

## MEMORANDUM

TO: Regional Steering Committee on Homelessness and Housing

FROM: HomeBase

RE: New HUD Report: “Costs Associated with First-Time Homelessness for Families and Individuals”

DATE: April 16, 2010

---

### **Background**

Past research on homelessness has primarily documented costs associated with homelessness for individuals with chronic patterns of homelessness or severe mental illness. In May 2001, the Culhane New York/New York Cost Study tracked the cost of nearly 5,000 mentally ill people in New York City for two years while they were homeless and for two years after they were housed. The study concluded:

- Supportive and transitional housing created an average annual savings of \$16,282 by reducing the use of public services:
  - 72% of savings resulted from a decline in the use of public health services;
  - 23% from a decline in shelter use; and
  - 5% from reduced incarceration of the homeless mentally ill.
- This reduction in hospitalizations, incarcerations, and shelter costs nearly covered the cost of developing, operating and providing services in supportive housing. After deducting the public benefits, the average NY/NY supportive housing unit cost only \$995 per year.

This new HUD study, released in March 2010, provides additional findings that help to improve our understanding of homelessness and its associated costs. It presents ideas about opportunities for cost savings, and it advances an approach for measuring costs that, coupled with other evaluation methods, can help communities understand the cost-effectiveness of different homelessness interventions.

The Government Accountability Office (GAO) is currently engaged in a study of the federal definitions of homelessness as mandated by HEARTH. The GAO will also issue a report on administrative costs for emergency shelters, which is due by May 20, 2010.

### **Costs Associated with First-Time Homelessness for Families and Individuals**

This study measures costs associated with first-time homeless families and individuals incurred by homeless and mainstream service delivery systems in six study communities. Unaccompanied homeless individuals were studied in Des Moines, Iowa; Houston, Texas, and Jacksonville, Florida. Homeless families were studied in Houston, Texas, Kalamazoo, Michigan; Upstate South Carolina; and Washington, DC.

The study finds that the experience of homelessness is diverse and the associated costs vary tremendously depending on the pattern of homelessness and family or individual status. It is not, however, a study of either cost-effectiveness or quality of care, but rather a study to measure homeless and mainstream costs *associated* with homelessness.

This study was designed to allow policy makers at the national and community levels to

have a better understanding of:

- the comparative costs of different types of homeless programs;
- the wide-ranging experience of homelessness among individuals and families and the costs associated with distinct patterns of homelessness;
- some of the mainstream costs that can be associated with homeless individuals or families during the periods before, during, and after their period of homelessness
- characteristics of first-time homeless individuals and families that are related to higher or lower homeless or mainstream system costs; and
- the implications of these findings for homeless policy and planning.

The study examines average costs per month across sites for emergency shelter, transitional housing, and permanent supportive housing. It finds that:

- For individuals, overnight emergency shelter has the lowest cost per day (and provides the fewest services and often limited hours).
- For individuals, transitional housing proves more expensive than permanent supportive housing, since services for transitional housing were usually offered directly by the homeless system rather than by mainstream service providers.
- For families, emergency shelters are usually equally or more expensive than transitional housing and permanent supportive housing, because families are often given private rooms or apartments. Emergency shelters for families are also likely to be open 24-hours, provide supportive services, and have fewer units, yielding higher fixed costs.
- In almost all cases, the costs associated with providing housing for individuals and families who are homeless within a program exceeds the Fair Market Rent cost of providing rental assistance *without supportive services*.
- Homeless system and mainstream service costs were difficult to calculate, largely due to challenges in accessing local administrative data.

This study reports that for individuals, emergency shelter is the least expensive housing. Yet the study authors admit that they were not able to effectively calculate mainstream cost savings that may occur when someone is in permanent supportive housing. Do you feel that the Culhane study, which did measure mainstream cost savings and determined that permanent supportive housing is the most cost-effective solution to homelessness, is still the standard?

This study reports that in many instances, transitional housing is the most expensive homeless program. Does that coincide with your ideas of homeless program costs?

Individuals and families who remain in homeless programs for extended periods incur the highest percentage of costs, presenting the greatest opportunity for homeless system cost savings. Cost savings may be realized if permanent supportive housing were more readily available to these households. Permanent supportive housing tends to be less expensive to the homeless system than transitional housing because most service costs are borne by mainstream systems.

The question of whether mainstream service costs can be offset by appropriate housing interventions is left open by this study. However, consistent with past research, significant mainstream system cost savings may be achieved by targeting individuals or families with high levels of involvement in mainstream systems prior to homelessness.

The study suggests that permanent supportive housing may be the least expensive option for the homeless system because when someone is in permanent supportive housing, many of the service costs are borne by the mainstream systems. Isn't that what we've been striving for this whole time? To have the mainstream systems pick up their share of the costs?

However, mainstream services are only desirable when they serve our clients well. How can we ensure that our clients succeed by using mainstream services?

The study demonstrates that the experience of homelessness is diverse and the associated costs vary tremendously depending on the pattern of homelessness. Across the six sites, the study identifies three primary patterns of first-time homelessness:

- Most first-time individuals and families experience homelessness only once or twice and use emergency shelter for a limited period of time at fairly low cost.
- Some experience much longer stays, usually in transitional housing, and some have very high associated costs.
- A third group uses the system sporadically, moving in and out of homeless programs multiple times during long periods.

The study recommends that communities consider specific responses to homelessness that target the needs of those who use the system in different ways.

The study describes 3 “typologies”:

1. Households that Use Only Emergency Shelters for Brief Periods
2. Households Who Remain in Homeless Programs for Extended Periods
3. Households Who Use Homeless Programs Multiple Times with Long Gaps

Between Stays

Do you think these 3 typologies replace the ones that we have been using?

1. Episodically Homeless
2. Transitionally Homeless
3. Chronically Homeless

Does your work with Homelessness Prevention and Rapid Re-housing Programs contribute to your thoughts on what “typologies” should be used when describing groups of people experiencing homelessness?

## **Homeless Program Costs**

### *Individuals*

Among homeless programs serving individuals, overnight emergency shelter for individuals has the lowest costs per day, typically offers the fewest services in the least private settings, and is often open only during evening hours. Transitional housing is the most expensive model for individuals and frequently offers private settings and a range of supportive services. Permanent supportive housing also generally offers private living space and supportive services. Permanent supportive housing providers indicate that residents are offered services equivalent in intensity to or even greater than services offered in transitional housing; however, the types of services provided may differ. In most cases, the study found that permanent supportive housing programs arrange for residents to receive the “support” piece of the supportive housing directly from mainstream systems, and in fact many residents of the permanent supportive housing projects that were examined are believed to be clients of mainstream programs prior to being placed in the housing. Services paid directly by permanent supportive housing programs were mostly limited to housing-focused services and basic case management. As a result of this structure, permanent supportive housing programs do not have to secure resources to fund these services directly, and the costs are on average comparable to the less expensive 24-hour emergency shelter programs from the perspective of the homeless system.

This seems to reinforce what the Culhane study also said: if the costs to the homeless system is the same to put an individual into emergency shelter as it is to put them into permanent supportive housing, shouldn't we focus our energies on permanent supportive housing, the more humane option?

### *Families*

In contrast, emergency shelters for families are as expensive, if not more expensive, than transitional housing and permanent supportive housing offered in the four communities in which homeless families were studied. This is because families often get private rooms or apartments in emergency shelter; the programs are small and have few units over which to prorate fixed costs; and emergency shelters for families are likely to be open 24-hours and provide supportive services. Permanent supportive housing for families is generally less expensive than emergency shelter from the perspective of the homeless system.

### Demographics

The first-time homeless individuals in the communities studied were predominantly male (73 to 81 percent) and had an average age of 39 to 41 years at program entry. With the exception of Jacksonville, African-Americans were over-represented among first-time homeless individuals in comparison to the general population of individuals in poverty. The first-time homeless families in the study primarily had only one adult member (80 to 89 percent), were comprised of female adults accompanied by children (82 to 90 percent), and had on average 3 to 3.5 members. On average, adults were 30 to 32 years old when they first used a homeless program, and 41 to 50 percent of the children were 6 years old or younger.

The study findings show that different types of first-time homeless individuals and families use homeless system resources differently, which suggests opportunities for communities to develop specific strategies to meet the needs of each of these types of

individuals and families.

**Suggested Community Strategies:**

- Reevaluate systems for serving single women rather than serving them primarily in programs alongside families with children.
- Explore prioritizing African-American families for prevention and rapid re-housing interventions that address housing and income issues with less focus on services for non-economic issues, since the study analysis suggests that a large portion of African-American families may be homeless primarily due to extreme poverty rather than issues related to mental illness or substance abuse.
- Identify and refer households with greater needs to lower-cost interventions, such as permanent supportive housing for individuals, transitional housing for families, or even alternative program types that have not yet been developed.

Are these suggested strategies realistic? Would they make sense in your community? Could you try to implement these strategies in your community?

Costs for Groups of Households with Common Patterns of System Utilization

The average homeless system costs for individuals (\$1,634 to \$2,308) are much lower than those for families (\$3,184 to \$20,031). The difference in costs between individuals and families is not surprising, since the average daily costs for programs serving individuals are generally much lower than for those serving families, and the average length of stay for first-time homeless individuals is much shorter than for first-time homeless families.

*Households that Use Only Emergency Shelters for Brief Periods*

Households that use only emergency shelter for brief periods represent the majority of all first-time homeless households in the study, although their costs represent less than one-third of total costs incurred by first-time homeless households. These short-stayers all had much lower costs than other groups of first-time homeless individuals and families. The study suggests that the emergency shelter system may be an “adequate” response to an immediate housing crisis for most individuals and a place in which individuals who are not able to quickly resolve their housing crisis can be referred to more intensive interventions. It would be very difficult to fund a prevention response at such low cost, and it would be difficult to identify up front which of the individuals’ homelessness could be prevented with minimal assistance.

In contrast, the study found that emergency shelter is an expensive solution to family homelessness, in comparison to transitional housing, permanent supportive housing, and traditional rental subsidies.

**Suggested Community Strategies:**

- Offer shelter diversion or rapid-rehousing interventions that optimize the use of resources to get families back into housing, rather than shelter
- Examine the cost structure of current emergency shelter programs to determine if the environment and services offered can be scaled back and still meet the needs of those who are using them
- Refer more quickly those who need intensive assistance to transitional housing (facility-based or scattered site), permanent supportive housing, or other new interventions.

Are these suggested strategies realistic? Would they make sense in your community?  
Could you try to implement these strategies in your community?

*Households Who Remain in Homeless Programs for Extended Periods*

Up to one-quarter of first-time homeless individuals and a larger portion of first-time homeless families used homeless programs for extended periods at substantial cost per household. The greatest opportunities for homeless system cost savings lie with the individuals and families who remain in homeless programs for extended periods. Most often, this long-term, highcost use of the homeless system reflects extended use of transitional housing either alone or in combination with other programs, which is consistent with the fact that transitional housing is typically designed for long lengths of stay.

In all cases, the costs to house individuals and families in homeless programs for extended periods are significantly higher than rental subsidies based on Fair Market Rents for an equivalent period.

Suggested Community Strategies:

- Examine whether patterns of extended use of transitional housing or other program types are cost-effective and whether there are opportunities to reduce costs without diminishing client outcomes.
- Examine whether some households are using transitional housing as a form of subsidized permanent housing, in which case actual rent subsidies without extensive services would be a more cost-effective approach.
- Examine whether some households should be referred more aggressively to permanent supportive housing to address long-term needs at lower costs.
- Examine whether the permanent supportive housing model of leveraging services from mainstream systems could be used to deliver transitional housing at lower cost to the homeless system.

Many of these strategies emphasize getting folks to permanent supportive housing. The problem in many Bay Area communities, however, is the lack of affordable housing to place people in.

Are these suggested strategies realistic? Would they make sense in your community?  
Could you try to implement these strategies in your community?

What about the last strategy, partnering transitional housing programs more closely with mainstream services. Would that work for some of your community's transitional housing programs?

*Households Who Use Homeless Programs Multiple Times with Long Gaps Between Stays*

The study also identified a small group of first-time homeless individuals and families who return multiple times for homeless assistance but have long gaps between stays. Their patterns suggest that the assistance they receive from the homeless system the first

and even second or third time is not sufficient to help them regain stable housing. These households sometimes only use emergency shelter and sometimes use a combination of program types.

Although costs are proportionately not as large for these households as for those with extended use of homeless programs, the current system does not appear to be working well and therefore, resources currently used to serve these households may not be used effectively. In addition, the study's analysis of mainstream costs shows that these individuals and families had high levels of interaction with criminal justice systems. In two of the study sites, rates of arrest or incarceration were above 60 percent for individuals and families with long gaps between homeless stays. The criminal justice involvement occurred across all time periods relative to homelessness - before the first homeless stay, between stays, and in the period following the last homeless stay. By comparing the number of days between homeless stays and the number of days spent in jail during those same times, it is apparent that these households are not exclusively staying in jail between homeless stays. The study surmises that they spent time in many different types of places, including living on their own, living doubled up with others, staying on the streets, or in other residential facilities. The high rates of arrest and incarceration coupled with high levels of housing instability suggest that the individuals and families in this group would benefit from targeted assistance to secure and maintain housing and reduce criminal justice recidivism.

**Suggested Community Strategies:**

- Explore whether funds currently used to serve these households over repeated stays, in addition to resources from the criminal justice and possibly the child welfare system, could be used to fund alternative interventions to meet the specific needs of these households.

Are these suggested strategies realistic? Would they make sense in your community?  
Could you try to implement these strategies in your community?

Costs Associated with Mainstream System Use By First-time Homeless Individuals and Families

The question of whether mainstream system costs can be offset by appropriate housing interventions is left open by this study. The study analysis suggests that there are few opportunities for mainstream cost reductions when targeting groups based on their patterns of homelessness. However, consistent with past research, significant mainstream system cost reductions may be achievable when targeting individuals or families with high levels of involvement in mainstream systems prior to homelessness. Most first-time homeless individuals do not have high involvement in mainstream systems. This means that there is only a small group of individuals with the possibility of cost offsets.

The study also found that criminal justice and mental health involvement in two study sites increased substantially immediately before first-time homelessness, peaking in the period just after the individual entered the residential homeless system. Nine percent of the individuals studied in Houston received services from the mental health system at some time in the 12 months prior to homelessness or the 18 months following the first day the individual entered a homeless program.

The total number of encounters for all of those who received services during each month shows that the highest number of encounters occurred in the month following the day these individuals became homeless for the first time, followed by the second month after that day. These individuals also had a high number of encounters in the month immediately prior to homelessness.

**Suggested Community Strategies:**

- Focus on discharge planning to ensure that individuals leave mainstream programs, such as inpatient treatment or jails, with adequate housing.
- Work with mainstream systems to help identify risk of homelessness for their clients and target alternative interventions to avoid costly homeless system use.
- Use emergency shelter to proactively identify individuals with severe mental illness who would benefit from permanent supportive housing before they experience long-term homelessness.

Are these suggested strategies realistic? Would they make sense in your community? Could you try to implement these strategies in your community?

**Conclusions**

The study concludes that communities should explore strategies to:

- Prevent homelessness for the majority of families facing first-time homelessness.
- Avoid extensive use of high-cost homeless programs (i.e., transitional housing) for individuals or families who primarily need permanent housing without supports or those whose service needs can be met by mainstream systems.
- Alter the way that homeless assistance systems respond to households that are unable to remain stably housed and face repeated instances of homelessness. Communities could consider models such as Homeless Prevention and Rapid Re-Housing.
- Work with mainstream systems (especially criminal justice, mental health, and substance abuse systems) to design appropriate discharge planning strategies and ways to identify clients at-risk of homelessness to prevent homelessness.

This study does not show which homelessness interventions are cost-effective or indicate whether mainstream systems are appropriately used during periods of homelessness.

This research also raises a number of additional questions that should be the focus of new research. These questions center around understanding the cost-effectiveness of different types of homeless programs, identifying program features that drive costs and therefore present opportunities for reducing costs, and identifying client-level indicators associated with high costs that can be used to predict and avoid unnecessary or ineffective high cost system use.

*Further Questions for Discussion:*

The study recommends some strategies that many communities are already focusing on, like homelessness prevention, rapid rehousing, and discharge planning. Can you use the data from this study to make a case in your community to increase the efforts in these areas?

Some may say that this study seems to use numbers and analysis to tell us what we already know:

1. Providing services and sleeping space on an emergency basis is expensive, in that you have to have staff available 24/7, different staff disciplines, food, laundry, etc.

2. Providing rental assistance as the form of permanent supportive housing usually means tenants are tapping the mainstream system for services, linked to subsidized units. So of course it costs the less to the homeless system.

3. Providing transitional housing with onsite targeted services is a deep intervention, over the long term, that costs the most as you have specially skilled staff and housing to provide.

So what is this study really telling us? What, over time, are we learning from practice and from research? Does this study give us any new directions? Would you cite it as a reason to defund one strategy?

Can you use your CoC's HMIS data to conduct a similar analysis in your community?

*For more information, please contact Piper Ehlen, HomeBase Staff Attorney, at [piper@homebaseccc.org](mailto:piper@homebaseccc.org) or (415) 788-7961 ext. 304 or Jason Satterfield, Staff Attorney, at [Jason@homebaseccc.org](mailto:Jason@homebaseccc.org) or (415) 788-7961, ext. 311.*