California should consolidate existing programs into a new state agency dedicated exclusively to solving homelessness. In addition to improving transparency and service delivery, the new state agency should also incentivize regional coordination through new flexible funding streams that can fund both the capital costs and operation of new accommodations for the homeless. Cities and counties that are partnering to create solutions should receive priority for new funding. The state can create a memorandum of understanding template that cities and counties can use to form more cohesive partnerships to address homelessness.

Recommendation #6: Explore ways to simplify and strengthen the planning and approval process for housing. The permitting and approval of affordable housing, permanent supportive housing, and emergency shelters are subject to costly and time-consuming local government processes. The state should play an active role in assisting jurisdictions in locating sites for these investments and in compiling funding sources for homeless services. Specifically, the Regional Housing Needs Allocation process can identify local permitting of units dedicated to households earning less than 30 percent of area median income to better plan for needed production, increase accountability, and create policies to incentivize production at that income level.

Recommendation #7: Develop regional homelessness management plans.

The state should require regions to develop Regional Homelessness Management Plans to improve homeless services, optimize existing services, and reduce bureaucracy by standardizing data collection, coordinating infrastructure planning, and sharing resources where possible. In the Bay Area, Continuums of Care from across the region have already begun this process. The plans should be developed in collaboration with stakeholders from regional housing and transportation planning, healthcare services, criminal justice, the private sector, the behavioral health system, and nonprofit homeless service providers, and should focus on at least three key goals: standardizing definitions, creating a regional homelessness database,

and vastly expanding the region’s overall capacity of accommodation options.

Standardize definitions: The language of homeless services can vary across counties, making it difficult to identify homelessness trends and to share and compare best practices across counties. Regions should adopt verbiage and definition standards across homelessness programs and surveys.

Create regional homelessness databases: Intake, monitoring, and outcome data for people experiencing homelessness is siloed across service providers, negatively impacting service delivery, creating expensive redundancies, and reducing accountability. Regional planners should work together to break down data silos. Data that can be linked across the following three



Downtown Santa Rosa

areas can also move the state closer to the creation of a statewide homeless management information system:

1. Across the homelessness system within a single county (enabling, for example, a nonprofit organization in Alameda to connect with people working in that county's Continuum of Care);
2. Across homelessness systems in different counties (e.g., linking the homelessness data system in Alameda with San Francisco's system);
3. Across other systems that people experiencing homelessness touch (e.g., healthcare, criminal justice, and housing). This data could be linked both within and across counties.

Recommendation #8: Launch two regional joint task forces on funding and technology.

While ending homelessness in the Bay Area will require additional resources, technology can also make better use of the resources already being put to use in the region. The Funding Task Force would work to illuminate the complete flow of homelessness funds (including federal, state, local, and private dollars) and build an accurate cost-to-serve model (including healthcare, criminal justice system, and housing costs). In addition, the Funding Task Force could explore opportunities to mobilize private and philanthropic capital in the fight to end homelessness. The Technology Task Force would design and implement a region-wide platform for intake, care, and tracking of people experiencing homelessness. Both these task forces would be ideal candidates for public-private partnership, tapping the resources and expertise of the private sector to support these efforts.

Simplify and improve homeless services

While the prior two pillars address homelessness at the systemic and macro level, it is important to also remember that the lives of individuals are affected by the current crisis.

Recommendation #9: Build a plan for private and philanthropic capital to discover business cases that could be funded.

As exhibited in the case studies for innovation, there are many cases where private or philanthropic capital would be helpful in alleviating homelessness. However, it would be difficult to imagine that those are the only innovations that could be occurring in the Bay Area today. While there has always been dormant willingness to help, a more coordinated effort across the region could raise more capital. A concerted effort to identify the areas that could either most need private capital or provide the highest ROI, would incentivize different donor sets to engage. Expanded usage of the Pay for Success model across the region could mobilize more capital, uncover highly-effective interventions, and target the population most in need of services.

Recommendation #10: Use technology to improve homeless services.

There are several scenarios in which technology can both enhance outreach efforts and decrease costs. Concrn, for example, is an app that allows community members to flag Tenderloin-area people experiencing homelessness in emotional or behavioral crises, and trains community members to volunteer as Compassionate Responders. The impact of such an app would be a decreased cost on the criminal justice system (i.e., fewer 911 calls), and potentially more appropriate care for those in crisis.

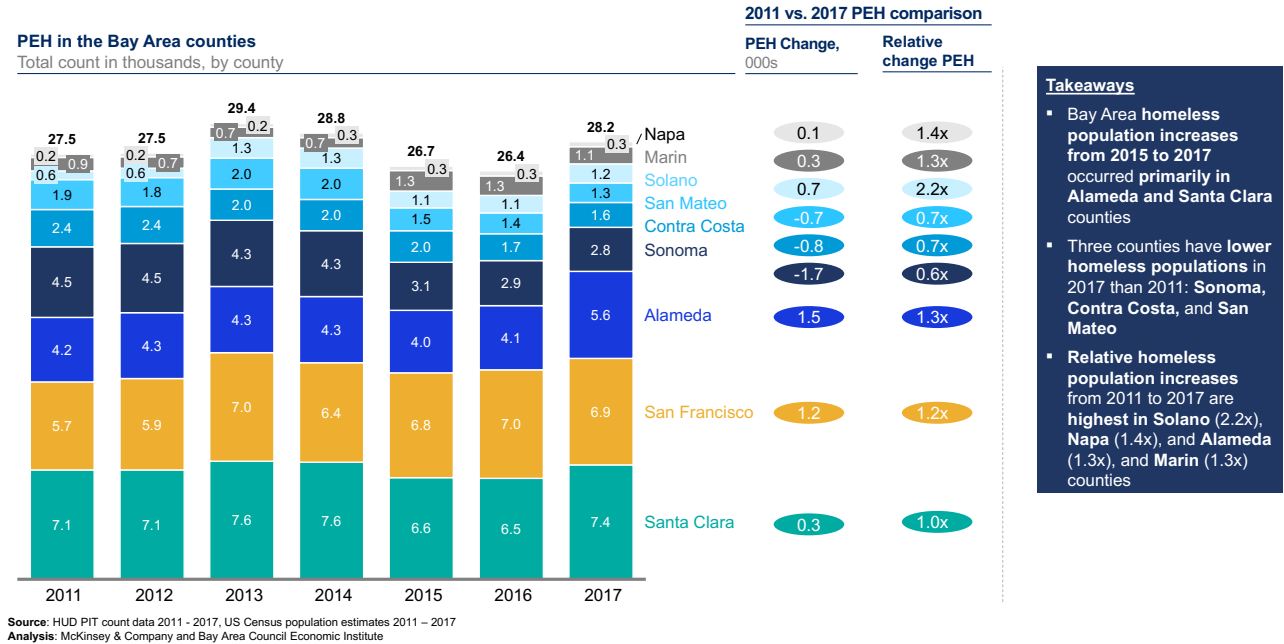
Technology could also help simplify complexities in the current service system. For example, the experience of waiting for shelter beds could be redesigned so that a homeless individual does not have to wait in-person for the bed; s/he would then have more time to search for a job or other housing during the day. Additionally, current coordination between service providers (e.g., hospitals, shelters, case managers) is sparse. Creating avenues for increased coordination through technology will enhance the care delivered to people experiencing homelessness.



Market Street, San Francisco

Appendix A

Homelessness in the Bay Area has been a consistent challenge with recent indications of the situation worsening



Takeaways

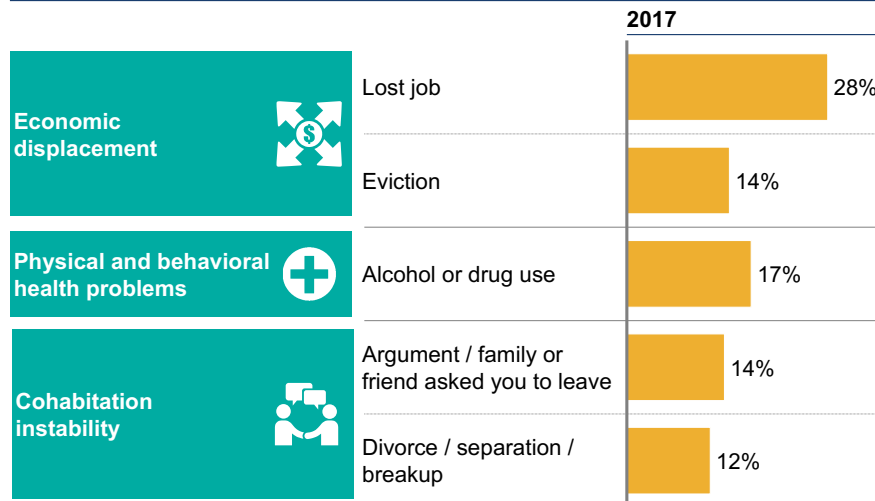
- Bay Area homeless population increases from 2015 to 2017 occurred primarily in Alameda and Santa Clara counties
- Three counties have lower homeless populations in 2017 than 2011: Sonoma, Contra Costa, and San Mateo
- Relative homeless population increases from 2011 to 2017 are highest in Solano (2.2x), Napa (1.4x), and Alameda (1.3x), and Marin (1.3x) counties

Appendix B

Top Bay Area self-reported primary causes of homelessness are job loss, eviction, substance use, and cohabitation instability

Primary cause of homelessness

Self-reported (top five responses)¹, % of respondents²



Takeaways

- While there are often many drivers of an individual's inability to obtain housing, **economic displacement and physical or behavioral health problems are large contributors**
- Data is based on four counties accounting for 69% of the Bay Area's homeless population: Santa Clara, San Francisco, Sonoma, and Solano counties
 - Other counties have different questions pertaining to the primary cause of homelessness or do not collect this data

¹ Q: What do you think is the primary event or condition that led to your homelessness?

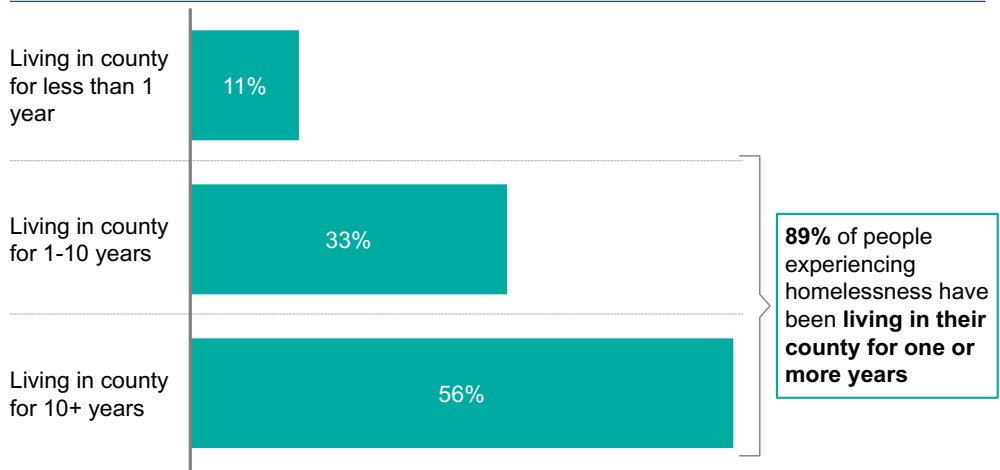
² Single response question. Percentages may not add up to 100 as only the top 5 responses are shown

Source: Applied Survey Research - San Francisco, Santa Clara, Sonoma, Solano 2017 PIT counts and reports
Analysis: McKinsey & Company and Bay Area Council Economic Institute

Appendix C

The majority of the homeless individuals in the Bay Area report living in their county for 10 or more years...

Years living in county where homeless,
Self-reported time in county¹, % of respondents²



Takeaways

- Across 94% of Bay Area people experiencing homelessness, **56% have been living in their county for 10 or more years**
- Of the 28,200 people experiencing homelessness in the Bay Area at a given time, only **3,000 have been in their county for less than one year**

¹ Q: How long have you lived in <current county>?

² Sample representative of 94% of Bay Area PEH population. Counties with data: San Francisco, Santa Clara, Solano, Sonoma, Contra Costa, Marin, Alameda. No survey data for Napa, San Mateo counties

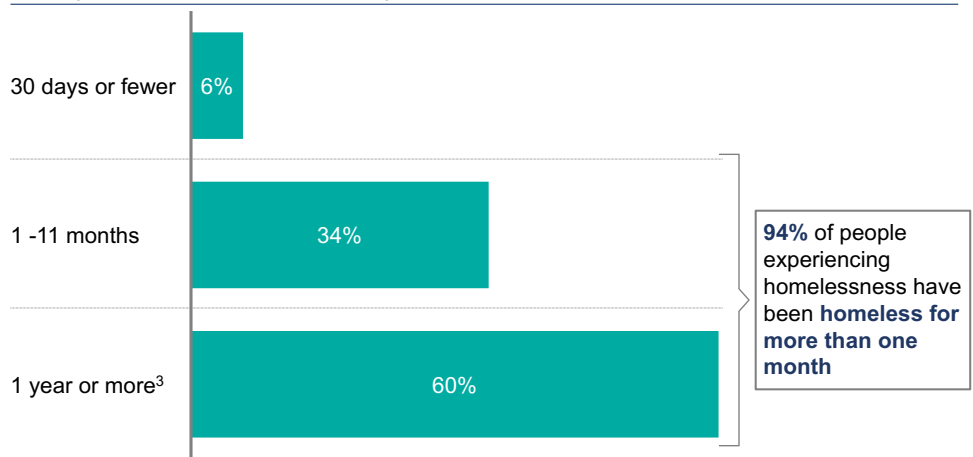
Source: Applied Survey Research 2017 homelessness surveys for listed counties, 2017 HUD PIT counts

Analysis: McKinsey & Company and Bay Area Council Economic Institute

Appendix D

...and have been homeless for more than one year

Duration of current homelessness episode,
Self-reported time homeless, % of respondents²



Takeaways

- Across 89% of Bay Area PEH population, **60% have been homeless for one year or more**
- Of the 28,200 people experiencing homelessness in the Bay Area at a given time, only **~1,700 became homeless recently** (in the last 30 days)

¹ Q: How long have you been homeless this current time?

² Sample representative of 89% of Bay Area PEH population. Counties with data: San Francisco, Santa Clara, Solano, Sonoma, Marin, Alameda. No survey data for Napa, San Mateo, Contra Costa counties

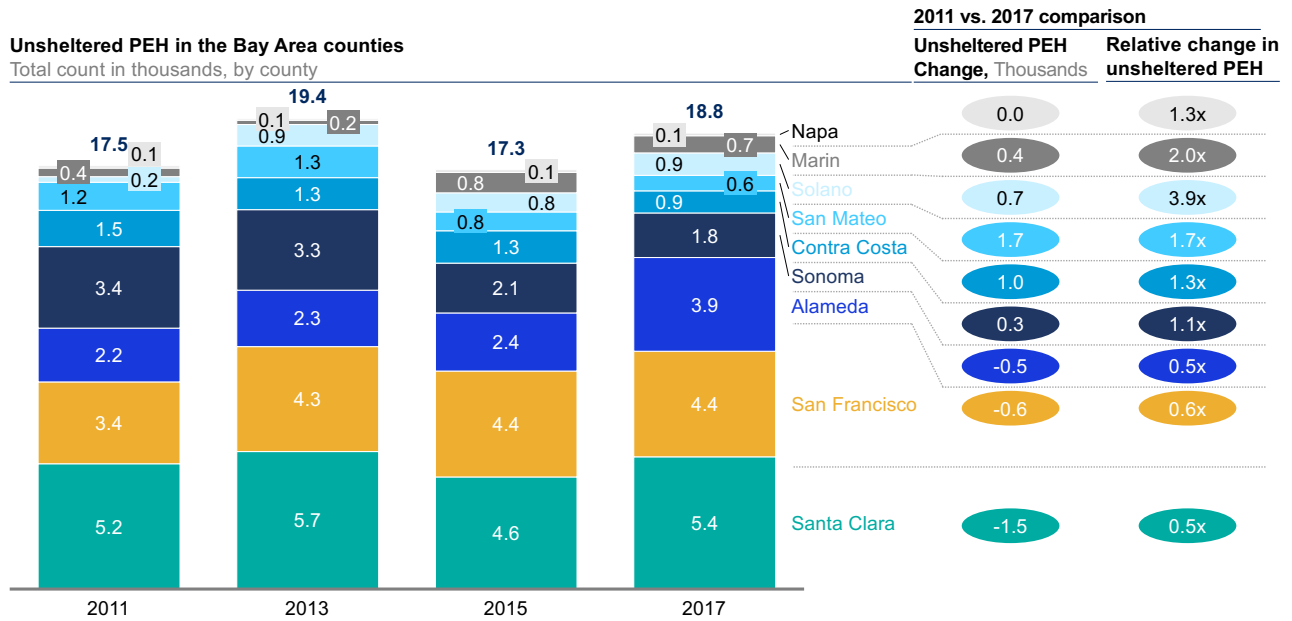
³ Disconnect between PIT counts of chronic homeless (28% in the Bay Area, 2017) and self-reported duration of current homeless episode that qualifies as chronic by definition (>60% of survey respondents)

Source: Applied Survey Research 2017 homelessness surveys for listed counties, 2017 HUD PIT counts

Analysis: McKinsey & Company and Bay Area Council Economic Institute

Appendix E

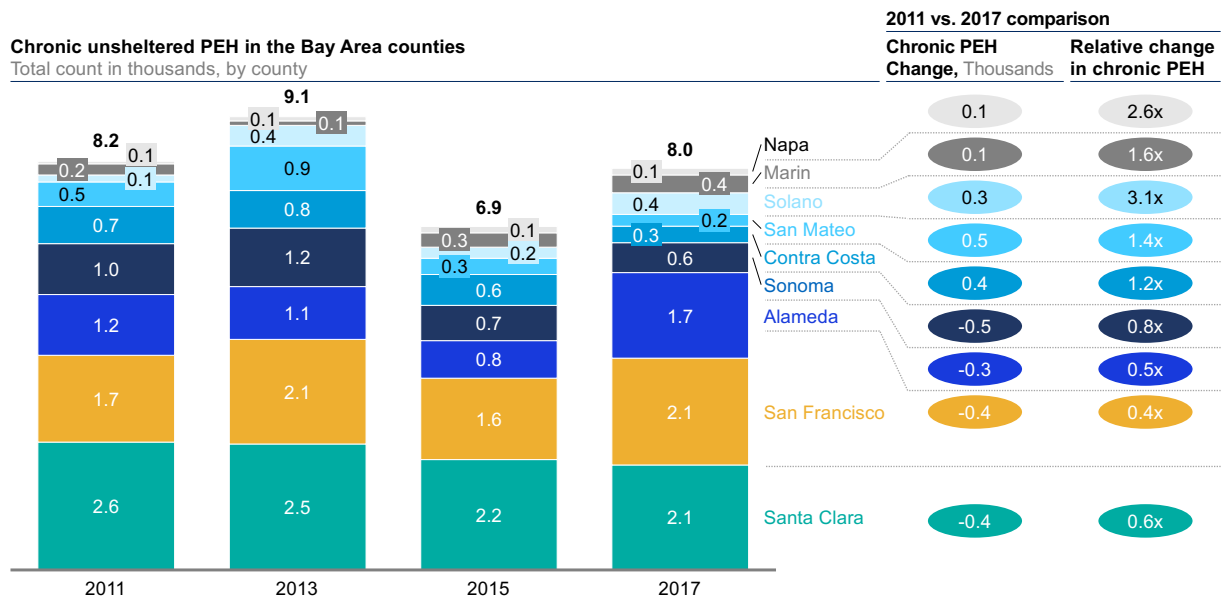
Unsheltered homelessness in the Bay Area, 2011-2017



Source: HUD PIT count data 2011-2017
Analysis: McKinsey & Company and Bay Area Council Economic Institute

Appendix F

Chronic homelessness in the Bay Area, 2011-2017



Source: HUD PIT count data 2011-2017
Analysis: McKinsey & Company and Bay Area Council Economic Institute

Appendix G

Federally subsidized housing supply: West Coast metros tend to have fewer units (both absolutely and relatively) than East Coast peers

West Coast Metro One CoC Multiple CoCs
Lower % subsidized Higher % subsidized

	Supply to demand ratio of HUD subsidized units Count of HUD subsidized housing unit per <30% AMI household	HUD subsidized units, 000s	HUD subsidized units, % of total housing units
Atlanta	0.7	33.7	7%
Boston Metro	0.7	75.5	9%
New York City	0.6	400.4	11%
DC Metro	0.5	67.7	4%
Chicago Metro	0.5	122.6	6%
Philadelphia	0.4	46.3	7%
Seattle/King County	0.4	34.3	4%
Bay Area	0.4	120.7	4%
Denver	0.4	36.8	3%
San Diego	0.3	39.9	3%
Los Angeles	0.3	145.8	4%
Las Vegas/Clark County	0.3	16.1	2%
Houston	0.2	41.5	2%
Phoenix/Maricopa County	0.2	24.1	1%

Takeaways

- Comparing federally subsidized housing units to the extremely low income population, **West Coast metros have a greater shortage of affordable housing**
- Note that some housing may be subsidized by state or local governments, which is not captured here

Source: 2017 HUD PIT count data, US Census 2017 population estimates, CoC county composition, 2017 HUD Picture of Subsidized Housing, U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates, CHAS data 2011-2015 ACS
Analysis: McKinsey & Company and Bay Area Council Economic Institute

Appendix H

Federal, state, and local programs support varying degrees of subsidized affordable housing

	Description	Who qualifies	Who pays
Fully subsidized	Rapid Re-Housing Time-limited assistance to help find, secure, and move into permanent housing. Includes rent subsidies; may include locating housing and move-in resources	Various people experiencing homelessness, and often targeted to specific populations by program (e.g., veterans, families on CalWORKS, youth)	<ul style="list-style-type: none"> Federal: HUD and HHS State / local: dedicated funding for PSH (varies) Private: corporate grants, philanthropic contributions
	Permanent Supportive Housing (PSH) Supportive housing with no time limit on residency, including wraparound services like intensive case management	Targets the most vulnerable homeless population: usually people with co-occurring and/or severe instances of mental health, substance abuse, and medical problems	<ul style="list-style-type: none"> Federal: HUD and HHS State / local: dedicated funding for PSH (varies) Private: corporate grants, philanthropic contributions
Partially subsidized	Housing choice voucher (HCV) Person / family applies for housing voucher; if approved, finds housing in private market and uses voucher to pay landlord	<ul style="list-style-type: none"> Eligibility determined locally by Public Housing Authority At least 75% of vouchers go to Extremely Low Income households (<30% AMI) Generally targeted to people on fixed disability or SSI who cannot afford rental market without permanent assistance 	<ul style="list-style-type: none"> Federal: HUD allocate funds to local public housing agencies, who administer funds to applicants Renter: Pays remainder (rent minus voucher), usually 30% of adjusted monthly income
	Section 8 Project-based voucher (PBV) Below market rate rental units subsidized during construction and reserved for Section 8 PBV recipients		
	Flexible housing subsidy pool Subsidized operation or construction of affordable housing units; details vary by subsidy pool	Varies by subsidy pool. Generally targeted to low or extremely low income households	<ul style="list-style-type: none"> Local government: dedicated funding pool for city/county/region Private: corporate grants, philanthropic contributions

Source: https://www.hud.gov/topics/housing_choice_voucher_program_section_8
Analysis: McKinsey & Company and Bay Area Council Economic Institute

Appendix I

Metro comparison methodology

Methodology:

- Metro areas consist of target city CoCs and relevant urban/suburban counties and CoCs
- Where metro areas contain multiple CoCs and/or CoCs across multiple states, CoC data and population data refer to urban/suburban metro area
- Note that Metro areas used in this comparison are smaller than MSAs and CoC boundaries do not always align with county boundaries

Metro	HUD CoC(s)	Component counties	Additional information
New York City	NY-600	Bronx, Kings, Queens, Richmond, New York counties	
Los Angeles	CA-600	Los Angeles County	CoC excludes Glendale, Pasadena, Long Beach
Bay Area	CA-500, CA-501, CA-502, CA-504, CA-505, CA-512, CA-518, CA-507, CA-517	Napa, Marin, San Mateo, Solano, Sonoma, San Francisco, Alameda, Contra Costa, San Mateo	
Seattle/King County	WA-500	King County	
San Diego	CA-601	San Diego County	
Las Vegas/Clark County	NV-500	Clark County	
District of Columbia	DC-500, MD-508, MD-509, MD-600, MD-601, VA-600, VA-601, VA-602, VA-603, VA-604	District of Columbia, Arlington, Alexandria, Falls Church, Fairfax, Manassas, Prince William, Charles, Montgomery, Loudoun, Frederick counties	
Boston	MA-500, MA-509, MA-516, MA-518, MA-511, MA-517	Norfolk, Plymouth, Suffolk counties	
Philadelphia	PA-500	Philadelphia County	
Chicago	IL-510, IL-511	Cook County	
Phoenix/Maricopa County	AZ-502	Maricopa County	
Denver	CO-503	Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, Jefferson counties	Metropolitan Denver Homeless Initiative
Houston	TX-700	Harris, Fort Bend, Montgomery counties	
Atlanta	GA-500	Fulton County	

Source: 2017 HUD PIT count data, US Census 2017 population estimates, CoC websites
 Analysis: McKinsey & Company and Bay Area Council Economic Institute

Appendix J

We interviewed 35 stakeholders and experts to inform our research

4 Sonoma	
Interviewee	Organization
Margaret Van Vliet	County
Jenny Abramson	County

9 Napa	
Interviewee	Organization
Mitch Wippen	County
Nui Bezaire	County
Jennifer Palmer	County

8 Marin	
Interviewee	Organization
Carrie Sager	County

5 Contra Costa	
Interviewee	Organization
John Eckstrom	ShelterInc

2 San Francisco	
Interviewee	Organization
Jeff Kositsky	County
Sarah Locher	County
Sherilyn Adams	Larkin St Youth Services
Veronica Pastore	Larkin St Youth Services
Angel Jamaica	Larkin St Youth Services
Andrea Evans	Tipping Point
Ashley Stephany	Tipping Point

6 San Mateo	
Interviewee	Organization
Selina Toy-Lee	County
Jessica Silverberg	County



Regional	
Interviewee	Organization
Tomiquia Moss	Hamilton Families, SPUR
Senator Scott Wiener	California State Senate
Gabriel Balducci	HALT Homelessness
Vivian Wan	ABODE
Jessica Monge Coria	Corporation for Supportive Housing
Margot Kushel	UCSF

National	
Interviewee	Organization
Jake Segal	Social Finance
Linda Li	Social Finance
Jeremy Haile	HomeBase
Sasha Drozdova	HomeBase

7 Solano	
Interviewee	Organization
John Eckstrom	ShelterInc

3 Alameda	
Interviewee	Organization
Joanne Karchmer	Oakland City
Sara Bedford	Oakland City
Elaine de Coligny	EveryOne Home (County)
Alexis Lozano	EveryOne Home (County)
Julie Leadbetter	EveryOne Home (County)
Jessica Shimmin	EveryOne Home (County)

1 Santa Clara	
Interviewee	Organization
Jennifer Loving	Destination Home
Ky Le	County
Ragan Henninger	San Jose Gov

Endnotes

- 1 Homelessness Policy Research Institute, Homeless Service Outcomes and Resources for Re-Entry, September 11, 2018. Accessed at: <https://socialinnovation.usc.edu/wp-content/uploads/2018/11/Outcomes-Re-Entry-Literature-Review.pdf>
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- 8 Furman Center for Real Estate & Urban Policy, Housing Policy in New York City: A Brief History, July 2001. Accessed at: http://furmancenter.org/files/publications/AHistoryofHousingPolicycombined0601_000.pdf



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