

Can “Housing First” End Homelessness?

ERIC HIRSCH

HOW DO WE END HOMELESSNESS? Policy approaches to the current wave of homelessness have evolved over the last twenty-five years. In the '80s the response was to build emergency shelters; in the '90s the focus shifted to transitional housing; and in the new century, the emphasis has been on permanent housing, increasingly using the “housing first” approach.

The first response at the local, state, and federal level was to view homelessness as a short-term crisis requiring urgent, immediate action. The Stewart B. McKinney Homeless Assistance Act of 1987, now called McKinney-Vento, provided \$712 million over two years for emergency shelters and food. (Of course, this approach did not address market forces or the lack of affordable rental housing, the two root causes of homelessness covered in Part 1 of this series. See **RIPR** issue 31, April 2008.) Most importantly, a continuing emphasis on this short-term approach has meant the institutionalization of a large and growing homeless population in emergency shelters. Putting people into shelters does not end homelessness; it perpetuates it.

In the 1990s, the federal government began to shift the emphasis toward “transitional” housing. The dominant view was that many homeless people, particularly those who had been homeless for a long time, were not ready for an immediate move back into the community in their

own permanent housing unit. The idea was to put homeless people into two-year programs to teach them the skills necessary to move back into the mainstream—to deal with their addictions and help them with the mental health and health issues that prevented them from being successful in the labor and housing markets—and make them “housing ready”. By the mid-1990s, the Department of Housing and Urban Development was assisting four times as many people in transitional housing as in permanent housing.¹

There were several problems with this approach. Many homeless people had no need for life skills training, or substance abuse treatment programs, or group therapy sessions. All they

Perhaps offering a home is the best way to help the homeless.

really needed was a place to live. This was particularly true of one large and growing segment of the homeless population: families with children. Another problem was that transitional programs can only work if there is permanent housing to put the transitional clients into when they have completed their programs. The failure of the federal government to address the shortage of low-income rental housing meant that in many local markets there were not enough low-rent units available for the graduates of these transitional programs.

These deficiencies with the transitional housing approach led policy experts to focus increasingly on permanent housing as the key to ending homelessness. Because a shortage of low-income housing is the major reason for homelessness, the best approach would be to commit massive federal funds toward subsidies and/or public housing construction. This would impact the market significantly, make rents more affordable for lower income households, and dramatically reduce homelessness. Unfortunately, this kind of major initiative has not occurred over the last 30 years. Instead, experts have tried to take advantage of a key fact about the homeless population: a small percentage of homeless persons use a large percentage of homeless services.

Dennis Culhane, a researcher at the University of Pennsylvania, divides the homeless population into three distinct groups: a Quick Exit group, that becomes homeless and finds housing quickly, usually within a few weeks; the Episodically Homeless, those who cycle back and forth between homelessness and being housed, generally due to mental health and substance abuse issues; and the

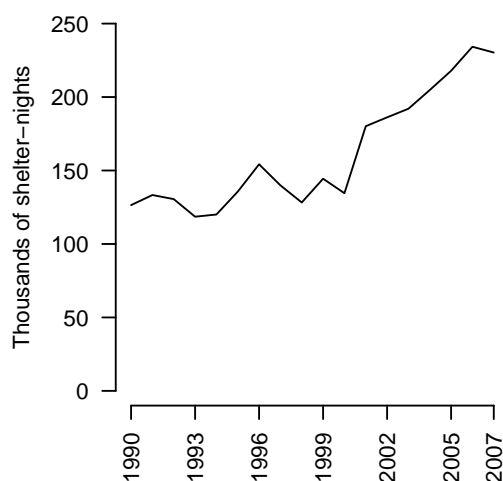


Figure 1: The graph shows the growth of the shelter usage over the past 18 years. The years shown run July to June. The slight reduction in 2007 is likely because of the destruction of the Welcome Arnold shelter (to make way for the State Police barracks that was scrapped) rather than a decrease in homelessness. The 2008 numbers will be released in January. (Source: RI Homeless Management Information System)

Eric Hirsch is Professor of Sociology at Providence College. This is the second part of an article whose first part appeared in **RIPR** issue 31.

¹Rob Rosenthal and Maria Foscarinis, “Responses to Homelessness,” in Rachel Bratt et al, *A Right to Housing: Foundation for a New Social Agenda*, Temple University Press, 2006, p. 323. Note that transitional housing does not count as a “shelter” in the graph at left.

Long-Term Homeless, a group that stays homeless for a long period of time, generally more than a year. Culhane found that about 10 % of all homeless people use about 50% of homeless services.² These clients are overwhelmingly from the episodic and long-term groups. This same pattern has been found throughout the country, including here in Rhode Island where 12% of clients in 2002-2003 used 53% of all the shelter nights for the year.³ This means that by addressing the needs of this chronically homeless population, it is possible to dramatically reduce the need for emergency homeless services.

Accompanying the focus on helping the chronically homeless find permanent housing has been an emphasis on the "Housing First" approach. This approach was explicitly developed in response to perceived problems with the transitional "Housing Ready" approach. The housing first model has several features:⁴

1. Homeless individuals are given access to housing as quickly as possible.
2. Clients are given standard lease agreements and need only to meet the requirements of that agreement in order to continue their tenancy.
3. Housing is considered permanent, not transitional.
4. A variety of services are delivered following housing placement to help the individual stay in permanent housing.
5. Use of services by clients is on a voluntary basis.

The assumption under which housing first programs operate is that clients are better able to benefit from services related to mental health, substance use, health, vocational or educational goals if they have their own home as opposed to living in a homeless shelter or on the street. Advocates of the housing first approach argue it will generate several benefits.

²Dennis Culhane et al, "Patterns and Determinants of Public Shelter Utilization Among Homeless Adults in New York City and Philadelphia," *Journal of Policy Analysis and Management*, 17(1), 23-42, 1998

³Eric Hirsch, Annual Report 2002-2003, Emergency Shelter Information Project, Rhode Island Emergency Food and Shelter Board

⁴National Alliance to End Homelessness Inc. "What is Housing First?" February 17, 2006

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First, the fact that the services provided are accessed voluntarily and the the lack of restrictive policies surrounding tenancy limits turnover of residents. Clients will tend to stay in their apartment or move on to other permanent housing settings.

Second, homeless people cost taxpayers more money than clients served in housing first programs. This is because homeless people utilize a variety of government-funded services including shelters, emergency rooms, hospitals, mental health facilities, jails and prisons, and drug/alcohol treatment facilities. Putting chronically homeless people into permanent housing with access to case management and services will reduce their use of these other more expensive facilities.⁵

Finally, once permanently housed, formerly homeless people will enjoy better health and mental health, will have higher incomes and better access to jobs, will be more socially integrated into the community, and will be happier.

In other words, the housing first approach is designed to give those with the most pressing housing needs permanent homes and better lives while at the same time saving public dollars. In 2005, the state of Rhode Island and the United Way of Rhode Island decided to test the housing first model in the state. They housed 50 homeless single adults in subsidized apartments and provided those clients with the services they needed to stay housed. The first client entered the program in late 2005 and the 48th client was placed in April of 2007.

The results of this program have been very positive. At the time they entered the program, clients had been homeless for an average of 7.6 years. Estimates of the cost savings also show that the program saves money for the taxpayers, too. (See table on page 3.)

Clients in the program were interviewed about their experiences the year before they were placed in permanent housing and then

were interviewed again at 6 month intervals. 41 clients were interviewed at program entry. There was some falloff of participation in the interviews at 6 months and 1 year with 31 clients interviewed at 6 months and 21 clients at one year. Even so, case managers confirmed that all but 3 of the initial 41 clients were still living in permanent housing.

These cost savings can only be realized if clients remain in their new homes. A return to a life in the street or in shelters is destructive to the client's health, mental health,

*Ignoring homeless
people is not cheap.
housing first appears to
work and save money.*

⁵Culhane, Metraux, Hadley, "The Impact of Supportive Housing for Homeless People with Severe Mental illness on the Utilization of the Public Health, Corrections, and Emergency Shelter Systems: The New York-New York Initiative" *Housing Policy Debate* 13(1):107-163

Table 1: A "housing first" accounting. All told, the estimated savings of the pilot program amounts to \$7,946 per client × 48 clients, or \$381,408.

Estimated costs for year before entering program		
Hospital overnights	534 × \$1,719 =	\$917,946
Mental health overnights	73 × 1,300 =	94,900
Alcohol/drug overnights	538 × 220 =	118,360
Emergency room visits	177 × 640 =	96,640
Jail/prison overnights	919 × 108 =	84,780
Shelter overnights	9,600 × 25 =	205,000
Total	=	\$1,517,626
		\$31,617 per client

Estimated costs for year after entering program		
Hospital overnights	137 × \$1,719 =	\$235,503
Mental health overnights	58 × 1,300 =	75,400
Alcohol/drug overnights	75 × 220 =	16,500
Emergency room visits	81 × 640 =	51,840
Jail/prison overnights	190 × 108 =	20,520
Shelter overnights	384 × 25 =	9,600
Total	=	\$409,363
		\$8,528 per client

Including the cost of Housing First program,
 \$8,528 + \$9,500 cost of supportive services + \$5,643
 cost of housing subsidy = \$23,671 per client

and level of social integration. Homelessness dramatically increases the costs to the government and taxpayers due to increased use of health, mental health, corrections, and shelter facilities. So far, the Rhode Island Housing First program has been extremely successful at retaining clients in housing.

Clients are also very happy with the program. 93% of clients reported being "Very Dissatisfied" with their housing situation the year before entering their apartment. By contrast, 78% of clients reported being "Very Satisfied" and 12% "Somewhat Satisfied" with their housing situation at the time of our first interviews. Those in the program also feel they are making great progress on health, mental health, and social goals. While homeless, nearly half of participants rated their health as "Poor" or "Very Poor" and two-thirds of participants said that physical or mental health disabilities had limited their ability to interact with those they felt close to. Once in the program nearly half rated their health as "Good or "Very Good" and only one third felt that their disabilities limited their social interaction. Over time, there was some decline in clients' self-rating on their health and mental health issues, but they remained much healthier than when they were homeless. This housing first program has been extremely successful. It makes sense to expand this program to include more chronically homeless Rhode Islanders, a population estimated to be over 1,000 indi-

viduals. This would result in cost savings for the state and its citizens, and it would dramatically improve the lives of those benefiting from the program.

Even expanded housing first programs will end homelessness only for the long-term chronically homeless. Homelessness will continue to be a serious problem as long as our society allocates housing based primarily on ability to pay. Long-term trends in housing markets have dramatically reduced the stock of affordable rental housing and these trends will not soon be reversed by market forces alone. It is encouraging that after years of neglect, the federal government has begun to address the need for affordable housing production by creating a National Housing Trust Fund. Signed into law this past July, the fund will be used for the production, preservation, rehabilitation, or operation of rental housing. The majority of funds in the first several years will go toward ameliorating the foreclosure crisis. This is the first new production program specifically targeted to this population since the Section 8 housing program was created in 1974. The national goal is to create 1.5 million units of affordable rental housing in 10 years. Rhode Island's share of this would be about 5,000 units. Since the lack of affordable housing is the principal cause of homelessness, this is the kind of program that can have a real impact on our state. When combined with an effective housing first program, the implementation of the trust fund along with other low-income housing production programs may make it possible to speak about ending homelessness in Rhode Island. ■

Allocating housing by ability to pay relies on markets to do the right thing, which they don't.

ALCO: A TIF Among Friends?

JUDITH REILLY

As Rhode Island's economy tanks, municipalities are under ever more pressure to find ways to boost their revenues. One controversial proposal is the Redevelopment and Tax Increment Financing (TIF) Plan proposed by the Providence Redevelopment Agency for the area spanning the Smith Hill and Valley neighborhoods that it has dubbed "Promenade Center." This area includes American Locomotive Works (ALCO) project of Baltimore developer Struever Bros. Eccles and Rouse. Its six planned phases will bring to market up to 500 residential units and 2 million square feet of commercial and retail space, all located on formerly industrial sites. The redevelopment and TIF plan was approved by the City Plan Commission

Judith Reilly is a grumpy Providence taxpayer and homeowner.

in October and went to a City Council public hearing on November 24.

TIF is a strategy by which a city government subsidizes certain types of development deemed to be in the public interest. Typically, a city designates a project area and finances certain up-front improvements—traffic lights, drainage, cleanup, and so on—through bonds, gambling

A TIF trades current improvements for future tax revenue. It can be a good idea...

that resulting private investment will drive up the property values in the project area. The difference between assessed values after and before improvements is called the “incremental assessed value.” The “tax increment” gained by the higher values is used to pay off the bonds. By state law, a portion of the incremental tax revenue must be paid into the general fund of the city. Typically, any revenue above the debt service and general fund allocation is used for redevelopment in the public interest (infrastructure, job creation, housing).

As of the Policy Reporter’s printing, the proposed “Promenade Center” TIF would issue \$11,405,000 worth of bonds in early 2009 at a projected 7.0% interest rate. The longest-term bonds would come due in 2033 and the total cost of principal and interest would be around \$22 million. More than \$1.2 million (or 10.6%) of the face value of the bonds would go towards bond issuance expenses. After that, \$7,310,000 would be used to pay for projects to enhance Struever Bros.’s ALCO development, including a public walkway along the Woonasquatucket River (\$597,000), a traffic light (\$62,000), and a barrier wall to stop the leaking of contaminants from industrial sites into the river (\$451,000). Another \$700,000 would be used for rent subsidies to attract commercial tenants to ALCO. Finally, \$1,125,000 and \$4,375,000 would be used, respectively, to build approximately 25 units of housing for people earning 80% to 100% of area median income (AMI) and 85 units for people earning up to 60% of AMI.

Taxpayers would be wise to scrutinize this TIF project very closely. For one thing, Providence’s last TIF, in which the City issued \$4,445,000 in bonds for the Eagle Square development, has gone badly. In that TIF’s first year (2004), the incremental tax revenue was not enough to cover the debt service. For 2005-2007, the TIF was in the black, but the excess revenues that were to be used for future public improvements have amounted to only \$118,000, rather than the \$631,000 projected. The Shaw’s Supermarket and Staples closed in 2007 and 2008, respectively, negating their job creation impacts. Additionally, for \$175,000, Eagle Square’s developer was allowed to buy its way out of a TIF-plan commitment to provide 12,000 square feet of affordable artist space in perpetuity.

Another point of concern is that the ALCO plan is a worrying mix of TIF and tax stabilizations, approaches which are diametrically opposed. With a TIF, the government counts on tax revenues from the assessed value of improvements to pay off the municipal bonds that facilitated those improvements. With tax stabilizations, in order to encourage privately-financed improvements, the government promises developers that they will *not* pay full taxes on improvements for a period of time. In the ALCO TIF plan, the City is promising to tax only a percentage of the assessed value of improvements: 10% in year 1, 20% in year 2, and so on... To confuse matters further, the Providence Journal reported that another tax treaty is in the works, which would tax the subsidized rental units at 8% of anticipated rent, rather than at the assessed value of the property.⁶

In the proposed plan, the City has chosen to capitalize interest payments for years 1-3, and the developer is to make payments totaling just over \$1 million in years 4-8 to cover the anticipated difference between the debt service and incremental tax revenues available to pay the debt service. When asked how the taxpayers will be protected if the anticipated incremental revenues do not appear, Planning Director Thomas E. Deller said that the City’s attorneys are looking into ways to make the developers or their successors responsible for the debt, rather than the taxpayers. It remains to be seen whether the possible methods of protection (bonding, letters of credit, increased tax liens) would protect the City in the event of the developer’s bankruptcy.

Beyond the significant question of whether this plan will result in enough revenues to pay off the bonds and perhaps earn some “excess” revenue for the City over 24 years of indebtedness, there are questions about whether the projects paid for by the plan are proper uses of tax-increment financing and public monies.

... but are the improvements good for more than just the developer...

The planned “river-walk” seems redundant, given that the Woonasquatucket is already bordered by perfectly nice sidewalks, bridges, and a bike path in this area. Traffic lights necessitated by development are often paid for by developers, not municipalities. It seems odd for the City to pay for a barrier wall to contain industrial contaminants, rather than the former or current users of the contaminated sites. In any event, it would seem prudent to search for federal monies first before making Providence taxpayers foot the bill.

As for the \$700,000 slated for a “job creation/economic development fund,” the plan makes it clear that this money will not be used to train Providence residents for

⁶Providence Journal, Philip Marcelo, 3 November 2008.

better jobs or to nurture local businesses, but rather will be used by the ALCO developers to subsidize their commercial rents to be competitive with suburban rents. One expects that this will result in jobs simply being moved around the region, rather than being created. For instance, the much ballyhooed (and highly-subsidized) relocation of the United Natural Foods, Inc. headquarters from Connecticut to ALCO is simply a shift in office location, with no increase in jobs, other than a mention in

... and if the tax increment isn't enough, who's on the hook?

UNFI's strategic plan that it hopes to add more jobs over the next three years.

Perhaps the most controversial part of the proposed TIF is the "affordable housing" component, which local anti-gentrification activists deride. The 25 "workforce housing" units are intended for "moderate-income" owners—people who earn 80–100% of Area Median Income (AMI). The problem is that the AMI is calculated by HUD from Census data based on surveys from a variety of RI and MA cities and towns, including those with much higher median incomes than Providence. The result is that, for 2008, "moderate income" means individuals earning \$41,000 to \$47,800, two or more times the median income of the neighborhoods where the development will sit. Hard-pressed neighbors may well wonder why they are expected to subsidize housing for individuals who might make a lot more than they do. The usual glib answer to that question is that the increased tax revenues on the units will be worth the subsidy; however, given the 50% homestead exemption on residences and the small number of units involved (25), this \$1,125,000 up-front investment plus years of interest payments does not seem like a bargain for taxpayers.

As for the \$4,375,000 proposed to build 85 rental units for people earning 60% or less of AMI (currently \$30,720 for an individual⁷), these units are problematic because they would end up being owned and managed by a local non-profit (Olneyville Housing Corporation) and an out-of-state for-profit (McCormack Baron Salazar). A sub-

⁷http://www.rhodeislandhousing.org/filelibrary/2008_HUD_Incomes.pdf

stantial investment of public money into housing would not result in "public housing," meaning housing owned by the City or by individual members of the public. Additionally, under the tax treaty mentioned by the Providence Journal, the City's ability to tax the value of these units would be limited.

I am skeptical as to whether the planned affordable housing will be accessible to most current residents of the neighborhoods which include or abut the ALCO site. The last census data available (2000) show that median family incomes for Valley, Smith Hill, and Olneyville were, respectively, 51%, 44%, and 38% of the then-AMI, which would admit them only to the low-income rentals. My own observation is that the affordable units in developments are often heavily-weighted towards zero- or one-bedroom units unsuitable for the families who make up much of the urban population.

On the whole, the Promenade Center TIF looks like an unattractive deal for taxpayers. When analyzing it, the City Council should keep in mind that the developers and/or its tenants have or will receive substantial subsidies via other programs, such as federal and state tax credits, tax breaks, or renewable energy grants. The Council should also keep in mind that beleaguered taxpayers are watching very carefully to see whose interests their actions serve. ■

BOOK REVIEW

Democracy in America

You Can't Be President: The Outrageous Barriers to Democracy in America

John R. MacArthur, Melville House, 2008, 288 pages

Is the US a democracy? Here are a couple of thought experiments on the point. If we are a democracy, why don't we have universal health care? If we are a democracy, why did we go to war in Iraq? Why do we have NAFTA? You can spin these out forever: tenants outnumber landlords, so if we were a democracy, wouldn't there be rent control laws in more than just a handful of cities?

Of course, these are the kinds of questions that illumi-

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nate nothing, and are really only good for starting arguments. But the underlying question—is our nation democratically ruled?—is a good one, and worth pondering in the aftermath of a presidential election.

Rick MacArthur, the publisher of Harper’s Magazine, has come out with a book weighing in on just that question. That he comes down fairly hard on the negative side of the balance is easy to tell from his subtitle, but he has

Some who run our parties would rather lose an election than concede their power. Is that democratic?

a an appalling supply of ammunition on his side: examples ranging from local politics (one chapter focuses on the mostly-successful-to-date efforts to keep Target

from building a big-box store in a residential neighborhood in Portsmouth, RI) to presidential.

To concentrate on the presidential side of things is natural right after this election. The book came out last summer, but MacArthur asks the right question here. It has nothing to do with Barack Obama, who might be the populist change agent our country needs, but who is also, MacArthur points out, a product of the eastern educational establishment and a protégé of the Chicago political machine. No, the real question is: why was this last election between Obama and John McCain and not McCain challenging Howard Dean’s bid for re-election?

Dean was done in before the Iowa caucuses by profoundly vicious advertising financed by prominent Democratic funders, as well as Republican smear ads. In other words, says MacArthur, the elites who run our political parties care enough about maintaining their own control that they are willing to sacrifice victory over the opposing party to keep it. The fact is that our system, constrained by the institutional nature of our two parties excludes important points of view from any considera-

tion whatever. And the press willingly participates, lampooning any perspective not shared by the party leaders. As popular as he was, Dean ran on an honest appraisal of the corruption of *both* parties, and so was a threat to this system. The parties united and dealt with the threat.

Here in Rhode Island, we also have two parties whose leaders agree on many subjects, for example that cutting taxes for rich people is a higher good than mere fiscal responsibility. Their institutional prerogatives allow them to ignore serious alternatives that don’t come from party “leaders,” and so they do. Though the parties differ on some issues, where they agree, nothing needs to change, so nothing does, despite popular sentiment.

It’s a great book and worth reading, but it would be dishonest to ignore an important question that goes unaddressed here: To what extent *should* we be a democracy? The victory of the pro-discrimination forces in California’s Prop 8 battle last month should give anyone pause who claims that more democracy is always better. In addition to that, California’s ballot initiatives have maneuvered its government into a position where they simply cannot govern responsibly.⁸ Any tax increase requires a two-thirds majority of the legislature. The result is that the minority can (and does) block pretty much anything that requires spending, including balancing the budget. And term limits for state assembly members guarantee an outsize share of power for the legislature’s permanent—and unelected—staff members, since they’re around for much longer than the legislators’ limit of eight years.

Complaints about California and other places where direct democracy has run off the rails are, however, beside MacArthur’s main point. He is completely correct that within the terms set by the thrilling sentiments on many large and imposing pieces of marble in our nation’s capitol, we have a long way to go. ■

⁸Obviously with the invaluable assistance of a governor willing to go with his not-very-highly-refined instincts over any useful advice.

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