

**THE 2007-2008 CIVIL GRAND JURY
FOR THE
CITY AND COUNTY OF SAN FRANCISCO**

**THE HOMELESS HAVE HOMES, BUT THEY ARE
STILL ON THE STREET**

*It is Time to Measure Our Investment in
Homelessness and to Improve the City's Quality of Life*

**RELEASE DATE
JULY, 2008**

THE PURPOSE OF THE CIVIL GRAND JURY

The purpose of the Civil Grand Jury is to investigate the functions of City and County government, tax-supported agencies and districts, and any agencies or districts created by state law to develop constructive recommendations for improving their operations, as required by law.

Each Civil Grand Jury has the opportunity and responsibility to determine which departments, agencies and officers it will investigate during its one-year term of office. To accomplish this task, the Civil Grand Jury divides into committees. Each committee conducts its research by visiting government facilities, meeting with public officials, and reviewing appropriate documents.

The nineteen members of the Civil Grand Jury are selected at random from a pool of thirty prospective jurors. San Francisco residents are invited to apply. More information can be found at: <http://www.sfgov.org/site/courts>, or by contacting Civil Grand Jury, 400 McAllister Street, Room 008, San Francisco, CA 94102, (415) 551-3605.

STATE LAW REQUIREMENT

Pursuant to state law, reports of the Civil Grand Jury do not identify the names or provide identifying information about individuals who spoke to the Civil Grand Jury.

Departments and agencies identified in the report must respond to the Presiding Judge of the Superior Court within the number of days specified, with a copy sent to the Board of Supervisors. For each finding of the Civil Grand Jury, the response must either (1) agree with the finding, or (2) disagree with it, wholly or partially, and explain why. Further, as to each recommendation made by the Civil Grand Jury, the responding party must report either (1) that the recommendation has been implemented, with a summary explanation of how it was implemented; (2) the recommendation has not been implemented, but will be implemented in the future, with a time frame for the implementation; (3) the recommendation requires further analysis, with an explanation of the scope of that analysis and a time frame for the officer or agency head to be prepared to discuss it (less than six months from the release of the report); or (4) that recommendation will not be implemented because it is not warranted or reasonable, with an explanation of why that is. (California Penal Code, sections 933, 933.05)

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I.

EXECUTIVE SUMMARY

Homelessness has long been an abiding problem in San Francisco -- a problem affecting everyone, as it is a quality of life issue for all. Efforts to address it have grown into a major enterprise -- homeless spending is big business. For the current fiscal year, the City budgets about \$186 million for direct spending on the homeless or those at risk of becoming homeless. This figure is nearly six times more than the \$31.1 million the Budget Analyst's estimates of direct spending on the homeless in fiscal year 1993-1994. The current budget excludes the cost of County Adult Assistance Program welfare grants, emergency medical response, hospitalization, jail costs, most city management and overhead functions, and much else.

Given its interest in the twin issues of government accountability and the quality of life in the City, the 2007-2008 Civil Grand Jury (the "Jury") decided to examine homelessness spending and whether the City's efforts are making a difference. The sheer size of the budget caused some members of the Jury to wonder whether perhaps the providers of services were benefiting more than the intended beneficiaries.

The Jury found that the answer to whether the current programs are working depends on the question posed. For the question: Are providers unduly profiting from these programs? The answer is no. Providers of services, both private and government, are dedicated to their mission. City staff does monitor and track spending. The City is steadily improving the tracking of spending and working towards coordination and consolidation of services.

Is the "housing first" strategy working? The answer again is yes, it is working. Projects currently in the pipeline exceed the goal of the Ten-Year Plan for 3,000 more supportive housing units. The City started with 2000 units and now has over 4500 such units. Many of the homeless population have a place to live.

However, if the question concerns the public perception of the program's success, the answer is less positive. Panhandling, public drinking and drug use on the streets and in the parks, sleeping in doorways, etc., continues, creating the impression that the City still has as large homeless problem as it did prior to the innovations of recent years. This impression is not true. Many of the folks seen on the street are not homeless -- they have homes, but their life is still on the street.

As the City is close to achieving its housing goal, it is now time to take stock and set new goals, based on a rigorous economic analysis of its current homeless population and housing programs, as well as the need to address quality of life issues for all residents of San Francisco.

II.

INTRODUCTION

Homelessness has long been San Francisco's abiding social problem. The City's mild weather and liberal, tolerant outlook have traditionally made it a haven for the homeless. And the forces that swelled the ranks of the homeless nationwide in the 1980's hit the City especially hard -- urban development, reduction in residential treatment for the mentally ill, HIV, family disintegration and high housing costs.

The City has tried various approaches to solving the problem. Past initiatives included:

- Matrix, emphasizing police enforcement, and
- Continuum of Care, focused on shelters and housing.

More recently, the City enacted "Care Not Cash" to replace cash welfare payments with in-kind assistance, primarily housing. Care Not Cash became the foundation of a ten-year "San Francisco Plan to Abolish Chronic Homelessness" ("Ten-Year Plan") developed in 2004 by a high profile working group led by former Supervisor Angela Alioto. The Ten-Year Plan concluded that chronic homelessness could be abolished through the creation of 3000 more housing units (half through master leases and half through new construction or major renovation), and this goal continues to provide a unifying vision for today's homeless programs.

Although the Ten-Year Plan had several recommendations for two other core strategies, client outreach and homelessness prevention, its target for increased supportive housing became the City's primary rallying point. Much of the ramp-up was financed through the concurrent inception of the Care Not Cash voter initiative measure, passed in 2002, which slashed welfare checks to the homeless in favor of providing housing and in-kind services. The savings from reduced welfare checks were put into a special fund to provide new homeless housing and services.

The twin mantras of the Ten-Year Plan are "housing first" and "harm reduction" (also known as "care not cure"). Rather than trying to get the addicted and mentally ill into treatment before offering them housing, the policy is to get them into housing first, limit the harm that they can do to themselves and others, and then offer them voluntary services that will address their mental or physical health, addiction, or other issues. Today, this is the national model, backed by grants for permanent supportive housing funded by the U.S. Department of Housing and Urban Development ("HUD").

When resources are scarce, solutions to homelessness must be both compassionate and cost efficient. The Ten-Year Plan promised both.¹ The vision, energy, and commitment

¹ "Logic and compassion dictate that moving our 3,000 chronically homeless into permanent supportive housing would be cost effective, saving the taxpayers millions of dollars each year. Doing so would also

of everyone involved in the City's homeless programs are of a very high order. The City clearly has the will to end chronic homelessness. The challenge is how to house the homeless without creating a new, ever-growing, and unsustainable entitlement program.

It is also time to address the closely related quality of life issues that are felt by every San Francisco resident. The City's residents are justifiably skeptical about the quantifiable successes of the Ten-Year Plan, because their eyes tell them a different story as they walk downtown or in their neighborhoods.

The Jury's investigation focused on supportive housing and services because of the proven success of this model and because this is the cornerstone of the City's homeless strategy. The agencies involved in implementing the City's homeless strategy include the Health Department, the Human Services Agency, the San Francisco Redevelopment Agency, the Mayor's Office of Housing, the Mayor's Office of Community Development, the Department of Children, Youth and their Families, the Department on the Status of Women, the Department of Aging and Adult Services and the Police Department.

The Jury focused mainly on programs sponsored by the Health Department and the Human Services Agency, which together oversee most of the City's supportive housing.

The Health Department's supportive housing programs for the homeless who are mentally or physically ill follow the same principles of "housing first" and "harm reduction" as do the Human Service Agency's for the chronic homeless. Rather than trying to get the disabled, addicted or physically or mentally ill into treatment before offering them housing, the policy is now to get them into housing first, and then offer them supportive services to address their chronic medical and other issues. Treatment and support services are voluntary, but are more likely to be accepted and to be successful once a person is in stable housing.

The Jury also considered the relationship of homelessness and affordable housing, as well as shelters. Some thoughts on these are found in the report's Appendix.

provide the chronically homeless with their best opportunity to break the cycle of homelessness that controls their lives." Ten-Year Plan, p. 8

III.

BACKGROUND

A. THE HOMELESS POPULATION

Homelessness is down. The decline is significant – a 26% drop since 2002.

To qualify for federal funds, the City counts its homeless population in the last week of January every two years. At last count (January 31, 2007) there were 6,377 homeless, up 2% from 6,248 in 2005 (a slight increase which the City attributes to better counting methods). Both counts are substantially below a 2002 count of 8,640. By January 2005, eight months after Care Not Cash went into effect, the homeless population had declined 28%. At the same time, the number of “street homeless” declined. The homeless were moving off the streets and out of shelters to settings where, although still technically homeless, they were receiving consistent care: transitional housing, treatment centers, jails, and hospitals. The Jury is aware that some dispute the accuracy of these counts. However, it believes that the trend that the numbers reveal is a real one.

The homeless population is a composite one. Distinct groups include:

- drug addicts and alcoholics
- the sick and disabled
- seniors
- families
- battered women
- youths leaving foster care
- discharged prisoners
- veterans
- people with AIDS
- immigrants
- the unemployed

Ninety percent of the homeless are single adult males. The largest and most problematic group consists of the “chronic homeless.” These are single adults who have been homeless for over a year or who have had recurrent episodes of homelessness in recent years (defined by HUD as four episodes in the past three years). Most are addicted to drugs or alcohol, and have physical or mental health issues as well. This group represents the hard core who are hardest to reach and who impose the greatest costs on the City as they cycle in and out of shelters, jail, treatment facilities, emergency rooms, and hospitals. According to interviewees involved with recent homeless counts, San Francisco’s homeless population, compared to other cities’, has more chronic homeless (36%), more with HIV (about 7%), and more veterans (about 25%, a group likely to increase in the next few years).

The homeless population in San Francisco is aging quicker than the population as a

whole. One study showed that from 1990 to 2003, the median age increased from 37 to 46 years, while the percentage over 50 nearly tripled (from 11% to 32%).²

This aging trend suggests that the homeless are a fairly static cohort, reflecting an increase that dates from the 1980's. If so, a one-time increase in housing stock may have lasting effects. An increase in chronic health conditions and in visits to emergency rooms and hospital admissions was also reported, suggesting that, as this cohort ages further, it will be cost effective to integrate health care into supportive housing. As the need for acute care of the street homeless wanes, the need for long-term homeless housing and a stable source of operating funds to support it will become more pressing.

B. CARE NOT CASH

Care Not Cash was key to the Ten-Year Plan to end chronic homelessness through a "housing first" policy which has been reaffirmed in a recent 5-year plan. Before its introduction, San Francisco was one of only two counties in California that gave cash assistance to its homeless (\$332 or \$410 a month) rather than housing, food and other in-kind services. Today, the homeless typically get \$59-65 in cash (compared to the full cash grants of \$342 or \$422 for those not covered by Care Not Cash), and \$120 in food stamps, in addition to housing and access to health care, job-training and other City provided or sponsored services funded in part by the savings in cash payments.

C. SUPPORTIVE HOUSING

Supportive housing is housing that provides its residents with services such as drug and alcohol recovery, medical care, social services case management, counseling programs, job training, and legal assistance – often directed at obtaining eligibility for Supplemental Security Income ("SSI") benefits. The nature and extent of services at any particular site will depend on the population served. The overall cost effectiveness of the supportive housing program will depend on continually calibrating the services provided to meet client needs.

The Health Department's supportive housing serves a population requiring intensive medical and "behavioral" (i.e., mental health and substance abuse) services, and typically has an on-site psychiatrist and social worker.

The Human Services Agency's supportive housing typically has on-site caseworkers, but relies more on roving and off-site services for medical and addiction treatment.

²Judith Hahn et al, UCSF, "The Aging of the Homeless Population: 14-Year Trends in San Francisco" (*J Gen Intern Med* 2006; 21:775-778)
<http://www.springerlink.com/content/u5135p47h7701775/fulltext.pdf>

The Ten-Year Plan called for the addition of 3,000 units of supportive housing targeted at the homeless by 2010, half through new construction, and half through master leasing of existing residential hotels. This approach is designed both to improve the welfare of the homeless and to be cost effective. Although it costs about \$40 a night to provide supportive housing compared to about \$22 for a room in a residential hotel without services, it is the only approach that keeps the chronically homeless permanently housed.

“Retention rates” in supportive housing units, i.e. the percentage of residents who stay housed or leave for other permanent housing each year, are 97%. The underlying theory behind the Ten-Year Plan is that by keeping the homeless off the streets and out of hospital emergency rooms, shelters, and jails, its costs are fully offset by savings elsewhere. However, the Ten-Year Plan does not elaborate on its claim that supportive housing for the chronically homeless would save the taxpayer \$45,000 per person per year.³

Claims like these are plausible but need to be rigorously examined. Once the 3,000 additional unit goal has been achieved, any future increase in supportive housing units needs to be justified anew by assessing the remaining homeless population and the marginal cost of getting them into permanent supportive housing.

D. PROGRESS TO DATE IN REDUCING HOMELESSNESS

Care Not Cash went into effect in May 2004. Within 8 months, the homeless population had fallen 28%. This sharp initial drop was followed by a more gradual decline. Much of the early drop was due to the immediate success of a program giving bus tickets out of town to those with someplace to go, and to the large number of homeless who left the welfare rolls rather than accept the sharply reduced checks (officials speculate some of these may have been coming in from other counties to collect). The rest can be attributed largely to movement into addiction treatment centers or supportive housing.

From December 2003 (the end of the calendar year preceding its inception) through December 2004 (8 months following the May inception) the number of homeless adults receiving County Adult Assistance Program (“CAAP”) welfare payments (usually at the lowest of its two benefit levels) declined from 2,632 to 642. It has since hovered at about 600.

From 2004 through December 2007, 4,317 formerly homeless single adults have been housed. Since Care Not Cash went into effect, supportive housing units have increased from about 2,000 to about 4,500. Of the current total, 880 are sponsored by the Health Department under a “Direct Access to Housing” program that provides more intensive medical services to the elderly, disabled and the mentally or physically ill. The rest are sponsored by the Human Services Agency. Projects that are currently planned or under

³ “Statistics show that the care of one chronically homeless person using Emergency Room services, and/or incarceration, cost San Francisco an average of \$61,000 each year. On the other hand, permanent supportive housing, including treatment and care, would cost \$16,000 a year.” Ten-Year Plan, p. 8

development will add about 450 units by early 2010.

IV.

DISCUSSION

A. HOMELESSNESS SPENDING – A BIG BUSINESS

In many ways San Francisco has a Homeless Industry. Homeless spending is big business. For its current fiscal year, the City budgets about \$186 million for direct spending on the homeless or those at risk of becoming homeless. The Jury has not attempted to quantify the generous contributions from individuals, charities, and foundations.

This figure does not include the money represented by CAAP welfare grants, emergency medical response, hospitalization, jail costs, most city management and overhead functions, and much else.

Although estimates of homeless spending differ widely and include different costs, it is clear that homeless spending has mushroomed since the City began to track it. The Budget Analyst's previous reports estimated direct spending on the homeless to be \$31.1 million in fiscal year 1993-1994, and \$73 million in fiscal year 2001-2002 (with administrative overhead and capital costs raising the latter total to \$104.3 million).

Thus, the City's budget for direct spending on the homeless or those at risk of becoming homeless increased nearly 600% since fiscal year 1993-1994.

The 2001-2002 Budget Analyst Report is now six years old, and predates the Ten-Year Plan and Care Not Cash. Updating the report would provide worthwhile data to aid in assessing whether the trend in ever-increasing spending on homelessness is changing. While more limited audits have been done, such as the Controller's 2008 audit of Care Not Cash, there has not been a comprehensive assessment since the early part of the decade.

Money spent on homeless services comes from a variety of federal, state, and local sources. Federal funds include: \$18.8 million of McKinney-Vento Homeless Assistance Act HUD funding for building permanent supportive housing; \$8.6 million under "Shelter Plus Care," a federal supportive housing program for people with disabilities; \$8.1 million in Housing Opportunities for People with AIDS Act ("HOPWA") funding for those with HIV; Veterans Administration funds; SSI payments to individuals (or to third party agents on their behalf), and Medicare.

State funds include Medi-Cal payments, \$1.8 million in "Prop 63 Funds" for the mentally ill, proceeds of a 2002 bond measure for affordable housing, and even a pinch of tobacco tax revenue.

