

CALIFORNIA LEGISLATURE

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SENATE COMMITTEE ON GOVERNANCE & FINANCE

SENATE COMMITTEE ON HOUSING

SENATE COMMITTEE ON HUMAN SERVICES

March 11th, 2020

Committee Background

This background paper prepares the members of the Senate Governance & Finance, Housing, and Human Services Committees for the March 11, 2020, informational hearing titled **“Confronting a California crisis: Homelessness. Advancing solutions to one of our state’s most pressing challenges.”** Through this hearing, the Committees will explore recent trends in California’s homeless population; the strategies that local governments employ to manage homelessness in their jurisdictions; and successful best practices that can be adopted more widely.

At the hearing, the Committees will first receive an overview of the Legislature’s recent actions to address the homelessness crisis. Second, the Committees will hear from experts on the causes of homelessness and various strategies other states and countries have used to confront the crisis. The third panel will highlight the efforts of various local governments to combat homelessness given the unique circumstances within their jurisdictions. Finally, the Committees will hear from practitioners on what is, and is not, working on the ground and how the Legislature can partner with homeless service providers to resolve the homelessness crisis.

This background paper:

- Examines the current state of the homelessness crisis and its effects;
- Outlines recently enacted legislation to combat homelessness;
- Considers how other states and countries have sought to ameliorate homelessness; and
- Discusses how local governments in California have attempted to abate homelessness.

A California crisis: homelessness

According to a 2019 annual report by the United States Department of Housing and Urban Development (HUD), which compiles the point-in-time counts from regions across the United States, the homelessness population in California increased by 16 percent (21,306 people) from 2018 to 2019.¹ California had 151,278 homeless individuals in 2019, which accounted for 27 percent of the nation's homeless population. In this count, most individuals experiencing homelessness across the nation lived in emergency shelters or transitional housing programs, while nearly 72 percent (108,432 people) of California's homeless population remained unsheltered.²

While these numbers provide a snapshot of the state's homeless population, they likely underestimate the scope of the crisis because they only measure the homeless population on one day of the year and may not include individuals that were only temporarily homeless during other times of the year.

Causes of Homelessness. In recent years, many individuals, including unaccompanied youth, older adults and families, have found themselves living on the street, in shelters, or in other transitional housing arrangements, such as living with friends and family, for the first time. The causes of homelessness are varied and complicated. Economic hardship, high cost of housing, separation from the family, domestic violence, death of the family breadwinner, mental or behavioral health, and substance use disorders can all contribute to a person experiencing homelessness. A shortage of shelters leaves many individuals experiencing homelessness with no choice but to rest and sleep in public. Additionally, individuals may have difficulty accessing shelters even when there are beds available if the shelter has overly restrictive practices that do not allow them to store their possessions or accommodate the individual's pet or partner.

While there may be a perception that people experiencing homelessness are in that circumstance due to inability or disinterest in sustaining employment because of mental health or substance use issues, many individuals and families experiencing homelessness have, or recently had, jobs. A study by the California Policy Lab found that 74 percent of homeless individuals in Los Angeles County had a record of employment between 1995 and 2018 prior to becoming homeless; 47 percent were employed within four years before their first experience of homelessness; and 19 percent were employed in the quarter in which they became homeless.

¹ Point-in-time counts are an unduplicated count on a single night in January of the people in a community who are experiencing homelessness that includes both sheltered and unsheltered populations.

²<https://files.hudexchange.info/resources/documents/2019-AHAR-Part-1.pdf>

However, the average annual earnings of study participants was only \$9,970 in the year prior to experiencing homelessness.³

For additional information on specific subpopulations that are homeless (e.g. students, LGBTQ, and veterans), please see the February 2020 background paper, *Homelessness and Housing*, by the Senate Committee on Budget and Fiscal Review.⁴

Housing Affordability. It is difficult for many Californians to find affordable housing that meets their needs. This lack of affordable housing statewide plays a significant factor in causing individuals to become homeless or creates obstacles for individuals experiencing homelessness to transition into stable housing. According to the Public Policy Institute of California (PPIC), home prices in California are much higher than in other large states. California's 2019 median home value was \$550,800, more than two times higher than the nationwide median. California currently has 13 of the 14 least affordable metropolitan areas for homeownership in the nation. California also has six of the nation's fifteen most expensive large metropolitan rental markets, which includes San Francisco, San Jose, Oakland, Orange County, San Diego, and Los Angeles. The median rent for a two-bedroom apartment ranges from \$2,113 in Los Angeles to \$3,447 in San Francisco.⁵ As a result, Californians spend a greater share of their income on housing than residents of other states. According to HUD, to be considered affordable, housing costs should not exceed 30 percent of household income. A 2017 report by the California Budget & Policy Center found more than four in ten California households had unaffordable housing costs, meaning they spent more than 30 percent of household income on housing. More than 20 percent of households statewide faced severe housing cost burdens, spending more than half of their income on housing.⁶

Housing Production. Recent population growth accompanied by increasing disposable income has significantly stimulated housing demand. Under these circumstances, when supply increases only modestly, as has occurred in the years since the Great Recession, the result is higher housing costs. According to a 2015 study by the California Housing Partnership Corporation, California has a shortfall of 1.5 million affordable housing units.

This serious shortage of supply, particularly the supply of housing that is affordable to lower-income families, directly contributes to the rise in homelessness. The Department of Housing and Community Development (HCD) estimates that California must build 220,000 new homes a year to keep up with population growth. During the 1990's, California averaged only 110,000 new housing units per year. During the early 2000s, production increased significantly, reaching a peak of 212,000 units in 2004 before plummeting to historic lows during the recession. The downward trend continues; in June 2019, residential permits were down 38 percent compared to June 2018. On an annualized basis, housing permit applications were down 7 percent, totaling only about 110,000 units. California has under-produced housing every single year since 1989.

³ <https://www.capolicylab.org/wp-content/uploads/2020/02/Employment-Among-the-Homeless-in-Los-Angeles.pdf>

⁴ https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/February_27_20_Housing_and_Homelessness_Agenda_Background.pdf

⁵ <https://www.ppic.org/publication/californias-future-housing/>

⁶ <https://calbudgetcenter.org/resources/californians-parts-state-pay-can-afford-housing/>

Effects of Homelessness. Homelessness increases the risk of developing health problems, such as diseases of the extremities and skin disorders, and it increases the possibility of trauma, especially as a result of physical or sexual assault. It can also turn a relatively minor health problem into a serious illness. Other health problems that may result from, or that are commonly associated with, homelessness include malnutrition, parasitic infestations, dental and periodontal disease, and degenerative joint diseases.

Unsheltered individuals experiencing homelessness possess major and worsening health conditions while homeless. According to the *Health Conditions Among Unsheltered Adults in the U.S.* report by the California Policy Lab, unsheltered individuals are more likely than sheltered individuals to report a mental health condition (78 percent vs. 50 percent). Additionally, unsheltered individuals experiencing homelessness were nearly three times as likely as sheltered individuals experiencing homelessness to report that mental health conditions contributed to loss of housing (50 percent to 17 percent).⁷

Unsheltered individuals experiencing homelessness face harsher living conditions, putting them at higher risk of using alcohol and other substances to cope, which may result in disrupting relationships, loss or prevented employment, or inability to locate housing. The California Policy Lab also found that unsheltered individuals experiencing homelessness are more than five times as likely to report a substance use condition (75 percent vs. 13 percent).⁸

Many of these individuals need services in addition to housing and would benefit from the range of safety net and behavioral health services available from their city or county. However, their unsheltered status creates a variety of barriers to accessing these services. There are efforts underway to at the local level to provide housing and services that meet these individuals where they are.

Recent efforts and proposals to combat homelessness

In 2016, the state's efforts to address homelessness shifted to the Housing First model. Housing First is an evidence-based strategy that uses housing as a tool, rather than a reward, for recovery and that centers on providing or connecting homeless people to permanent housing as quickly as possible. Housing First providers offer services as needed and requested on a voluntary basis and do not make housing contingent on participation in services. SB 1380 (Mitchell, 2016) established the Homeless Coordinating and Financing Council to oversee implementation of the Housing First regulations and coordinate resources, benefits, and services to prevent and end homelessness in California, and aligns with the Housing First guidelines required for any state program that provides housing and supportive services to individuals experiencing homelessness.

Since 2018, the state has allocated over \$3 billion to address homelessness specifically. The state's recent investments to address homelessness fall into three categories: (1) programs that

⁷ <https://www.capolicylab.org/wp-content/uploads/2019/10/Health-Conditions-Among-Unsheltered-Adults-in-the-U.S.pdf>

⁸ Ibid.

support the construction of new affordably priced housing, (2) programs that help individuals and families afford housing, and (3) health and human services programs that may assist with reducing or preventing homelessness. In all three cases, the state generally allocates funds to local governments, who then direct resources to developers, service providers, and counties to either construct housing units or provide services. This does not include other funds allocated to encourage affordable housing production. For more information on recent budget allocations to address homelessness, please see the February 2020 background paper, *Homelessness and Housing*, by the Senate Committee on Budget and Fiscal Review.⁹

Recommendations from Governor’s Council of Regional Homeless Advisors. In 2019, the Governor established the 13-member Council of Regional Homeless Advisors. This Council is comprised of local government officials and other homelessness experts that solicit public input and make recommendations to address the crisis. In January 2020, the Council made the following recommendations:

- Develop a comprehensive response strategy among state and local governments;
- Create an enforceable mandate aimed at addressing homelessness;
- Establish a single point of authority for homelessness within the administration;
- Expand on the Whole Person Care pilot under Medi-Cal;
- Encourage Medi-Cal managed care providers to target homeless populations;
- Set up flexible housing funding pools;
- Provide an ongoing annual allocation to the Homeless Housing, Assistance and Prevention (HHAP) program;
- Augment Supplemental Security Income/State Supplementary Payments, the state’s earned-income tax credit, and Adult Protective Services to specifically to target homeless populations; and
- Fund, streamline, and incentivize permanent supportive housing and housing for extremely low income households.¹⁰

Recently Enacted Social Safety Net Programs Aimed at Addressing Homelessness. In addition to administering a host of anti-poverty programs that assist children, families, older adults, immigrants, and people with disabilities, the California Department of Social Services (CDSS) currently oversees five housing and homelessness programs for targeted populations, which are implemented at the county level. Each program has its own eligibility criteria and budget, varies in size and scope, and differs in terms of geographic availability. These five programs are:

- ***Housing Support Program (HSP).*** This program assists homeless CalWORKs families obtain permanent housing by providing financial assistance and several wrap-around supportive services, including rental subsidies and case management. CDSS sets the program parameters, and counties design their own program to meet the unique needs of

⁹https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/February_27_20_Housing_and_Homelessness_Agenda_Background.pdf

¹⁰<https://static1.squarespace.com/static/5a67c48df6576e09b7b10ce8/t/5e1cf3f96e9791497f91403a/1578955774771/Homeless+task+force+report+final.pdf>

their community. Counties must use evidence-based models and approaches when offering services, and must collaborate with their HUD-created local Continuum of Care (CoC) program. Eligible families are CalWORKs recipients experiencing homelessness, as defined. Since it was established, HSP has permanently housed over 14,500 homeless CalWORKs families. HSP began in 2014-15 with an initial allocation of \$20 million to be split among 20 counties. The program has grown to 52 counties and \$71.2 million in funding in 2018-19. The following six counties do not currently operate HSP: Alpine, Inyo, Modoc, Mono, San Joaquin, and Sierra.

- ***Homeless Assistance Program (HAP).*** This program assists CalWORKs families meet the reasonable costs of securing housing by either providing payments for temporary shelter for up to 16 cumulative calendar days in a 12 month period (Temporary HAP) by providing payments to secure or maintain housing, including through a security deposit and a payment equal to last month's rent or up to two months of rent arrearages (Permanent HAP). In fiscal year 2017-18, 57,614 families received temporary HAP and 6,276 families received permanent HAP, at a cost of approximately \$54 million.
- ***Bringing Families Home (BFH).*** BFH provided \$10 million from the State General Fund in 2016-17 for 12 counties to reduce the number of families in the child welfare system experiencing or at risk of homelessness, to increase family reunification, and to prevent foster care placement by using evidence-based models, such as rapid rehousing and supportive housing. The 12 participating counties were: Kings, Los Angeles, Orange, Sacramento, San Diego, San Francisco, San Luis Obispo, Santa Clara, Santa Cruz, Solano, Sonoma and Yolo. The 2019-20 Budget appropriated \$24.4 million General Fund one-time funding to continue and expand the BFH program. As of June 2019, BFH provided permanent housing for 728 families.
- ***Housing and Disability Advocacy Program (HDAP).*** HDAP supports participants in meeting two program goals: securing disability benefits and stabilization in permanent housing. To participate, counties must provide a dollar-for-dollar match. Thirty-nine counties applied for program funds and implemented HDAP in early 2018. These counties must offer four core components: outreach, case management, disability advocacy, and housing assistance. Counties must offer each of those four core components to all recipients. Eligible individuals are those who are disabled or likely disabled and who are experiencing homelessness. The 2019-20 Budget appropriated \$25 million to make the program ongoing. As of December 2019, HDAP has enrolled 3,200 individuals into the disability program; permanently housed 1,102 participations; submitted 1,819 disability applications; and seen 514 disability applications approved.
- ***Home Safe.*** This one-time program serves Adult Protective Services (APS) clients experiencing homelessness or are at imminent risk of homelessness due to elder or dependent adult abuse, neglect, self-neglect, or financial exploitation by providing participants with housing related assistance using evidence-based practices for homeless assistance and prevention, including: short-term financial assistance, legal services, eviction prevention, heavy cleaning, and landlord mediation. There are 25 counties participating in Home Safe: Alameda, Butte, Contra Costa, Fresno, Humboldt, Kern, Kings, Los Angeles, Mariposa, Mendocino, Merced, Nevada, Placer, Riverside,

Sacramento, San Bernardino, San Diego, San Francisco, Santa Clara, Santa Cruz, Shasta, Sonoma, Tehama, Ventura, and Yuba. The 2018-19 Budget appropriated \$15 million in one-time funding to operate the program. As of December 2019, the 25 participating counties have enrolled 750 people into Home Safe.

Lessons learned from other states and countries

While the scale of California's homelessness crisis may be different from other states and countries, California can learn from the approaches employed in other states.

Right to Shelter. The City of New York, the City of Portland, Multnomah County (Oregon), and the state of Massachusetts have adopted a "right to shelter" policy. This is a legal mandate that requires local governments to provide emergency shelter to anyone experiencing homelessness. Los Angeles County Supervisor Mark Ridley-Thomas and Sacramento Mayor Darrell Steinberg, who co-chair the Governor's Council of Regional Homeless Advisors, have been advocating for some form of a legal mandate to provide shelter to the homeless population. Adopting such a policy would likely require California cities and counties to construct additional homeless shelters to provide enough space for any homeless person seeking shelter at any given time. However, this approach to homelessness is incredibly costly. According to the New York Comptroller, shelter costs have more than doubled since 2013-14 to \$1.9 billion in fiscal year 2019.¹¹ Investing more in emergency shelters could divert limited resources from longer-term solutions, such as permanent supportive housing and other housing solutions.

Other Housing First Models. In 2005, over ten years before California, Utah implemented a statewide Housing First model prioritizing permanent, affordable housing to people experiencing homelessness without mandating participation or continuation in supportive services to receive or retain that housing. Housing First has been shown to reduce the overall costs incurred when localities provide social services to people where they live, rather than allowing them to continue to cycle through jails, emergency rooms, and treatment centers.

Since Housing First's implementation, Utah has decreased its chronically homeless population from 1,932 in 2005 to 493 in 2019, a 74 percent decrease. Under Utah's Housing First program, chronically homeless is narrowly defined as an individual with a disability who has been continuously homeless for one year or more or has experienced at least four episodes of homelessness in the last three years where the combined length of time homeless on those occasions is at least 12 months. Despite this notable reduction, some researchers have raised regarding the state's inconsistent data collection.¹² Additionally, California has a much larger homeless population and other unique challenges.

Local governments' efforts combatting homelessness

Local government strategies to combat homelessness generally fall into four categories: (1) constructing additional housing for homeless residents through local and regional measures and

¹¹ <https://comptroller.nyc.gov/newsroom/comptroller-stringer-releases-agency-watch-list-reports-on-citywide-homelessness-spending-and-the-department-of-buildings/>

¹² https://www.huffpost.com/entry/think-utah-solved-homeless_b_9380860

housing trust funds, (2) encouraging regional collaboration, (3) preventing individuals from becoming homeless, and (4) local laws targeting individuals experiencing homelessness.

Increasing Affordable Housing Options. Individual cities and counties in California have sought to raise money to finance housing construction for people experiencing homelessness or at risk of homelessness within their jurisdictional boundaries. This can be accomplished through one-time investments (typically voter-approved general obligation bonds) or through ongoing sources of local funding or private donations, which are deposited into a local housing trust fund (HTF). HTFs are distinct funds established by local agencies or state governments that receive ongoing dedicated sources of public funding to support the preservation and production of affordable housing, as well as increasing opportunities for families and individuals to access decent affordable homes such as rental assistance. HTFs shift affordable housing funds from budget allocations to the commitment of a dedicated public revenue. According to the Housing Trust Fund Project, there are currently 42 HTFs in California; however, this list only includes publicly run HTFs.¹³

The state creates incentives for locals to set up their own HTFs through the creation and funding of the Local Housing Trust Fund Matching Grant Program under the Department of Housing and Community Development (HCD), which provides matching grants (dollar-for-dollar) to local HTFs that are funded on an ongoing basis from private or public sources. Eligible activities include loans for construction of rental housing with units restricted to households earning less than 60 percent of area median income and down payment assistance to first-time homebuyers. This program currently has \$300 million available from the passage of Proposition 1 (2018).

Many local governments have also issued general obligation bonds to fund affordable housing, including homeless specific housing and services. Some examples include:

- City of Los Angeles Measure HHH (2016): \$1.2 billion
- Santa Clara County Measure A (2016): \$950 million
- San Francisco Measure A (2019): \$600 million;
- Alameda County Measure A1 (2016): \$580 million
- San Francisco Proposition A (2015): \$310 million
- Berkeley Measure O (2018): \$135 million;
- Santa Rosa Measure N (2018): \$124 million;
- Emeryville Measure C (2018): \$60 million;

Each of these bond issuances differs in terms of how the city or county prioritizes funding. For example, when over 74 percent of San Francisco voters approved Proposition A in 2015, San Francisco's plan directed \$150 million to low income affordable housing, \$80 million to public housing, and \$80 million to middle income programs, including down payment assistance. As of December 2019, San Francisco has issued all of the bonds and expended \$150.4 million on various projects. It expects to spend all funds by late 2023.

¹³ <https://housingtrustfundproject.org/wp-content/uploads/2020/01/HTFunds-in-the-US-2020.pdf>

Other jurisdictions have struggled to pass similar measures because cities and counties need two-thirds of voters to gain the authority to issue general obligation bonds for these uses, which has proved challenging in some cases.

Encouraging Regional Collaboration. The homelessness crisis does not stop at city limits or county boundaries. One city's decision to build additional shelters or permanent supportive housing can have broader impacts for entire regions. One way of creating a regional coordinated effort to address homelessness is through CoCs, which are regional or local planning bodies that coordinate housing and services funding for homeless families and individuals. In 1995, the US Department of Housing and Urban Development (HUD) began to require communities to submit a single application for federal homeless assistance grants to streamline the funding application process, encourage coordination of housing and service providers on a local level, and promote the development of CoCs. By requiring communities to submit a single application, HUD hoped to encourage a more structural and strategic approach to both housing and providing services to homeless people. A CoC is intended to provide this more strategic system by providing homeless people with housing and services appropriate to their range of needs. In California, there are 43 CoCs, representing communities of all kinds, including major cities, suburbs, and rural areas.

One way the Legislature has encouraged regional approaches to homelessness is by authorizing regional housing trusts. AB 448 (Daly, 2018) created the Orange County Housing Finance Trust and, SB 751 (Rubio, 2019) created the San Gabriel Valley Housing Trust. Neither organization has yet been formed.

Preventing Individuals from Becoming Homeless. In 2014, the County of Los Angeles created the Los Angeles County Flexible Housing Subsidy Pool (FHSP), which provides rent subsidies to move individuals out of homelessness and into permanent housing. The program pairs these subsidies with other services including ongoing tenant services and intensive case management. The County partners with Brilliant Corners, a non-profit service provider to identify suitable rental units, operate the pool, manage rental subsidies, and provide tenant support. Three entities provided the initial investment to start the pool: Los Angeles County Department of Health Care Services – \$13 million, Conrad N. Hilton Foundation – \$4 million, Office of Los Angeles County Supervisor Mark Ridley-Thomas – \$1 million. Various public and private entities have provided additional funding to support the program and provide additional services, such as move-in and utility assistance. As of the 2016-17 fiscal year, over \$40 million has been placed in the fund and over 1,400 individuals have been housed through various programs associated with FHSP.¹⁴

Local Laws Targeting Individuals Experiencing Homelessness. When individuals and families become homeless, many have no other option than to live on the streets. A recent report by the National Law Center on Homelessness and Poverty found that since 2016, there has been a growth in laws that punish those that are homelessness.¹⁵ For example, of 187 surveyed cities,

¹⁴ [https://www.hiltonfoundation.org/wp-](https://www.hiltonfoundation.org/wp-content/uploads/2019/10/Flexible_Housing_Subsidy_Pool_Brief_Final.3.31.17-3.pdf)

[content/uploads/2019/10/Flexible_Housing_Subsidy_Pool_Brief_Final.3.31.17-3.pdf](https://www.hiltonfoundation.org/wp-content/uploads/2019/10/Flexible_Housing_Subsidy_Pool_Brief_Final.3.31.17-3.pdf), page 4.

¹⁵ <http://nlchp.org/wp-content/uploads/2019/12/HOUSING-NOT-HANDCUFFS-2019-FINAL.pdf>

72 percent had at least one law restricting camping in public, 51 percent have at least one law restricting sleeping in public, 53 percent have one or more laws prohibiting sleeping or lying down in public, and 60 percent had one or more laws restricting living in vehicles.

In 2018, the 9th U.S. Circuit Court of Appeals ruled in the *Martin v. City of Boise* case that cities could not prohibit individuals experiencing homelessness from camping in public places (e.g. sidewalks, public parks) unless the city had adequate shelter available. As a result of this ruling, California cities can no longer arrest, charge fines, or punish people for camping out in public if adequate shelter space is unavailable. The case began with a 2009 lawsuit by Idaho homeless residents.

Questions

As members hear from experts on the subject of homelessness, the Committees may wish to consider the following questions:

- How can the Legislature partner with local governments to make further inroads to solve the homelessness crisis? Should the Legislature be taking additional steps to encourage additional regional collaboration?
- What best practices used by cities and counties should the state consider implementing?
- What should the state's role be in ending and preventing homelessness?
- How can existing social safety net programs be leveraged to serve those experiencing homelessness? How might they help stabilize individuals before they become homeless?