Housing Abundance as a Condition for Ending Homelessness

LESSONS FROM HOUSTON, TEXAS

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Executive Summary

“HOMELESSNESS IS A HOUSING PROBLEM”

California’s housing shortage and affordability crisis have made the Golden State one of the most expensive places to live in the United States. For hundreds of thousands of Californians, that means being forced to live without a permanent roof over their heads.

The main driver of homelessness is housing costs. When housing is too scarce, and therefore too expensive, people with little or no income are more likely to find themselves on the street.

The State of California has adopted the “Housing First” model—an evidence-based approach that prioritizes moving unhoused people into permanent housing—as its overarching anti-homelessness strategy. Major metropolitan areas and state agencies have followed suit, albeit with varying consistency.

But despite the billions of dollars allocated to Housing First programs, the crisis has not abated: A growing number of Californians each year find themselves without permanent housing.

This issue brief and policy primer includes a review of the current major programs to address homelessness in California cities, alongside a comparison to similar programs in Houston, Texas, which has seen a notable decrease in homelessness.
Our findings include:

→ Due to a variety of factors, California’s efforts to use the “Housing First” model to reduce homelessness have been more costly, but less effective, than similar Housing First efforts in Houston.

→ Houston has reduced homelessness by more than half over the past decade, at the same time as major California cities like San Francisco and Los Angeles have seen dramatic increases in homelessness.

→ Lack of housing supply—and a concomitant increase in housing costs—is the key differentiator between Houston’s successful effort to move homeless residents into permanent housing and California’s lower success rate.

→ Houston’s programs are coordinated among key stakeholders and benefit from pro-housing land use policies (including the city’s lack of a traditional zoning code) that substantially increase the housing supply and lower costs.

In contrast, California’s homeless services infrastructure is highly fragmented, and the main state office in charge of coordination does not have sufficient leverage to compel statewide Housing First compliance. Restrictive zoning also increases housing costs and rates of homelessness, putting greater strain on available resources, budgets, and staff.

RECOMMENDATIONS FOR CALIFORNIA POLICYMAKERS INCLUDE:

→ Permanently fund the state’s Housing First programs to provide implementers with budget certainty and allow longer-term, more cost-efficient planning.

→ Centralize more of the state’s homelessness strategy under the authority of the California Interagency Council on Homelessness.

→ Continue to address artificial constraints on regional housing production with state reforms that loosen the zoning restrictions and permitting requirements which are driving up housing costs.

→ Eliminate other local barriers to the development of permanent supportive housing (PSH), extremely low-income (ELI) housing, and other forms of housing for unsheltered or at-risk residents who need additional wrap-around services and supports.

→ Use state budgetary and regulatory power, and related incentives and penalties, to enforce local compliance with both Housing First and state housing goals.

→ Raise wages for workers who provide direct homeless services to improve recruitment, retention, and service provider living standards.

→ Codify a major court ruling that protects unhoused people from punitive encampment sweeps.
Introduction

On a given night, more than 57,000 people bed down in homeless shelters across the state of California. Another estimated 117,000 don’t even have a bed in one of these facilities; instead, they are forced to make do with tents, sidewalks, park benches, or whatever other makeshift accommodations they can find.¹

These figures—drawn from the 2022 “point-in-time” (PIT) counts carried out by regional bodies known as continuums of care (CoCs)—significantly underestimate the extent of California’s homelessness crisis. PIT counts are “point-in-time” estimates because they only count the number of people who are homeless on a particular night; they do not account for everyone else who may become homeless over the course of a year. Nor do they account for unsheltered people who are hidden out of view, or sequestered in institutional settings like hospitals or jails.

This means California’s homelessness crisis is likely dramatically more severe than even the PIT counts suggest. That is certainly the case in San Francisco. While the city’s most recent PIT survey counted 7,754 unhoused people, the city’s Department of Homelessness and Supportive Housing (HSH) estimates that “as many as 20,000 individuals may experience homelessness in San Francisco over the course of a full year.”²

In response to the crisis of mass homelessness, state policymakers have adopted a “Housing First” strategy. The National Alliance to End Homelessness defines Housing First as “a homeless assistance approach that prioritizes providing permanent housing to people experiencing homelessness, thus ending their homelessness and serving as a platform from which they can pursue personal goals and improve their quality of life.”³

In 2017, the state created the Homelessness Coordinating and Financing Council (now the Interagency Council on Homelessness, or ICH) to coordinate statewide Housing First implementation. The state has subsequently poured billions of dollars into its homelessness response. Despite the state’s major investments in Housing First interventions, hundreds of thousands of Californians still experience homelessness each year.

This has led some observers to question the efficacy of Housing First; a recent essay in City Journal even described it as a “nightmare” and suggested it had “hurt, not helped, those who are in dire situations.”⁴ A book that criticized the Housing First model at length received ample media attention following its release in 2021.⁵ And some cities have begun to turn away from Housing First-aligned strategies, toward harsher practices; in 2022, both Sacramento County and Los Angeles passed encampment bans.⁶ ⁷

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¹ Tobias, 2022
² San Francisco Department of Homelessness and Supportive Housing, 2022
³ National Alliance to End Homelessness, 2022
⁴ Sandberg, 2022
⁵ Environmental Progress, n.d.
⁶ Nichols, 2022
⁷ Karlamangla, 2022
But Housing First has worked elsewhere. One of the model’s most dramatic recent successes has been in Houston, Texas, where policymakers and service providers have succeeded in reducing homelessness by more than half over the past decade, at the same time as homelessness in California’s major cities climbed to new heights. Figure 1 compares the PIT counts of San Francisco, the Los Angeles area’s CoC, and the Houston area’s CoC from 2011 to 2020. All told, Houston has succeeded in housing more than 25,000 formerly homeless individuals. In the process, the city has become a national model, a status cemented by a recent feature in the *New York Times Magazine.*

Hugo Mendez, 41, a U.S. Army veteran who was previously homeless on and off for nine years along the Santa Ana River, unpacks on move-in day at Potter’s Lane in Midway City, on March 14, 2017.
Background

Understanding Houston's success requires a baseline familiarity with both the causes of homelessness and the principles behind Housing First. This section explains the main drivers of mass homelessness in America. We then describe the Housing First approach to ending homelessness and review some of the evidence regarding Housing First's efficacy.

HOUSING UNAFFORDABILITY DRIVES HOMELESSNESS

The evidence is overwhelming that high housing costs are the primary driver of homelessness. While other factors may contribute to homelessness on an individual level, housing costs are what explain homelessness as a large-scale social phenomenon.

An influential study from economists at Zillow found homelessness tends to rise in a community once rents exceed 22 percent of residents' income—and climbs at an even faster rate somewhere around the 32 percent threshold. Similarly, research from Harvard University's Joint Center on Housing Studies has identified a correlation between a city's median rent and its rate of homelessness. Figure 2 displays the relationship between rents and homelessness.

The most comprehensive recent survey of what causes homelessness is the appropriately titled book, Homelessness is a Housing Problem. The authors investigate a number of non-housing explanations for large scale homelessness—including climate, generous welfare benefits, mental illness, and substance use disorder—and find no evidence that these factors can explain why some U.S. cities have significantly higher rates of homelessness than others. They conclude: “Vulnerable households live in every city of the country; the differences in rates of homelessness can be attributed to structural factors associated with the housing market.”

HOUSING SHORTAGES DRIVE HOUSING COSTS

While variation in median rents can do much to explain why an expensive city like San Francisco has more homelessness than a low-cost one like Memphis, this raises another question: Why are some cities so much more expensive than others? The consensus among researchers is that housing scarcity pushes up housing costs. In other words, many cities have high rates of homelessness because they have high housing costs; and they have high housing costs because they do not have enough housing.

Notably, it is not just the availability of subsidized affordable housing in a given area that matters. Increasing a metropolitan area’s supply of market-rate housing relieves pressure on the housing

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9 (Glynn & Casey, 2018)
10 (Joint Center for Housing Studies, 2017)
11 (Aldern & Colburn, 2022)
market as a whole, creating more “naturally” (that is to say, non-subsidized) affordable housing and driving down costs across the board.

This effect is visible at both the regional level and the neighborhood level. After surveying much of the recent literature on market-rate housing supply and housing costs, researchers at the UCLA Lewis Center concluded that “market-rate development causes rents in nearby buildings to fall rather than rise.”

One proxy for housing supply is the rental vacancy rate. A high rental vacancy rate implies that the supply of rental units exceeds the number of potential renters. Conversely, a low rental vacancy rate implies that a city has very few available rental units relative to the number of people seeking rental housing.

Tellingly, the authors of Homelessness is a Housing Problem find that cities with lower vacancy rates tend to have higher rates of homelessness; that is because lower vacancy rates are associated with a lower supply of housing, which drives up rents. Figure 3 shows the relationship between vacancy rates and rates of homelessness.

**Rental Vacancy Rate Versus PIT Count (Per Capita)**

Dashed lines indicate a linear regression of per capita PIT counts onto the natural log of rental vacancy rate between 2007 and 2019 for a sample of U.S. regions.

**Figure 3**

Source: Homelessness is a Housing Problem

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### HOUSING COSTS AND HOMELESSNESS IN THE BAY AREA

Despite San Francisco’s high housing costs and the economic dislocation caused by the COVID-19 pandemic, the city’s HSH reported a 3.5 percent decline in homelessness (and a more significant 15 percent decline in unsheltered homelessness) between 2019 and 2022 in its most recent PIT count.

Part of the decline may be attributable to the city’s success in leveraging state and federal pandemic-era funding for emergency housing through programs such as Project Homekey. (Project Homekey is discussed in more detail later in this report.)

But dropping housing costs may have also played a role. Rents in San Francisco plummeted further than in other major U.S. cities and have been slower to recover. Given the close link between housing costs and homelessness, it is at least possible that this decline slowed down the rate at which San Franciscans enter homelessness.

A greater mystery is why the trajectory of homelessness in San Francisco diverged so sharply from the trend across the rest of the Bay Area. Numerous other Bay Area cities and suburbs, including Oakland, have reported sharp increases in homelessness.

Local variation in PIT count methodologies may account for some of the disparity; it also remains to be seen whether San Francisco’s most recent PIT count is the beginning of a sustained trend or just a short-lived fluctuation.

### CRIMINALIZATION CANNOT SOLVE A HOUSING PROBLEM

Many local governments have responded to rising homelessness by taking a punitive approach. Cities across the country have made it illegal to sleep or store personal property in public areas; many have also engaged in aggressive encampment sweeps, sending police and municipal sanitation workers to destroy the property of unsheltered people.

California is no exception. In 2015 alone, San Francisco spent more than $20 million “sanctioning homeless
individuals for violating quality of life laws." The San Francisco Coalition for the Homeless recently sued the city for penalizing homelessness, including by destroying personal property.

Meanwhile, both Los Angeles and Sacramento have passed encampment bans over the past year. The Los Angeles ordinance expanded the city’s pre-existing encampment ban to include “any street, sidewalk, or other public property within 500 feet of a School or Day Care Center.” Sacramento’s encampment ban applies to sidewalks, business entrances, and the American River Parkway.

While enforcing encampment bans may temporarily drive homelessness out of certain areas, it does nothing to reduce homelessness itself. That is because, as mentioned above, homelessness is caused by a lack of housing; penalizing someone for not being able to afford housing does nothing to address the underlying problem.

In fact, research has found that criminalization can worsen homelessness in the long run by making it harder to get people housed.

A 2019 study of sweeps and citations in San Francisco found that “anti-homeless ordinances play an instrumental role in contributing to homelessness” by “systematically [limiting] homeless people’s access to services, housing, and jobs, while damaging their health, safety, and well-being.” For example, the property destruction accompanying encampment sweeps was found to sweep up important items like prescription medication; it also caused significant disruptions that made it harder for unhoused people to access the services that might put them on a trajectory toward being housed.

In recent years, federal courts have come to recognize that some encampment bans violate the rights of unhoused people. In Martin v. Boise, the Ninth Circuit Court of Appeals ruled that unhoused people could not be penalized for sleeping outside if they did not have access to alternative accommodations. A subsequent ruling reinforced this decision.

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17 (Budget and Legislative Analyst’s Office, 2016)
18 (Moench, 2022)
19 (City of Los Angeles, 2022)
20 (Clift et al., 2022)
21 (Herring et al., 2019)
22 (Waskowicz, 2019)
23 (Wilson, 2022)
The Housing First approach to addressing homelessness can be best understood through a comparison with the “treatment first” model. Programs that follow the latter model prioritize treatments such as mandatory mental health care and addiction counseling over provision of permanent housing.

While such programs may offer permanent housing to unhoused clients, the offer is usually conditioned on a client’s willingness to undergo other treatments. If clients ever receive housing, it is essentially as a reward for compliance with the treatment program.

Housing First programs take a more direct approach. Under the Housing First model, clients receive an unconditional offer of permanent housing; those who require additional “wraparound” services (such as psychiatric care) can receive them, but treatment is always voluntary. Whereas the treatment first model assumes that unhoused people need to improve in various ways before they can successfully transition out of homelessness, the Housing First model assumes that transitioning people into permanent housing will make it easier for them to address whatever other challenges they may face.

The Housing First model is fairly flexible and accommodates various types of housing. Under a Housing First program, unhoused people with very high needs and chronic medical or behavioral conditions may receive a unit of permanent supportive housing (PSH): a permanently subsidized unit where they have access to intensive wraparound supports and services. Unhoused people with less acute needs may receive proportionally fewer wraparound supports; for example, rapid re-housing programs provide a temporary rental subsidy with the expectation that clients will eventually be able to cover their own housing costs.

RESEARCH ON HOUSING FIRST

A substantial body of research has demonstrated that the Housing First model works. Notably, 

Supportive housing using a housing first approach works for people who have long histories of homelessness and serious mental illnesses and substance problems. Many people, including most families, become stable and indeed flourish with just an ongoing rental subsidy that makes housing affordable for people who are deeply poor.24
Below, we briefly summarize two notable evaluations of Housing First-style interventions.

**THE FAMILY OPTIONS STUDY**

One of the largest and most influential studies of anti-homelessness interventions, the Family Options Study observed more than 2,000 homeless families over a period of three years. Participating families were randomly provided with one of four treatments: “usual care,” transitional housing, a permanent housing subsidy, or a temporary rapid re-housing subsidy.

Permanent subsidies—even without any additional wraparound supports—were found to significantly reduce a family’s likelihood of reentering the shelter system. This, in turn, led to further positive outcomes. In the words of the study’s authors: “Assignment to the [permanent subsidies] intervention group more than halved most forms of residential instability, improved multiple measures of adult and child well-being, and reduced food insecurity.”

The Family Options Study supports Shinn and Khadduri’s contention that ongoing rental subsidies are all that is needed to help many families stabilize in housing. (Incidentally, both Khadduri and Shinn worked on the study.)

**PERMANENT SUPPORTIVE HOUSING IN SANTA CLARA**

While the Family Options Study demonstrated that rental subsidies could help some families exit from homelessness, it had relatively little to say about the most effective form of treatment for high-needs individuals. A more recent study of PSH in Santa Clara found that Housing First-style treatment could also benefit individuals with serious behavioral health conditions.

The study randomized 199 high-needs individuals into a PSH treatment group and 224 individuals into a control group. Despite their severe pre-existing conditions, those who had been sorted into PSH were able to remain housed for 93 percent of the three-year follow-up period, on average. Additionally, use of emergency psychiatric services declined among the treatment group; utilization of outpatient mental health and substance use treatment services rose.

**HOUSING FIRST IMPLEMENTATION IN HOUSTON**

Since 2012, the Houston area CoC has been implementing an aggressive Housing First program, overseen by the nonprofit Coalition for the Homeless of Houston/Harris County. Although more than 100 organizations are involved in implementing the homelessness response system—including local governments, housing authorities, and various other public and nonprofit entities—all relevant actors are aligned around a set of core principles.

This is how Coalition president and CEO Mike Nichols summarized the strategy in 2021:

> We attribute our collective success to a number of factors, among them: collaborative leadership and buy-in among local elected officials and local direct service provider agencies; a strong reliance on good data to drive decision-making; and an emphasis on prioritizing the most vulnerable for access to those programs first. We follow Housing First, a nationally recognized best practice that involves providing housing to people with no preconditions (e.g., sobriety) and then offering voluntary supportive services to help them maintain their housing.

> Perhaps the most important key is our community’s commitment to investing all available homelessness resources toward permanent housing with supportive services. HUD defines permanent housing as “community-based housing without a designated length of stay in which formerly homeless individuals and families live as independently as possible.”

The Coalition makes use of various tools to secure housing for the people it serves. While approximately 30 percent of the people served by Houston’s

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25 (Gubits et al., 2016)
26 (Raven et al., 2020)
27 (Nichols, 2021)
CoC end up in PSH, CoC partners also actively recruit landlords who can provide more traditional subsidized affordable or naturally affordable rental units.

**HOUSING FIRST IMPLEMENTATION IN CALIFORNIA**

As noted above, California established ICH in 2017 to oversee statewide implementation of the Housing First model. In the early stages of the COVID-19 public health emergency, the state undertook several additional measures aligned with the Housing First model.

Perhaps the most significant and widely publicized of these measures was the creation of Project Homekey. The Homekey program funds the conversion of underused hotels and motels into housing for unhoused people; as of August 2022, the state reports it has awarded $1.9 billion in Homekey grants to local entities, leading to the creation of 6,658 housing units.

The state’s 2020-21 budget dedicated more than $12 billion—an unprecedented sum—to combating homelessness. Over two years, this included $2 billion in flexible funding for cities, counties, and CoCs under the Homeless Housing, Assistance, and Prevention (HHAP) grant program; $1.75 billion to expedite affordable housing construction; and $2.8 billion for Project Homekey.

These expenditures were modestly augmented with further investments in the following budget year. It should be noted, however, that many of the state’s Housing First investments were one-time expenditures; without further legislative action, they will expire in the next budget year.

California’s Housing First approach is significantly less centralized than Houston’s. This is to be expected; the Houston plan is being implemented in the context of a single CoC, whereas California is home to 44 distinct CoCs. In addition, counties, local governments, state departments, and law enforcement agencies sometimes pursue their own separate homelessness policies.

ICH has limited ability to compel coordination and Housing First compliance among the various actors. Partly due to this lack of coordination, and partly as a result of public frustration with the persistence of mass homelessness, many local and even state offices have increasingly committed themselves to a strategy that criminalizes homelessness—an approach that is directly at odds with the Housing First model.

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28 (Burchman & White, 2021)
29 (California Department of Housing and Community Development, n.d.)
30 (California Department of Finance, 2021)
31 (Urban Initiatives, n.d.)
32 (Korte et al., 2022)
33 (Barnes & Scott, 2021)
34 (Healey, 2022)
Lessons From Houston for California

As noted in the introduction, Houston has achieved significantly better results than California when it comes to reducing homelessness. As we shall see, it has also done so at a far lower cost per individual served. This is despite the fact that both Houston and California have adopted the Housing First model.

Below, we explain why. Because Housing First is the common thread uniting their respective anti-homelessness strategies, we cannot explain Houston and California’s wildly divergent outcomes by blaming the Housing First model.

Instead, we argue that Houston’s success is a direct consequence of the region’s other housing and land use policies; conversely, California’s failures are the product of its self-inflicted housing crisis. While Housing First works, it can only work at the necessary scale in the context of broad-based housing abundance.

HOUSTON HAS ABUNDANT, LOW-COST HOUSING

Houston is the only major American city that lacks a zoning code. As a result of its liberal land use policies, the city has managed to add large quantities of new housing stock as its population has grown. Not all of these units are single-family homes; one analysis of Houston’s housing market found that in 2019 the city “built roughly the same number of apartments as Los Angeles, despite the latter being nearly twice as large.”

Houston does not simply build a lot of housing in absolute terms; it builds a lot of housing per capita, meaning that housing production has increased as demand for housing has grown. Between 2011 and 2021, the population of the Houston metropolitan area has grown more than 20 percent, adding nearly 1.3 million people; this is a significantly greater increase than can be seen in any large California metropolitan area over the same time period.

Yet despite this rapid population growth, the Houston metropolitan area has consistently added more homes per person than any major California metropolitan area. In 2021, for example, Houston saw 9.5 new housing starts per 1,000 residents, compared to 3 per 1,000 residents in the San Francisco metropolitan area and 2.4 per 1,000 residents in Los Angeles County. Figure 4 shows the difference in per capita housing starts between the three regions.

Another way of putting this is to say that Houston has greater housing supply elasticity than large California cities: When demand for housing in Houston increases, supply also grows. A 2010 paper that attempted to quantify housing supply elasticity among metropolitan areas with more than 500,000 residents found that the metropolitan areas of Los Angeles, San Francisco, San Diego, Oakland, Ventura, and San Jose were among the 10 least elastic regions. The most elastic of those housing markets, San Diego’s, was less than one-third as elastic as Houston’s.

35 (Gray, 2022)
36 (St. Louis Fed Economic Data, 2022)
37 (Saiz, 2010)
As a result, average housing costs in Houston are markedly lower than in most large California cities. Figure 5 compares the median rent for a one bedroom apartment in Houston to the median rent in several California cities. We include Bakersfield to illustrate the variation in housing costs across California; while the average large or mid-sized city in California is significantly more expensive than Houston, some cities are clearly less expensive.

![Median Rent For a 1-Bed Apartment](chart.png)

Source: Zillow data

Houston’s abundance of low-cost housing is a critical asset in its campaign to end homelessness. California’s housing shortage is the foremost obstacle to the state’s own anti-homelessness efforts. The following two sections explain why.

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**WARNING SIGNS IN SAN DIEGO**

While San Diego has long been at least somewhat less expensive than Los Angeles or San Francisco, that appears to be changing. Zillow data finds average rents in San Diego slightly outpacing those in Los Angeles.\(^{38}\) One recent attempt to estimate housing costs as a share of income found that San Diego was now even less affordable than San Francisco.\(^{39}\)

San Diego’s rising costs illustrate the danger of complacency when it comes to housing development. They also show how housing shortages in one city can affect neighboring regions. Many newer San Diego residents came to the area from Los Angeles, fleeing high prices in the latter city.\(^{40}\) But this increasing population pressure has, in turn, added to the cost pressures in San Diego.

While comparative measures of housing costs as a share of income are imperfect, they suggest a greater risk of homelessness for many low-income San Diego residents unless the city takes decisive action. Indeed, homelessness is already on the rise in San Diego. The city’s most recent PIT survey found a nine percent increase in homelessness between 2020 and 2022.\(^{41}\)

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**CALIFORNIA’S HOUSING SHORTAGE STRAINS HOMELESS SERVICES**

While California has taken steps to scale up its homelessness response system over the past few years, the state’s Housing First infrastructure has not been able to match the scale of the homelessness crisis. The primary reason for this mismatch is the state’s housing shortage, which affects homeless services in the following ways.

**INFLOW**

As discussed above, housing unaffordability is the primary driver of homelessness. Because California has not taken sufficient steps to control housing costs in its major cities, annual “inflow” into the homeless services system—that is to say, the sheer volume of people who become newly homeless or re-enter homelessness each year—far outstrips the state’s capacity to quickly re-house people.

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38 (Zillow, n.d.)
39 (Smolens, 2022)
40 (Lin, 2022)
41 (Halverstadt, 2022)
San Francisco's most recent PIT report offers a particularly dramatic illustration of this dynamic. Based on its analysis of the 2022 PIT count and other data, San Francisco's HSH estimates that four San Franciscans enter homelessness for every individual who the department is able to place in housing. Because of the city's extraordinary housing costs, its homeless services infrastructure is unable to catch up with mushrooming homelessness.

Not all California cities face the same pressures as San Francisco. In recent years, Bakersfield and Kern County have made substantial progress in reducing chronic homelessness. But Bakersfield is an exception that proves the general rule; as can be seen in Figure 5, its rents are even lower than those of Houston.

HOUSING FIRST IN BAKERSFIELD AND KERN COUNTY

While relatively low housing costs are clearly a factor in Kern County’s success at driving down chronic homelessness, it is not the only factor. The Bakersfield Kern County Homeless Collaborative, which acts as the region’s CoC, has also pursued an aggressive Housing First strategy. The CoC adopted its first 10-year plan in 2008. In 2018, it reported that it had successfully “[shifted] emphasis from a shelter and transitional housing-based approach that prepared homeless people for eventually being housed, to a Housing First model focused on placing them in housing with minimal delay, regardless of their circumstances or pre-existing conditions. HUD CoC Program and other public grants were redirected almost entirely to the creation of new affordable permanent housing opportunities, with supportive services focused on helping people access and remain in housing.”

From 2008 to 2017, the CoC reports, it added more than 2,000 permanent housing beds—a more than sixfold increase in the total number of permanent beds available for the county’s unhoused population.

HOUSING PLACEMENT COSTS

In order to implement the Housing First model, homeless services agencies must be capable of meeting their clients’ need for housing. This may involve developing publicly owned units, renting units from for-profit landlords, signing contracts with nonprofit housing providers, or some combination of the above. All of these approaches cost money—and their cost depends on the vagaries of the housing market.

Houston’s CoC has been able to house more than 25,000 people in no small part because of the region’s ample supply of subsidized and naturally affordable housing. In interviews with California YIMBY, officials at Coalition for the Homeless of Houston/Harris County cited the local availability of units that rent for less than $1,000 per month as a key asset. Coalition officials estimated that the average yearly cost of housing one of their clients is between $17,000 and $19,000, with just $12,000 of that cost going to housing and the rest to wraparound services and supports.

In contrast, officials at HSH in San Francisco said they must pay nearly three times as much to house an individual for one year. The average yearly cost in San Francisco is between $40,000 and $47,000, of which between $30,000 and $35,000 goes to housing alone. (See Figure 6 for more details.)

The price gap between Houston and San Francisco when it comes to housing one homeless individual closely tracks the gap in median rent between each city—as seen in Figure 5, the median one bedroom apartment in San Francisco rents for nearly three times as much as the median one bedroom apartment in Houston.

As a result, San Francisco must spend enormous sums in order to acquire housing for its unhoused population. And because the high prices in San Francisco reflect an underlying shortage, even the city’s current level of investment is not sufficient to secure a unit for everyone who needs one.

42 (San Francisco Department of Homelessness and Supportive Housing, 2022)
43 (Kim, 2021)
44 (United Way of Kern County & The Kern County Homeless Collaborative, n.d.)
Housing is the largest expenditure associated with administering a Housing First program, but it is not the only one. Housing First programs must also provide wraparound supports and services. As discussed above, Houston spends an estimated $5,000 to $7,000 on these services, while San Francisco spends approximately twice as much.

Despite the disparity in costs associated with delivering these services, there is remarkably little regional variation in salaries. Houston officials estimated that case managers operating in their homeless services system make between $40,000 and $55,000; an official with the Bay Area nonprofit Abode said they typically pay housing navigators (that is, service workers who help secure housing for their unhoused clients) between $27 and $30 per hour.

Assuming Abode’s housing navigators work an average of 40 hours per week for 48 weeks out of the year, that comes to an annual salary of between $51,840 and $57,600. The Abode official noted that employees with a master’s degree in social work typically earn a salary at the higher end of that range.

As a result of the mismatch between industry wages and regional housing costs, the people serving unhoused Californians are often on the verge of homelessness themselves. Researchers define a severely cost-burdened individual as someone who spends more than half of their gross income on rent; severe cost burden is a risk factor for homelessness. In California, many frontline homeless services workers are de facto severely cost-burdened, because their salaries cover such a small share of their area’s median rent.

For example, an Abode housing navigator living in San Francisco would have to pay at least 65 percent of their gross income for the median one bedroom apartment; in Houston, a case manager may still be cost burdened, but significantly less so. (The threshold for non-severe cost burden is 30 percent of gross income.) Figure 7 breaks down the difference.
Low wages relative to the cost of housing have contributed to chronic understaffing and extremely high turnover among homeless service providers in California.\textsuperscript{45} While Houston has also experienced a staffing shortage over the past year, interviews indicate that it is less severe than California’s. Houston’s staffing shortage is likely a result of the general tightness in America’s labor market.

Lack of experienced staff has negatively impacted the quality of California’s homeless services. It has also created an ethical dilemma for firms that administer Housing First programs: many of their employees may qualify for the very services that they offer. This is particularly problematic given that many programs value employees with “lived expertise.” Some of California’s Housing First-aligned programs are hiring previously unhoused people into positions with such low compensation that they may be forced back into homelessness.

A recent memo from San Francisco’s Office of the Controller raised concerns about the persistently low pay among nonprofits that contract with the city and suggested some mechanisms the city could use to raise the nonprofit wage floor.\textsuperscript{46} While significant public investment could improve frontline worker pay and staffing levels, that only addresses half of the equation. The other half is California’s extraordinarily high cost of living.

\footnotesize{Allen J. Schaben via Getty Images

Previously homeless Army veteran Kenneth Salazar checks on the construction progress at Potter’s Lane in Midway City in 2017.

\textsuperscript{45} \textsuperscript{46} (Botts, 2022) (Rosenfield et al., 2022)
California’s Restrictive Zoning and Permitting Rules Are a Barrier to Housing First

Just as the absence of a zoning code in Houston allows for the production of abundant housing, California’s restrictive zoning and permitting rules have driven housing costs to vertiginous heights. The previous section explored the consequences of those high housing costs for the state’s Housing First strategy; this section will consider other harmful effects of the state’s land use policies.

PERMITTING TIMES

Because California lacks the housing stock needed to fully implement Housing First, some local governments have taken steps to build new homes designated specifically for unhoused people. Unfortunately, the same restrictive land use rules that created the general shortage can also cause lengthy delays in the creation of this housing.

Los Angeles presents an especially stark example. In 2016, residents approved Proposition HHH, allowing the city to borrow $1.2 billion with the goal of creating 10,000 permanent homes for the city’s unhoused population. But the per-unit cost of development exceeded expectations, and in early 2022 a report from the city controller found that only 1,142 units were “ready for occupancy.”

47 (Galperin, 2022)
The city’s permitting process is among the key reasons for the delay. Despite being city-backed projects—and despite the fact that they are being developed in response to an ongoing emergency—Proposition HHH projects must clear many of the usual obstacles that stand in the way of any Los Angeles housing development. Or as the controller’s report puts it:

*Proposition HHH developers must obtain the necessary land use approvals and permits to build their project. This requires navigating their project through several City departments and bureaus, such as Planning, Building and Safety, Public Works, Fire, Water and Power, and Transportation. This process also includes community outreach and addressing any lawsuits or design changes resulting from stakeholder input.*

Thanks in part to these procedural hurdles, the controller estimated that in-progress Proposition HHH projects would spend almost 900 days in the pre-development stage—that is, from the issuance of a city letter of commitment to the beginning of construction.

**INSTITUTIONALIZING HOUSING SEGREGATION**

California’s complex permitting rules do not only slow down the development of permanent homes for unhoused people; they also kill many projects outright. This is largely due to discretionary permitting, which gives local officials veto power over proposed developments—even those that are in full compliance with zoning and other regulations. When Housing First-aligned projects do get built, it is often in areas where they are less likely to provoke local opposition.

In much of California, that means PSH and extremely low-income (ELI) housing gets concentrated in areas that are already impoverished. For example, the vast majority of San Francisco’s PSH is in and around the Tenderloin neighborhood, where much of the unhoused population resides. While locating some permanent supportive housing in the Tenderloin is appropriate, overconcentration in that area has served to institutionalize housing segregation and undermine the city’s Housing First approach.

An optimal Housing First program would ensure that individuals can be housed in a range of different settings. Some unhoused individuals who reside in the Tenderloin may wish to be housed nearby, so they can remain close to their support networks. But others may only be able to successfully stabilize in housing if they are moved elsewhere—for example, because they are in recovery from a substance use disorder and their former dealer operates in the Tenderloin.

Because residents in more affluent neighborhoods have successfully blockaded any ELI housing or PSH development, San Francisco’s unhoused population is denied those kinds of options.

Nearly all of Houston’s permitting is done “as of right,” without the need for discretionary approval. Coalition for the Homeless of Houston/Harris County officials report that housing for formerly unhoused people is widely distributed across the entire CoC region.

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48 Ibid.
49 Ibid.
50 (Sjostedt, 2022)
Recommendations for Reform

Houston has demonstrated that it is possible to substantially reduce homelessness over a relatively short period of time. But it requires adequate resources, political will, and the right housing market conditions. With that in mind, we recommend that the state take the following actions.

**RECOMMENDATION 1**
Permanently fund Housing First programs.

Many of the state’s current Housing First interventions are funded on a one-time basis and may disappear in the next budget cycle if the legislature does not take action. Even if some of these programs receive an additional year’s worth of funding, local governments and service providers may struggle to make use of it; reauthorizing homelessness programs on an annual basis creates too much uncertainty. For example, a nonprofit housing developer and property manager may be reluctant to undertake a PSH project that could create ongoing costs without assurance that the state will provide long-term support.

To alleviate that uncertainty and encourage long-term planning, the legislature should create more ongoing funding sources for Housing First efforts. To start, the legislature should:

1. create an ongoing appropriation for maintaining existing Homekey properties, and
2. convert HHAP into an ongoing program.

**RECOMMENDATION 2**
End the bureaucratic fragmentation of Housing First implementation and grant ICH more coordinating authority.

Houston’s approach to reducing homelessness relies on extensive coordination between various actors, overseen by one presiding body, the Coalition for the Homeless of Houston/Harris County. In contrast, California’s homeless services system is highly fragmented.

While ICH attempts to coordinate a statewide Housing First approach, other state departments are inconsistent in their level of commitment to this model. At the regional level, CoCs, local governments, county governments, nonprofit providers, and law enforcement agencies often pursue separate and mutually exclusive homelessness response strategies.

The state should take steps to align all the relevant actors around a consistent Housing First approach. This will likely require changing the structure of both ICH and the programs that ICH oversees.

For example, the legislature should consider moving ICH out of its current home, the Business, Consumer Services, and Housing Agency. If it reported directly to the governor, ICH would have more leverage over other state offices that are not following a Housing First model—especially if the governor made clear that other administration officials must defer to ICH on homelessness policy.

The legislature should also restructure ICH-administered grants like HHAP in order to encourage clearer lines of responsibility. Distributing money to cities, counties, and CoCs with overlapping areas of authority contributes to the state’s fragmentation of homeless services.

In each region, there should be one official body that is in charge of coordinating the homelessness response, and that can be held accountable for any failures in that response. (It should be noted that ICH has already taken a step in this direction for at least one grant by permitting joint applications from government bodies with overlapping jurisdictions.)

The main responsible entity can then issue subgrants to the other agencies with which it is coordinating its Housing First programs.

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51 (Interagency Council on Homelessness, 2022)
RECOMMENDATION 3
Eliminate restrictive zoning and permitting rules that prevent the creation of new housing stock.

While Houston’s progress in reducing homelessness is impressive, it would not have happened if the city’s housing market looked like that of San Francisco or Los Angeles. California should aim to make its urban housing markets more closely resemble those of Houston, even as it works to achieve its related goal of preventing the housing sprawl that exacerbates climate change.

One of the most important characteristics of Houston’s land use regime is the absence of a traditional zoning code, and the near absence of discretionary approval requirements. California should continue to relax zoning rules in its jobs- and transit-rich areas and allow by-right development.

RECOMMENDATION 4
Implement other rules to streamline and incentivize the creation of permanent homes for unhoused people.

Allowing for the creation of more market rate housing will bring down costs and grow the state’s supply of naturally affordable units. But that alone won’t be sufficient to help many unhoused people stabilize in permanent housing. California should therefore take additional steps to encourage the production of PSH and ELI housing.

For example, the state should provide new subsidies to developers and property managers of ELI housing and PSH. In some cases, the state might even choose to own and operate its own housing, as it would have done under AB 2053 (Asm. Alex Lee’s social housing legislation).

The state should also exempt ELI and PSH developments from additional zoning and permitting regulations. (State law already allows statewide by-right PSH development where certain conditions are met.)

In particular, the state could consider permitting and streamlining the construction of new single-room occupancy (SRO) efficiency units, such as those offered by Houston’s New Hope Housing developments. New Hope Housing units differ from the older SROs typically found in cities like San Francisco; they are of new construction, apparently well-maintained, and come equipped with private bathrooms for all residents. Additionally, they are designed with provision of wraparound supports...
and services in mind.\textsuperscript{53}

While not all unhoused people are best served by the New Hope Housing model, it provides an example of how alternative forms of housing can greatly benefit some residents at a low cost—provided California makes it legal to build them.

**RECOMMENDATION 5**

Enforce local compliance with both Housing First and state housing goals.

Given the direct role of housing shortages in driving homelessness, counties and local governments that wish to address the one should also be required to address the other. A city that is not committed to building enough housing for all its residents clearly cannot be serious about reducing homelessness.

With that in mind, the state should make sure that incentives around homeless services and housing production are closely aligned; for example, when cities apply for ICH grants, the legislature could make housing element compliance part of the eligibility criteria.

**RECOMMENDATION 6**

Take steps to increase compensation for direct service providers.

In much of California, wages for frontline homeless services workers are extremely low relative to the cost of housing.

This causes two problems. First, it has created a serious shortage of workers who can provide wraparound services and supports. Second, it is unethical for cities to rely on frontline homeless services workers who may themselves be on the verge of homelessness.

Building more homes will do much to reduce the mismatch between housing costs and wages in the homeless services sector. But the state must also ensure that frontline workers are paid competitive wages.

The legislature could consider putting labor standards into the eligibility criteria associated with various ICH grants; they could also increase the size of those grants so that nonprofit providers are better equipped to offer their employees adequate pay. But the state’s ultimate goal should be to reduce its reliance on private actors to carry out so much of its homelessness policy; more frontline workers should be public employees, on civil service pay scales and with a civil servant’s benefits.

**RECOMMENDATION 7**

Curb encampment sweeps by codifying and strengthening \textit{Boise}.

While the state takes steps to end the homelessness crisis, it should also restrain local police departments from making the problem worse. The legislature should codify the rights acknowledged in \textit{Martin v. Boise} that protect unhoused people from being punished for their homelessness.

In fact, the state legislature should go a step further than \textit{Boise}. In that case, the Ninth Circuit found that unhoused people could not be penalized for sleeping outside in the absence of alternative accommodations, including temporary shelter. But temporary shelter is at best a palliative for homelessness; it does nothing to solve it. The state should instead require that cities offer housing to unhoused people who they do not want sleeping outside.

Where permanent housing is not immediately available, cities should at least be expected to provide transitional housing, with permanent housing guaranteed within a specified time frame (for example, no later than one year after entrance into a transitional housing facility). This requirement will force local governments to focus on ending encampments by ending actual homelessness.

\textsuperscript{53} (New Hope Housing, n.d.)
An Achievable Goal: Housing for All

California's homelessness crisis is not distinct from its housing crisis; one is a direct consequence of the other. Yet homelessness policy and housing policy often run on separate tracks, as if each crisis requires an entirely different set of solutions.

Houston’s success demonstrates that this is not the case. If the homelessness crisis is intertwined with the housing crisis, then the solutions to each are complementary. In fact, California cannot implement a strategy to end homelessness without simultaneously working to make all housing more affordable. Housing First is a proven model, but its impact in an extremely expensive housing market will always be limited.

Fortunately, California has the tools to end its housing crisis and its homeless crisis. Broad-based affordability is achievable. So is housing for all.
Acronym Glossary

**COC** Continuums of Care, federally established regional bodies tasked with overseeing and coordinating homelessness policy.

**ELI** Extremely low-income housing.

**HHAP** The Homeless Housing, Assistance, and Prevention grant program.

**HSH** San Francisco’s Department of Homelessness and Supportive Housing.

**PIT** A CoC’s annual point-in-time count of unhoused individuals.

**PSH** Permanent supportive housing.
References


