
HOMELESSNESS IN THE PORTLAND REGION

A Review of Trends, Causes, and the Outlook Ahead

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FINAL REPORT

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The authors are solely responsible for any errors or omissions.

Executive Summary

Purpose of the Report

As the economic expansion nears a post-World War II record, local concerns about jobs and the economy have faded. In Portland, attention has turned to populations that the recovery has left behind—those living on the streets, in shelters, or in transitional housing. In an October 2017 survey, Portlanders ranked “shelter for people who are homeless” as the second most urgent issue that elected leaders should do something about.¹ The cost of housing was the first.

Reflecting the public’s concern, civic leaders and advocacy organizations have placed the homelessness crisis high on their policy agendas, and each county in the region has launched a plan to end, or substantially reduce, homelessness. But despite these efforts, most Portlanders believe the problem is getting worse.²

This report seeks to advance the policy discussion for a problem that some residents and policymakers have deemed intractable. It reviews the literature on homelessness determinants, explores local trends in homelessness, puts Portland’s challenges into a broader national context, and organizes possible responses into a four-part policy framework.

Local Trends, Determinants of Homelessness, and the Outlook Ahead

Homelessness has declined since the Great Recession but not as much as it would have in a better functioning housing market. High rents make Portland’s crisis more severe than that in many other communities across the United States and, left unabated, they will contribute to a growing homeless population going forward. General trends and determinants of homelessness include the following:

- **Regional homeless counts are down since the Great Recession but have edged up for a key subpopulation—the chronically homeless.** The four-county homeless population declined by 29 percent during 2009-2015 and then increased from 2015 to 2017. The number of chronically homeless individuals—those who are homeless for more than a year or who face repeated spells of homelessness over time—is relatively small compared to the overall total but has gradually edged up. They are more likely to be

¹ DHM Research, *KGW News Portland Homelessness Survey* (Oregon: DHM Research, 2017).

² Ibid.

high-needs, high-cost individuals with disproportionate interactions with health and social service systems.

- **Homelessness disproportionately affects most racial/ethnic minority groups.** The African American share of the homeless population (12.1 percent) is more than four times the group's share of the general population (3.0 percent) in the four-county Portland region. Similarly, the shares of the homeless population who identify as American Indian/Alaskan Native or Native Hawaiian/Pacific Islander are five times those groups' representation in the general population. The racial disparities in homelessness found in Portland mirror national data.³
- **High rents are to blame for the severity of Portland's homelessness crisis.** Economists John Quigley and Steven Raphael were among the first to demonstrate that housing affordability—rather than personal circumstances—is the key to predicting the relative severity of homelessness across the United States.⁴ They estimated that a 10 percent increase in rent leads to a 13.6 percent increase in the rate of homelessness. Consistent with Quigley and Raphael's findings, our analysis indicates that median rents across the top U.S. metropolitan regions explain 51 percent of the variance in rates of homelessness in 2017.
- **Increasing rents will put upward pressure on the size of the homeless population.** Baseline forecasts predict the region's median rents will increase by 14 percent during 2018-2022. If that comes to pass, the rent increase would push the incidence of homelessness from 27.1 to 31.9 for every 10,000 residents. That would yield a regional homeless population of 8,297 in 2022—up from 6,597 in 2017. An acceleration of regional housing production, the development of affordable housing, or an expansion of subsidy programs could mitigate the increase.

Comprehensive Framework of Responses to Homelessness

The report's policy discussion is organized around a four-part framework. The first set of policies affect regional housing production and describes how progress on that front could lead to small reductions in the likelihood of homelessness for large numbers of households. Next, the report outlines programs designed to serve low-income, cost-burdened renters, most of whom are not currently homeless. A third category of programming narrowly targets

³ National Alliance to End Homelessness, "Racial Disparities in Homelessness in the United States," June 6, 2018, <https://endhomelessness.org/resource/racial-disparities-homelessness-united-states/>.

⁴ John M. Quigley and Steven Raphael, "The Economics of Homelessness: The Evidence from North America." *European Journal of Housing Policy* 1, no. 3 (2001): 323-336.

increasingly intensive and expensive interventions to homeless individuals and families with the highest needs. Lastly, the report considers the role of emergency shelters in the crisis system.

- **Accelerated housing production—at all price points—would make small reductions in the likelihood of homelessness for large numbers of people.** The underproduction of housing has contributed to the region’s rising rents, which—in turn—have increased the severity of the homelessness crisis. The region created seven new housing units for every 10 additional households formed during 2010-2016. Underproduction has put upward pressure on housing costs.

A 2017-2018 supply response has slowed rent inflation and offers hope that a policy of sustained housing construction could ease the homelessness crisis. A supply strategy would start with a top-line production goal. In the Portland region’s case that will require returning to annual production levels that keep pace with household formation while simultaneously adding production to address the legacy of a decade of underbuilding. Accelerating production requires a re-examination of the regulatory environment—both what’s in code, as well as the processes by which the regulations are implemented.

- **Means-tested rent subsidies—like the U.S. Department of Housing and Urban Development’s (HUD’s) Housing Choice Voucher (HCV)—prevent homelessness but are in short supply.** Federal, state, and local governments operate a number of programs designed to reduce the cost of housing for low-income households. The largest subsidy program is the HCV program, which caps rent payments at 30 percent of the tenant’s income. Gold-standard, controlled-trial experiments have shown that vouchers provided at emergency shelters reduce the proportion of families with subsequent shelter stays by three-fourths.

The need for subsidies far exceeds supply. In 2015, HUD reported 125,000 regional households had “very low income” by the HUD’s definition.⁵ About one-quarter (32,000 households) received federal housing assistance. Forty-five percent (56,000 households) received no assistance and had severe housing problems (i.e., paying more than one-half of its income for rent and utilities, living in inadequate housing, or both). The region’s 56,000 so-called “worst-case” households are all at measurable risk of homelessness. Providing HCV vouchers to them would cost almost \$550 million annually.

- **Targeted, intensive services for high-cost, high-needs individuals are promising and can draw on new analytic tools.** Coordinated, national initiatives to end chronic

⁵ U.S. Department of Housing and Urban Development, *Worst Case Housing Needs: 2017 Report to Congress*, <https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs.pdf>.

homelessness—typically involving the highest need populations—started in the early 2000s. Permanent supportive housing (PSH), the recognized best practice, provides rent assistance with no time limit and supportive services focused on mental health, substance abuse treatment, and employment.

Expansion of PSH services is already high on the region's homeless policy agenda. In October 2017, the City of Portland and Multnomah County agreed to add at least 2,000 units of supportive housing by 2028.⁶ The National Academy of Sciences recently concluded that more evidence is needed before PSH could be deemed cost-effective.⁷ A number of communities across the country are deploying integrated service data, predictive analytics, and innovative finance models, which could add to the evidence base.

- **Emergency shelters are the policy of last resort.** Effective shelter system management diverts entries if safe housing alternatives exist, provides temporary access to a crisis bed, and offers a gateway to permanent housing. Portland and many other regions de-emphasized shelters in the early 2000s and redirected limited resources to permanent housing solutions. Portland's tight housing market broke the model: high rents put more households into worst-case needs status, personal crises pushed some of those worst-case households into homelessness, and the evidence-based solution to housing re-entry—deep, sustained rental subsidies—were expensive and in short supply. Inflow to shelters exceeded outflows into permanent housing, and visible, unsheltered homelessness edged up.

How the shelter system scales from here is unclear. No standard ratios or formulas exist. Securing the safety of vulnerable populations—women, children, and adults with disabilities—is the imperative, and places with temperate climates, like Portland, can operate smaller systems. Beyond that, scaling is a function of system management, trends in the housing market, and public values/political responses to unsheltered homelessness.

⁶ The Corporation for Supportive Housing, *Scaling Smart Resources, Doing What Works: A System-Level Path to Producing 2,000 Units of Supportive Housing in Portland and Multnomah County* (New York, NY: Corporation for Supportive Housing, 2018), 1.

⁷ The National Academies of Sciences, *Permanent Supportive Housing: Evaluating the Evidence for Improving Health Outcomes Among People Experiencing Chronic Homelessness* (Washington, DC: National Academies Press, 2018), 6.

Where Do We Go from Here?

The region's policy discussion might improve if homelessness were described as two related crises. One crisis affects a population of individuals with highly challenging personal circumstances who will struggle to remain housed absent sustained, intensive support. A second crisis affects tens of thousands of households: the short-term homeless plus the growing numbers of severely cost-burdened renters on the verge of homelessness. The first crisis, while challenging, is within the scope of traditional, local homeless agencies to address and solve with additional resources. The second crisis is not. Meaningful progress there would require action by a much broader set of public, private, local, state, and federal actors.

Work going forward must recognize the coherence—and success—of strategies and tactics to date. The region's work has been aligned with best practices and is recognized as nation-leading. Homelessness is down regionally and stable in Multnomah County despite the tight housing market. High rents and low vacancy rates should have led to more homelessness than exists today. For that, the region's public and nonprofit homeless agencies deserve credit.

The following recommendations should be considered reinforcements of—and complements to—strong work that has been underway for more than a decade.

1. **Expand and add analytic rigor to the effort to end chronic homelessness.** The region has long sought to end chronic homelessness, and trends would suggest it lost ground in recent years. The manageable scale of the problem offers hope that this crisis is solvable. The effort begins with creating new PSH units, and the region has shown recent progress on that front. But new units—and their associated services—are only part of the answer. The region will also need to invest in better analytic capabilities and build rigorous evaluations into its programming.
2. **Identify populations—in addition to chronically homeless single adults—that supportive housing models could serve cost effectively.** Public and nonprofit agencies in a number of regions are testing the costs and benefits of extending supportive housing interventions to families with children. Some of the collaborations are organized under “pay for success” frameworks, in which investors commit funding upfront in return for calculable, downstream savings. These demonstrations may yield insights into specific populations (e.g., families involved in the child welfare system) that could be cost-effectively targeted for PSH interventions.
3. **Recognize that shallow, temporary subsidies require additional evidence, and enter into partnerships to identify next-generation, low-cost alternatives to the HCV.** The federal government's HCV program is a proven homelessness prevention tool, but it covers only a quarter of eligible households. To spread limited resources to unserved

HCV-eligible populations, Portland and many other communities have experimented with shallow and temporary rent subsidies. Shallow, temporary subsidies remain promising but unproven. Here, the region would be well-served by recognizing the policy unknowns, partnering with think tanks and communities from across the country, and continuing the investigation for effective, lower-cost alternatives to the HCV.

4. **Increase the supply of affordable housing units.** Rent-restricted units, regardless of what income bracket they target, provide stable housing for people who need it. They are also an important component of any comprehensive approach to addressing homelessness. Rent vouchers stretch further when they are used to buy down rent from 60% median family income (MFI) to 30% MFI, than when they are buying down market rate rent. In the past, rent-restricted units were primarily federally funded, but those resources are insufficient to meet the regional need. Local revenue-raising efforts are important steps. To ensure that those resources go as far as they can, local governments should evaluate opportunities for additional incentives, such as state-enabled tax abatement programs, fee waivers or reductions, and land write-downs for affordable units. They should also identify and remove regulatory barriers that drive development costs or unintentionally reduce the number of units possible on a site.
5. **Expand the scope of plans to end homelessness to include goals for regional housing production and accelerate housing supply at all price points.** Existing plans are developed by public and nonprofit agencies that work most directly with homeless populations. At that level, they have been generally well-designed and executed. But given that narrow scope, they are silent about goals and policies that will largely determine the future of homelessness in the region: the production of housing of all kinds and at all price points.

Future homelessness reduction strategies would be appropriately scoped if they articulated broad housing production goals. The region would need to hold itself accountable to the goals; prune land-use regulations that don't serve a clear health, safety, or environmental protection purpose; accelerate permit process timetables; cede regulatory power to the state for some zoning decisions; and explore little-used but promising policies such as land-value or split-rate taxes.

6. **Leverage the newly created Homeless Research and Action Collaborative (HRAC) to elevate the public debate and strengthen policy responses.** This report has outlined the public's disagreement around the causes of homelessness, as well as the need for more evidence on policy responses. The hope is for this report to advance the policy discussion in a productive direction. Meaningful progress will require sustained effort and focus on the homelessness issue. On that front, the region recently received good

news. Portland State University (PSU) announced the creation of the HRAC—a center that will provide research on why homelessness exists, evaluate the effectiveness of policy interventions, and uncover innovative approaches to supporting people experiencing homelessness. The center will tap expertise across multiple domains—urban planning, public health, social work, psychology, economics, business—and work in close collaboration with city and county agencies in the region. Activities will include elevating the public debate on homelessness, implementing rigorous evaluations of local programming, and advancing the university’s innovative work with temporary villages, hygiene centers, and more. The HRAC is perfectly positioned to address numerous challenges discussed in this report: inconsistent homeless counts, imperfect resource targeting, and promising-but-not-proven programming.

The region will not make progress on homelessness if the hard work is done only by those who directly serve the homeless on a daily basis. The problem is much bigger than that. Progress will require collective action by a range of actors: public and nonprofit agencies that work on not only homeless issues but also broader housing and land-use regulatory policies; federal partners willing to re-examine—and invest in—rental assistance; state policymakers who can chart new state roles in housing policy; business leaders who will provide leadership and support strategies; philanthropies willing to convene and invest in research and development; and universities that can lead policy innovation.

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Introduction

The current U.S. economic expansion recently passed its nine-year mark, making it the second longest expansion on record since World War II. Labor force participation rates are up, unemployment rates are low, and median household incomes—adjusted for inflation—reached an all-time high in 2016.

Portland has outperformed the nation in this expansion, and local concerns about jobs and the economy have faded. Attention has turned to populations that the recovery has left behind—those living on the streets, in shelters, or in transitional housing. In an October 2017 survey, Portlanders ranked “shelter for people who are homeless” as the second most urgent issue that elected leaders should do something about.⁸ The cost of housing was the first.

Sizable majorities of Portlanders expressed “sadness” or “compassion” as their top emotions when they thought of or witnessed someone experiencing homelessness. One in five Portlanders indicated they had personally been homeless at some point in their lives. And 41 percent of respondents knew a family member or friend who had experienced homelessness. The rise of homelessness as a top concern—in an era of low unemployment and rising household incomes—suggests a Rawlsian influence in Portland’s values. Philosopher John Rawls argued that a society should be judged by the condition of its most vulnerable members.⁹

In an October 2017 survey, one in five Portlanders indicated they had personally been homeless at some point in their lives. And 41 percent of respondents knew a family member or friend who had experienced homelessness.

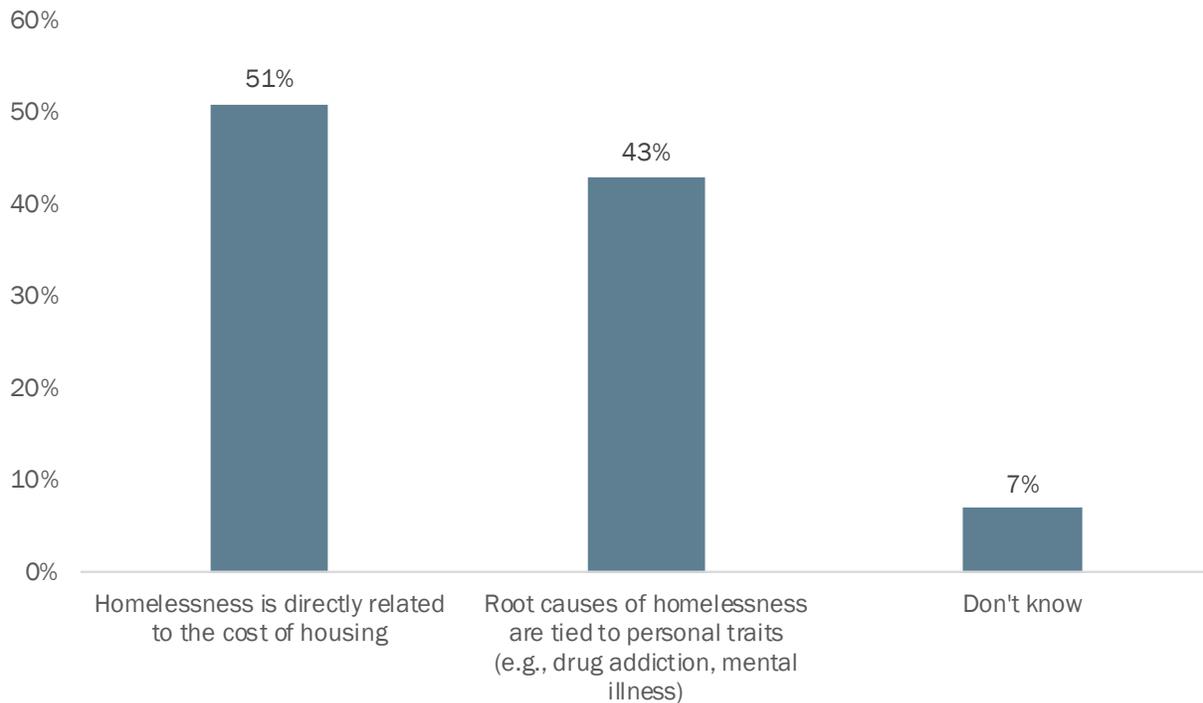
On that benchmark, survey respondents are clearly disappointed by regional conditions.

Portlanders disagree about the root causes of homelessness. Asked to name the main drivers, they offered a diverse mix of personal, behavioral, and market factors: mental illness, lack of affordable housing, substance abuse, and unemployment. And asked whether homelessness and the cost of housing were linked, respondents were split, with a narrow majority (51 percent) answering “yes.” A sizable minority (43 percent) see personal traits (e.g., drug addiction and mental health issues) as key causes. The public also disagrees about the prospects for fixing the problem: 41 percent view homelessness as solvable, 54 percent consider it intractable.

⁸ DHM Research, *KGW News Portland Homelessness Survey* (Oregon: DHM Research, 2017).

⁹ Marshall Cohen, “The social contract explained and defended,” *The New York Times*, July 16, 1972, <https://www.nytimes.com/1972/07/16/archives/a-theory-of-justice-by-john-rawls-607-pp-cambridge-mass-the-belknap.html>.

Figure I: Portlanders Disagree About the Root Causes of Homelessness



Source: DMH Research, online survey of Portland residents for KGW News (October 2017)

Reflecting the public's concern, civic leaders and advocacy organizations have placed the homelessness crisis high on their policy agendas:

- In 2013, a diverse group of stakeholders revamped a seven-year-old plan to end homelessness in Multnomah County. Similar plans exist—or are in development—in Washington,¹⁰ Clackamas,¹¹ and Clark¹² counties.

¹⁰ Washington County, Oregon, *A Road Home: 10-Year Plan to End Homelessness in Washington County* (Hillsboro: Oregon, Washington County, Oregon, 2017), https://www.co.washington.or.us/Housing/EndHomelessness/upload/YEAR-10-WORK-PLAN_HSSN-adopt-8-2-17.pdf.

¹¹ "Housing Affordability and Homelessness Taskforce," Clackamas County, Oregon, <https://www.clackamas.us/homelessness/taskforce.html>.

¹² Council for the Homeless, <https://www.councilforthehomeless.org/>.

- In 2015, Portland joined a West Coast mayors' alliance to combat homelessness, declared a housing emergency, and earmarked an additional \$20 million to homeless services.¹³
- Homelessness was a top issue in the 2016 Portland mayoral election, and then-candidate Ted Wheeler unveiled a comprehensive plan to address it.¹⁴
- In early 2018, business leaders offered strategies to expand the region's shelter capacity and organized a major donation to build a downtown navigation center.¹⁵

But despite these efforts, most Portlanders believe the problem is getting worse.¹⁶ The lack of perceived progress can be traced back, in part, to the public's disagreement about the nature of the problem. It will always be challenging to design and deploy coherent, sustained strategies to address homelessness if the public and their elected leaders do not agree on what causes it.

Clarifying the root causes of the region's homelessness problem is the first objective of this report. To do that, the next section explores local trends in homelessness, situates Portland's challenges within a broader national context, and reviews the academic and professional literature on homelessness determinants. The review suggests that housing costs and challenging personal circumstances jointly contribute to the crisis.

It will always be challenging to design and deploy coherent, sustained strategies to address homelessness if the public and their elected leaders can't agree on what causes it.

UCLA economist William Yu may have put it best when he described California's problem as the complex intersection of difficult personal circumstances in the wrong kind of housing market.¹⁷

The report then turns to solutions and is organized around a four-part policy framework. The section opens with a discussion of policies that affect the overall production of housing in the region and describes how progress on that front could lead to small reductions in the likelihood

¹³ "Who We Are," A Home for Everyone, <http://ahomeforeveryone.net/whoweare/>.

¹⁴ Ted Wheeler, "Ted Wheeler Outlines Comprehensive Approach to Addressing Homelessness," Ted Wheeler (blog), February 25, 2016, <https://www.tedwheeler.com/ted-wheeler-outlines-comprehensive-approach-to-addressing-homelessness/>.

¹⁵ Gordon R. Friedman, "Columbia CEO to pay \$1.5 million for new downtown Portland homeless shelter," *The Oregonian*, April 10, 2016, https://www.oregonlive.com/portland/index.ssf/2018/04/columbia_ceo_to_pay_15_million.html.

¹⁶ DHM Research, *KGW News Portland Homelessness Survey*.

¹⁷ William Yu, "Homelessness in the U.S., California, and Los Angeles," June 18, 2018, video, 15:30, <https://www.youtube.com/watch?v=XOxcDJY3ens>.

of homelessness for large numbers of households. Next, the report outlines the variety of federal, state, and local programs designed to serve low-income, cost-burdened renters, most of whom are not currently homeless (e.g., Housing Choice Vouchers, public housing, government-supported affordable housing). An important finding here is that, unlike other components of public safety nets, rental assistance programs do not expand and contract in response to economic conditions or need. A third category of programming narrowly targets intensive and expensive interventions to homeless individuals and families with the highest needs. Precisely defining and identifying “high needs” is the key challenge, but better data and predictive analytics can help. Lastly, the report considers the role of emergency shelters in the crisis system—the policy of last resort. Shelter policy has the safety of vulnerable populations as its top goal. Beyond that, policymakers must strike a balance between the public’s strong support for shelter expansion and experts’ equally strong warnings that an overbuilt system could become an expensive permanent solution for too many individuals and families.

A concluding section offers next steps for regional plans to reduce homelessness. It suggests framing problems and solutions in ways that could reconcile the disagreement about the root causes of homelessness. The public’s understanding of the problem may improve if homelessness were described as two related crises. One crisis affects a population of individuals with highly challenging personal circumstances—mental illness, adverse physical health conditions, substance abuse issues—who will struggle to remain housed absent sustained, intensive support. A second crisis affects tens of thousands of households: the short-term homeless plus the growing numbers of severely cost-burdened renters on the verge of homelessness. The boundary between these crises is permeable; the loss of housing can trigger chronic illness, depression, and drug use.

The first crisis, while challenging, is within the scope of traditional, local homeless agencies to address and solve with additional resources. The second crisis is not. Meaningful progress there would require action by a much broader set of public, private, local, state, and federal actors.

Homelessness in the Portland Region: Determinants, Local Trends, and a Look Ahead

Measuring Homelessness

Reliable measurement is key to defining a public policy problem, and measurement of homeless populations is inherently challenging. The most commonly cited source of data on homelessness is the Point-in-Time Counts (PIT) organized by the U.S. Department of Housing and Urban Development (HUD). The PIT count is a snapshot of sheltered and unsheltered homeless persons on a single night. Counting methods vary across time and place, rely heavily on volunteers, and can be disrupted by weather. Community effort in getting an accurate count is not uniform across the country. And the homeless population is in continuous flux.

Together, this means that despite best efforts, the nature of the data vary from year to year and from region to region. While comparisons across time and geographies can be valuable, the inherent inconsistencies in methods and accuracy must be kept in mind. Appendix A offers more detail on calculation methods.

The Determinants of Regional Homelessness

Portlanders' competing perspectives on the causes of homelessness are not unique. Theories about the key drivers of homelessness typically fall into two broad categories: personal traits and behaviors versus housing market conditions. A community cannot develop appropriate policy responses until the respective roles of—and interplay between—those factors are better understood.

Those advancing adverse individual circumstances as the primary driver of homelessness have readily observed examples. The incidence of mental illness, substance abuse, family disputes, and domestic violence are much higher for people experiencing homelessness than for the general population. But correlation is not causation. The Appalachian region is struggling with a severe opioid crisis,¹⁸ but rates of homelessness in Alabama, Georgia, Kentucky, West Virginia, Tennessee, and other states in the region are less than half those in

¹⁸ Alan B. Krueger, "Where Have All the Workers Gone? An Inquiry Into the Decline of the U.S. Labor Force Participation Rate" (BPEA Conference Drafts, September 7–8, 2017, Washington, DC: Brookings Institution).

Oregon.¹⁹ Appalachia's relatively low rates of homelessness suggest determinants extend beyond challenging personal circumstances.

The theoretical tie between housing affordability and homelessness is relatively straightforward. The cost of housing at the extreme low-end of the market rises to levels that crowd out spending on food, clothing, childcare, and essential items to such a degree that some individuals and families have no other choice but to move onto the streets or into emergency shelters. In other cases, individuals and families may face an emergency expense (such as a car repair or medical bill) and, without adequate income or savings, are evicted. In each of these situations, supply-side factors relating to access to housing at a range of affordability levels come into play as well as extenuating circumstances.

The Appalachian region is struggling with a severe opioid crisis, but rates of homelessness in Alabama, Georgia, Kentucky, West Virginia, Tennessee, and other states in the region are less than half those in Oregon. Appalachia's relatively low rates of homelessness suggest determinants extend beyond challenging personal circumstances.

Economists John Quigley and Steven Raphael were among the first to demonstrate that housing affordability—rather than personal circumstances—is the key to predicting the relative severity of homelessness across the United States.²⁰ They assembled a variety of homeless and shelter counts from metropolitan areas across the country, as well as a host of location characteristics: rental vacancy rates, nominal rents, rent-to-income ratios, January temperatures, unemployment rates, and numbers of disability benefit recipients. They found that—controlling for weather, unemployment, and disability rates—median rents and vacancy rates in the local rental market are significantly related to the rate of homelessness in that region. They estimated that a 10 percent increase in rent leads to a 13.6 percent increase in the rate of homelessness and that a 10 percent increase in the vacancy rate of housing units corresponds to a 3.9 percent decline in the rate of homelessness.

Subsequent analyses have validated Quigley and Raphael's work,²¹ and our analysis indicates that median rents across the top 50 U.S. metropolitan regions explain 51 percent of the

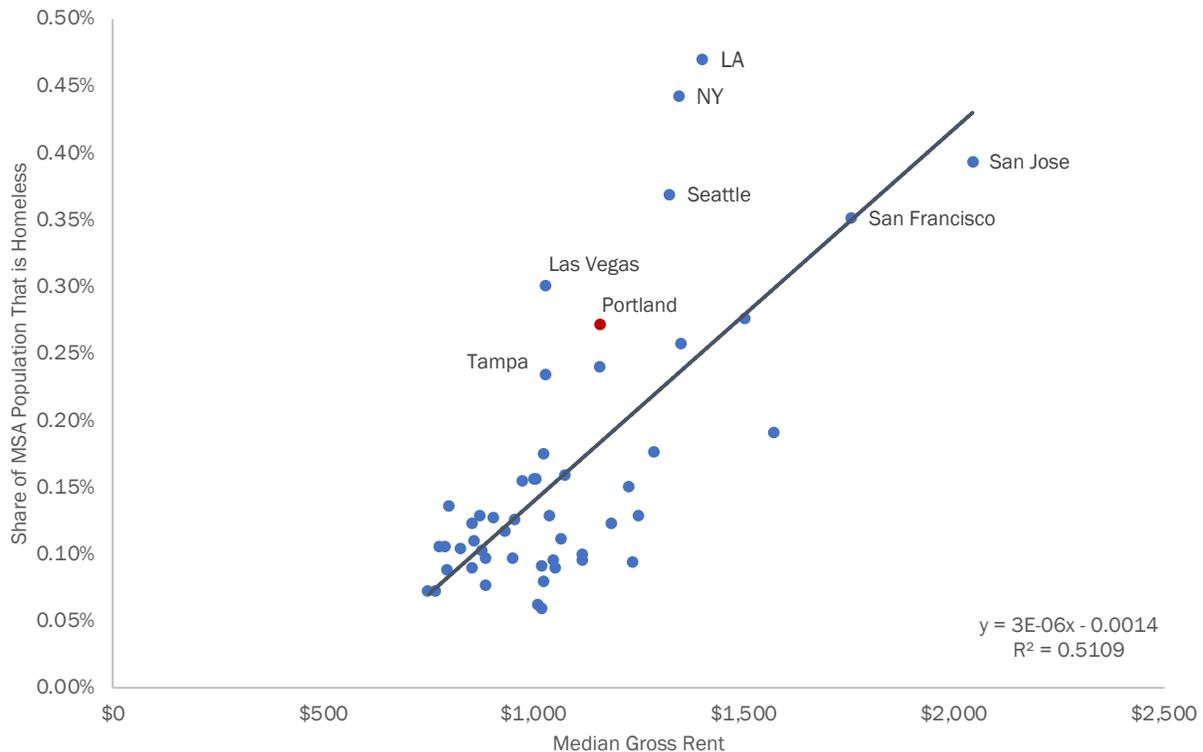
¹⁹ U.S. Department of Housing and Urban Development, *The 2017 Annual Homeless Assessment Report (AHAR) to Congress* (Washington, DC: U.S. Department of Housing and Development, December 2017).

²⁰ John M. Quigley and Steven Raphael, "The Economics of Homelessness: The Evidence from North America." *European Journal of Housing Policy* 1, no. 3 (2001): 323-336.

²¹ See for example, Maria Hanratty, "Do Local Economic Conditions Affect Homelessness? Impact of Area Housing Market Factors, Unemployment, and Poverty on Community Homeless Rates," *Housing Policy Debate* 27, no. 4 (March 20, 2017): 1-16, <https://doi.org/10.1080/10511482.2017.1282885>; Chris Glynn and Emily B. Fox (2017).

variance in rates of homelessness (see R^2 in Figure 2). UCLA economist William Yu finds the same strong links and describes homelessness as a conjunction of bad circumstances: having difficult personal circumstances in the wrong kind of housing market.²²

Figure 2. Regions with High Median Rents have High Rates of Homelessness



Source: ECONorthwest analysis of the U.S. Department of Housing and Urban Development, 2017 Point-In-Time Counts and U.S. Census Bureau 2016 American Community Survey data, Top 50 Metropolitan Statistical Areas
The diagonal line is the line-of-best-fit for the data, showing a strong positive correlation between median gross rent and rates of homelessness. The linear equation for the line is shown. The R^2 value demonstrates how closely the line fits the data; a higher R^2 indicates a better fit and less variance.

Trends in Regional Homelessness

Regional trends in total homelessness seemingly run counter to the public's perception of a worsening crisis. However, looking only at the top-line numbers can obscure important trends in key populations—the chronically homeless and the unsheltered homeless. This section unpacks the PIT data and examines homelessness across several subpopulations.

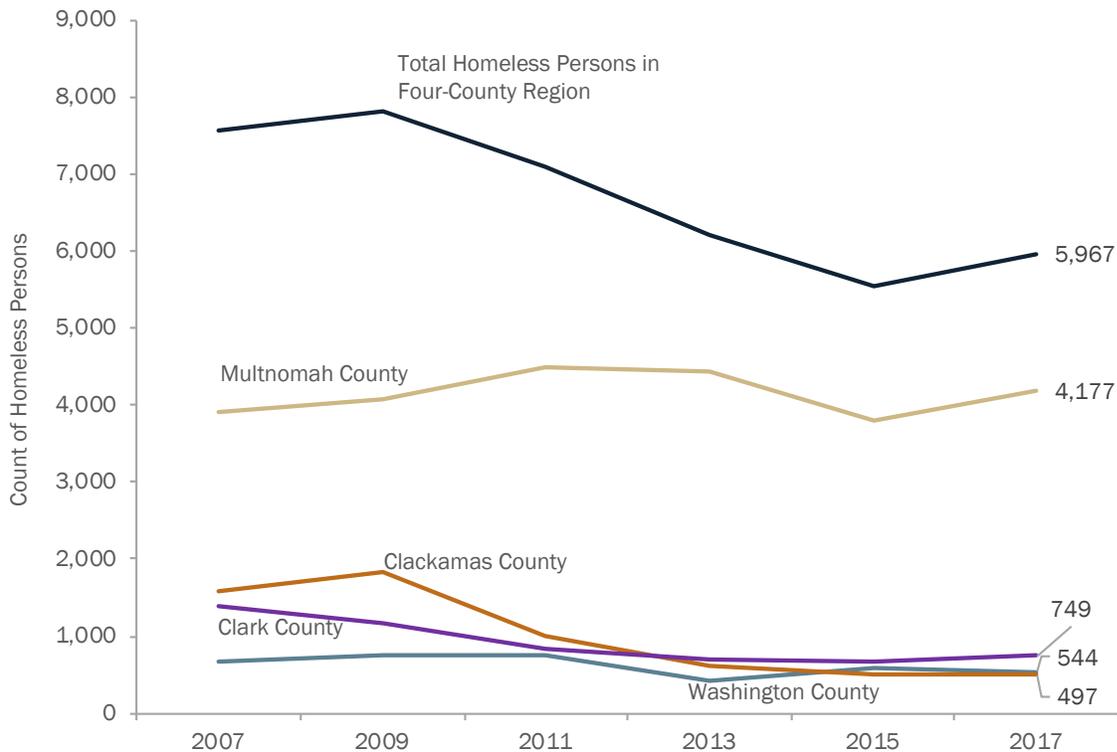
The biennial PIT counts indicate the four-county total population experiencing homelessness declined by 29 percent during 2009-2015 and then increased from 2015 to 2017 (see Figure

“Dynamics of homelessness in urban America,” (Durham, NH: College of Business and Economics, University of New Hampshire).

²² William Yu, “Homelessness in the U.S., California, and Los Angeles.”

3). The declines in 2009-2015 were driven by meaningful reductions in the incidence of homelessness in Clackamas, Washington, and Clark counties. Multnomah County's homeless population has been relatively stable over the ten-year period and drove the increase from 2015 to 2017.

Figure 3. 2017 Regional PIT Counts Declined Post Recession, Increased after 2015

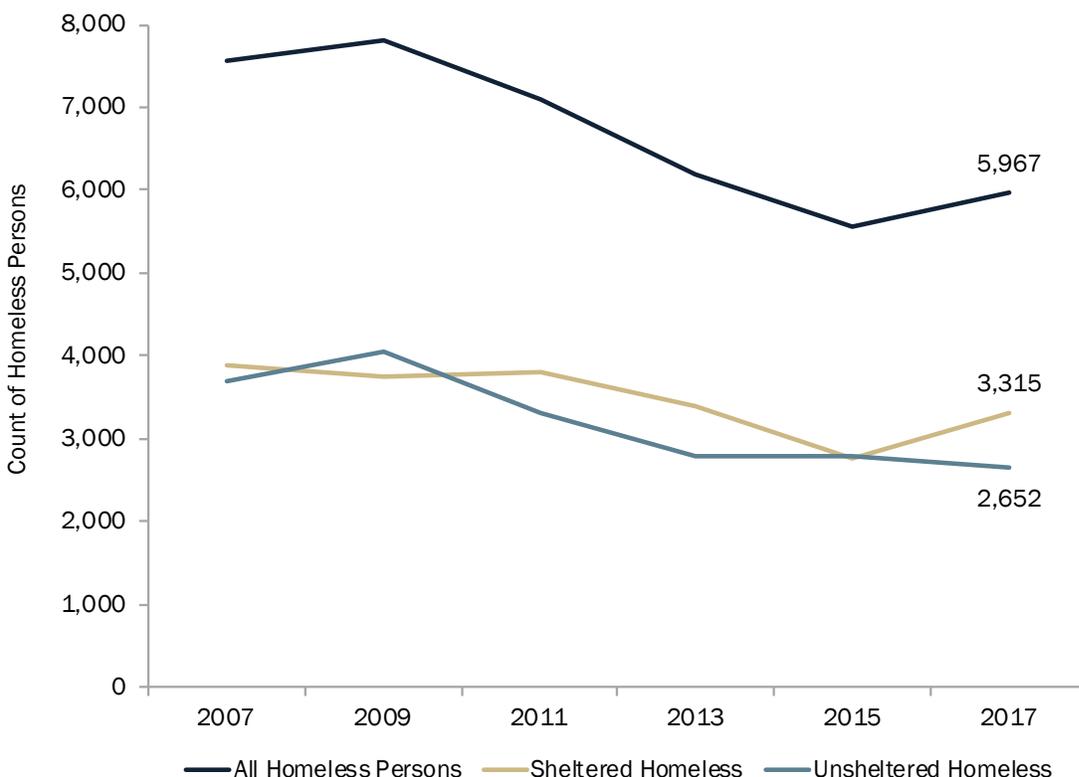


Source: ECONorthwest analysis of HUD Point-in-Time Counts, 2007-2017

Note: These data come from the HUD CoCs: Portland-Gresham-Multnomah County CoC, Clackamas County CoC, Hillsboro/Beaverton/Washington County CoC, and Vancouver/Clark County CoC.

The declines in total number of people experiencing homelessness in the region through 2015 were seen in both sheltered and unsheltered populations (see Figure 4). Notably, the region's unsheltered homeless population fell by more than 1,000 during 2009-2017, with the declines concentrated outside of Multnomah County. The region's sheltered population declined steadily through the 2015 count and then increased from 2015 to 2017. This increase is consistent with the expansion of the emergency shelter system and indicates that while total homelessness increased, the majority were sheltered.

Figure 4. The Unsheltered Population in the Four-County Portland Region Declined Post Recession



Source: ECONorthwest analysis of HUD Point-in-Time Counts, 2007-2017

Note: These data come from the HUD CoCs: Portland-Gresham-Multnomah County CoC, Clackamas County CoC, Hillsboro/Beaverton/Washington County CoC, and Vancouver/Clark County CoC.

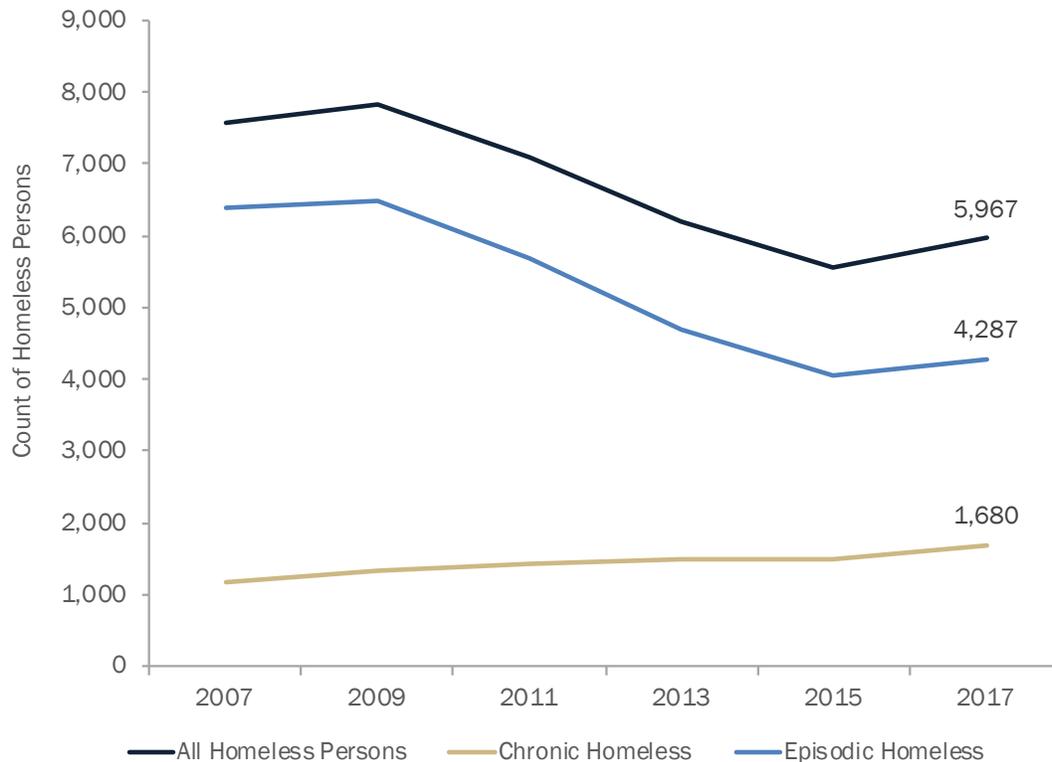
The episodic homeless (individuals and families that experience homelessness for less than a year) drive the regional totals and trends (see Figure 5). This population declined by 2,450 individuals during 2009-2015 and then increased during the next two years.

Although they represent a minority of cases, the number of chronically homeless individuals (those who are homeless for more than a year or who face repeated spells of homelessness over time) has gradually edged up.²³ These individuals generally have disproportionate

²³ A “chronically homeless” individual is defined as a homeless individual who a) lives either in a place not meant for human habitation, a safe haven, or an emergency shelter, or in an institutional care facility if the individual has been living in the facility for fewer than 90 days and had been living in a place not meant for human habitation, a safe haven, or an emergency shelter immediately before entering the institutional care facility; b) has been living as described above continuously for at least 12 months, or on at least four separate occasions in the last three years, where the combined occasions total a length of time of at least 12 months; and c) has one or more disabling conditions, such as a substance use disorder, serious mental illness, developmental disability, post-traumatic stress disorder, or chronic physical illness or disability. See Federal Register / Vol. 80, No. 233 / Friday, December 4, 2015, page 75792, <https://www.hudexchange.info/resources/documents/Defining-Chronically-Homeless-Final-Rule.pdf>.

interactions with health, social service, and public safety systems. Given the high individual and social costs associated with their prolonged homeless spells, this population has received focused policy attention in Portland and across the country.

Figure 5. Chronic Homelessness in the Four-County Portland Region Steadily Increased from 2007



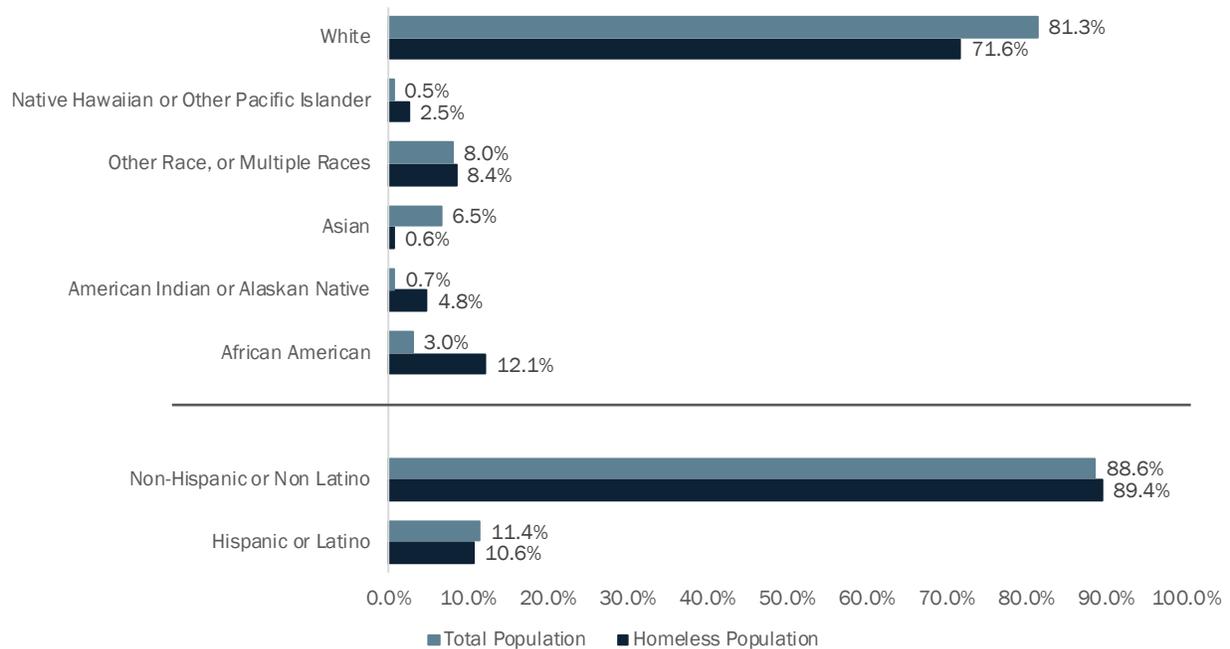
Source: ECONorthwest analysis of HUD Point-in-Time Counts, 2007-2017

Note: These data come from the HUD CoCs: Portland-Gresham-Multnomah County CoC, Clackamas County CoC, Hillsboro/Beaverton/Washington County CoC, and Vancouver/Clark County CoC.

Homelessness disproportionately affects most racial/ethnic minority groups (see Figure 6). The African American share of the homeless population (12.1 percent) is more than four times their share of the general population (3.0 percent) in the Portland region. Similarly, the shares of homeless individuals who identify as American Indian/Alaskan Native or Native Hawaiian/Pacific Islander are five times those groups' representation in the general population. The racial disparities in homelessness found in Portland mirror national data.²⁴

²⁴ National Alliance to End Homelessness, "Racial Disparities in Homelessness in the United States," June 6, 2018, <https://endhomelessness.org/resource/racial-disparities-homelessness-united-states/>.

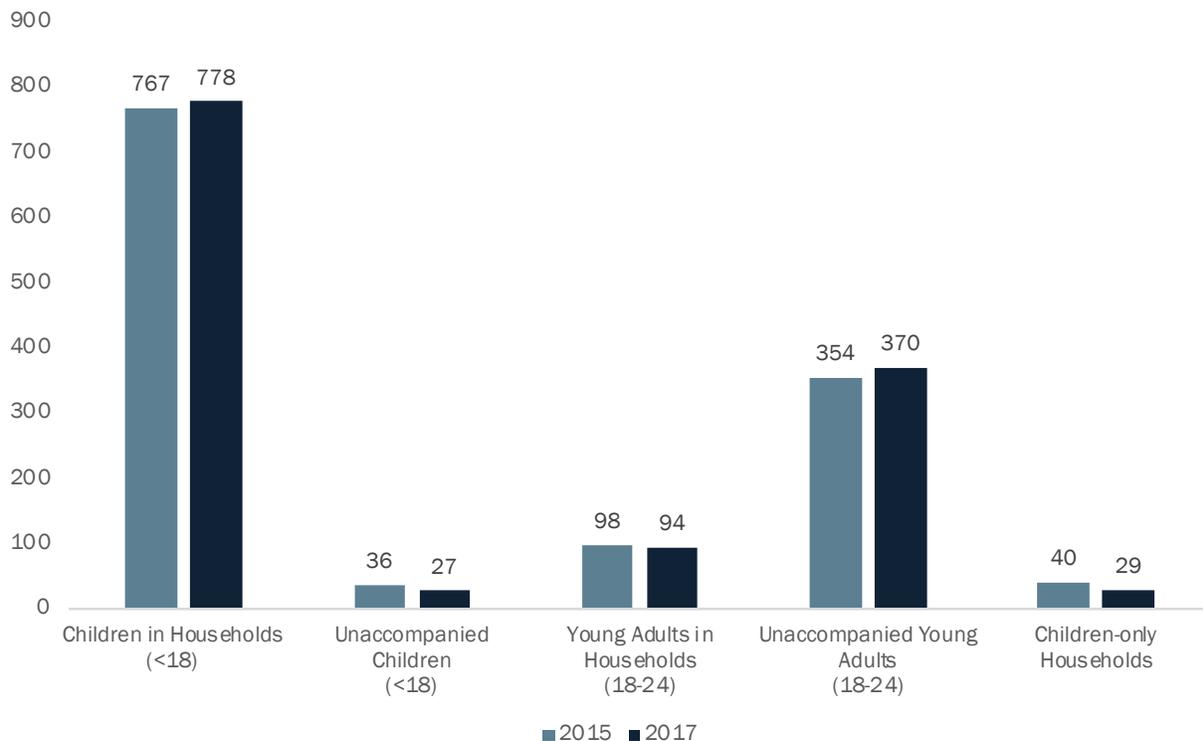
Figure 6. African American, American Indian/Alaskan Native, and Native Hawaiian/Pacific Islander Populations have Disproportionately High Rates of Homelessness in the Four-County Portland Region



Source: ECONorthwest analysis of 2017 HUD Point-in-Time Counts and American Community Survey 2016 5-year Population Estimates
 Note: PIT data come from the HUD CoCs: Portland-Gresham-Multnomah County CoC, Clackamas County CoC, Hillsboro/Beaverton/Washington County CoC, and Vancouver/Clark County CoC.
 Note: Race categories are inclusive of Hispanic and non-Hispanic ethnicities.

Homelessness can be particularly destabilizing for children and young adults. Figure 7 uses PIT data to show homelessness counts among children (under 18 years old) and young adults (between 18 and 24 years old) in 2015 and 2017 in the four-county region. The counts of homeless unaccompanied children, young adults in households, and children-only households declined between 2015 and 2017; counts increased for children in households and for unaccompanied young adults.

Figure 7. Homelessness Counts Among Children and Unaccompanied Young Adults Increased from 2015-2017 in the Four-County Portland Region



Source: ECONorthwest analysis of 2017 HUD Point-in-Time Counts and American Community Survey 2016 5-year Population Estimates
 Note: PIT data come from the HUD CoCs: Portland-Gresham-Multnomah County CoC, Clackamas County CoC, Hillsboro/Beaverton/Washington County CoC, and Vancouver/Clark County CoC.

Notes: Data on homeless children were not available prior to 2015. HUD’s definition of *Children-only Households* is “persons under age 18, including children in one-child households, adolescent parents and their children, adolescent siblings, or other household configurations composed only of children.”

As in many cities across the country, a common concern about homelessness in the Portland region is that generous services and shelters draw people experiencing homelessness from elsewhere in the state, or from other states.²⁵ A Portland State University analysis of the 2017 PIT for the Portland-Gresham-Multnomah County CoC found that approximately two-thirds of those experiencing unsheltered homelessness were either from Multnomah County or had been here for at least two years. The report notes that 120 people moved to Multnomah County because of the access to services and resources, and 83 of these were homeless when they arrived. These 83 individuals are a small fraction—6.3 percent—of the total number of people

²⁵ Maggie Vespa, “Do more homeless people really move to Portland?” *KGW8*, May 10, 2016, <https://www.kgw.com/article/news/investigations/do-more-homeless-people-really-move-to-portland/184660466>.

who experienced homelessness in Multnomah County in 2017.²⁶ The concern that the region’s services and shelters draw people to Portland could relate primarily to *visible* homelessness, or those unsheltered or experiencing chronic homelessness. Episodic homelessness and those residing in shelters, although a much larger population, are not as visible to the general population.

Figure 8. About 11 Percent of the Region’s Unsheltered Homeless Population Has Lived in Multnomah County for 12 Months or Less

Unsheltered PIT Count Question	Response Option	Response Number	Percent of Total
How long have you been in Multnomah County?	< 3 months	69	4.1%
	3-12 months	118	7.1%
	1-2 years	98	5.9%
	> 2 years	770	46.2%
	From Multnomah County	341	20.4%
	Unknown	272	16.3%
	TOTAL		1,668
Were you homeless when you came to Multnomah County? <i>Excludes respondents originally from Multnomah County</i>	Yes	447	33.7%
	No	490	36.9%
	Missing or unclear response	390	29.3%
	TOTAL	1,327	100%
What brought you here? <i>Excludes respondents originally from Multnomah County</i> <i>Respondents could choose multiple options</i>	Family / friends	461	34.7%
	Job opportunities	183	13.8%
	Like it here/ good weather	98	7.4%
	Access to services / resources	120	9.0%
	Other	200	15.1%
	Refused	91	6.9%
	Missing	296	22.3%
	TOTAL	1,327	–

Source: Portland State University (2017). “2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, Oregon

Figure 9 compares trends in homelessness in the four-county Portland region to other west coast geographies. Interregional comparisons can be difficult because HUD’s service delivery areas are organized by counties or groups of counties rather than metropolitan areas. We

²⁶ Portland State University, *2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, Oregon* (Portland, OR: Portland State University, October 2017).

addressed this in Figure 2 by using GIS modeling. Figure 9's review of homeless trends across geographies uses the HUD Continuum of Care areas (counties).

The four-county Portland region counted 27 homeless individuals per 10,000 residents in January 2017. Rates of homelessness ranged from 10 per 10,000 residents in Washington County to 54 per 10,000 residents in Multnomah County. Although the total number of people experiencing homelessness in Clackamas and Washington counties is relatively small, large shares of the homeless population in those counties are unsheltered—70 and 68 percent, respectively.

The comparison areas in Figure 9 are major population centers within metropolitan areas, to best compare with Multnomah County. The comparisons show that Multnomah County's homeless rates are well below San Francisco's, on par with Los Angeles and King counties, higher than Alameda and Santa Clara counties, and much higher than in Maricopa and Salt Lake counties.

At 40 percent, Multnomah County's unsheltered population share is well below the rates in California's counties. UCLA's William Yu notes that temperate climates are correlated with high rates of unsheltered homeless populations.²⁷

²⁷ William Yu, "Homelessness in the U.S., California, and Los Angeles."

Figure 9. Homelessness in the Portland Region is on Par with or Lower than Western County Peers

County	Total Population	CoC or lead agency	Total Homeless				Un-Sheltered	
			2017 Population	2015 Population	Change 2015-2017	Rate per 10,000	% of Total Homeless	Change 2015-2017
Multnomah	778,193	Portland, Gresham, Multnomah County CoC	4,177	3,801	+10%	54	40%	-12%
Clackamas	394,967	Clackamas County CoC	497	494	+0.6%	13	70%	+12%
Washington	564,088	Hillsboro, Beaverton, Washington County CoC	544	591	-8%	10	68%	-7%
Clark	450,893	Vancouver, Clark County CoC	749	662	+13%	17	36%	+31%
Portland MSA	2,188,141		5,967	5,548	+8%	27	44%	-3.5%
Alameda	1,647,704	EveryOne Home	5,629	4,040	+39%	34	69%	63%
King	2,149,970	All Home King County	11,643	10,047	+16%	54	47%	43%
Los Angeles	10,137,915	LA Homeless Services Authority	57,794	41,174	+30%	57	74%	38%
Maricopa	4,242,977	Maricopa County CoC Board	5,605	5,631	-0.5%	13	37%	60%
Salt Lake	1,121,354	Homeless Services Dept. Salt Lake County	2,047	2,176	-6%	18	8%	88%
San Francisco	870,887	Local coordinating board	7,499	7,539	-0.5%	86	58%	-1%
Santa Clara	1,919,402	Santa Clara CoC	7,394	6,556	+13%	38	74%	18%

Source: ECONorthwest and The Urban Institute²⁸

Data are from HUD 2017 Point-In-Time counts and 2016 Census population estimates. Portland four-county MSA changes are population weighted based on each county's 2017 share of the total homeless population.

Housing Market Projections and Implications for Homelessness

Plans to end homelessness, or sharply reduce it, exist in Portland and numerous communities across the U.S. But few, if any, of those plans incorporate a forecast of the region's housing market. Here, we combine the findings from Quigley and Raphael's work with forward-looking forecasts of the Portland rental market to forecast a homelessness baseline.

To develop the forecast of homeless counts, we turn to Axiometrics, a real estate data provider that specializes in multifamily housing markets. We use the forecast for rent growth and vacancy rate changes for the next five years for the Portland region to project how the homeless population might change based on the relationships measured by Quigley and Raphael's coefficients (see page 6).

Quigley and Raphael estimate the drivers of the *homeless rate*, but the HUD data only provide *homeless counts*. To convert counts to rates we rely on the Portland State University Population Research Center (PRC). Among other things, the PRC provides annual estimates of the population of the Portland region. We calculate a simple extrapolation of the Portland metropolitan statistical area (MSA) population out to 2022 and use these data points to convert predicted homeless rates to homeless counts.

To calculate our forecast of homelessness, we apply the results of Quigley and Raphael's regression to the Portland market. Specifically, we predict the change in the homelessness rate based on the changes in rent and vacancy from Axiometrics by multiplying the change in rent and vacancy by the estimated effect of those variables on homelessness. We carry this exercise forward five years.

We expect the homeless count to increase from 6,597²⁹ in 2017 to 8,297 in 2022 (see Figure 10). The homeless rate is expected to increase to 31.9 for every 10,000 residents by 2022. The growth in the homelessness rate is driven primarily by the 14 percent projected increase in median rents through 2022. The vacancy rate—currently near historic lows between 5 and 6 percent—is not expected to change in the short run.

²⁸ Steven Brown, Samantha Batko, Josh Leopold, and Aaron Shroyer, *Final Report and Recommendations on Homelessness in Alameda County, California* (Washington, DC: Urban Institute, January 2018).

²⁹ 6,597 is based on the 7-county MSA. 5,967 is the estimate based on the 4-county MSA (see page 8).

Figure 10: Projected Rent Trends Would Put Upward Pressure on Homeless Counts in the Portland Region

Year	Homeless Count	Homeless Per 10,000	Rent Growth	Vacancy Rate Change	Population
2018	6,702	27.1	1.0%	1.0%	2,469,560
2019	7,064	28.2	2.9%	-0.3%	2,501,908
2020	7,472	29.5	3.1%	-0.5%	2,534,255
2021	7,955	31.0	3.7%	-0.2%	2,566,603
2022	8,297	31.9	2.3%	-0.3%	2,598,950

Source: ECONorthwest analysis of HUD 2017 PIT, Axiometrics forecasts of Portland rental vacancy rates 2018-2022, Portland State University Population Research Center 2018-2022 population estimates

Comprehensive Framework of Responses to Homelessness

Homelessness Dynamics and Implications for Policy

Communities often build their homelessness reduction strategies on inflow and outflow models. They design programming to prevent housing and personal crises (i.e., the inflow) and expedite exits into adequate, long-term housing (i.e., the outflow). Required efforts to improve outflow processes are easier to describe. At any point in time, agencies have some sense, albeit imperfect, of the number of chronic and episodic homeless individuals and families, the general kinds of programming needed, and a range of possible programs that could be deployed to house people. Outflow modeling has plenty of challenges, but the broad boundaries of populations, costs, and solutions are known.

Inflow modeling is considerably harder. As A Home For Everyone’s housing workgroup noted, “The true number of people who are on the verge of homelessness is difficult to predict and is affected by multiple external economic and social factors like recessions and rental housing markets.”³⁰ The workgroup’s plan assumes a baseline with a stable inflow of newly homeless and returning homeless individuals.

It’s the complex interaction of housing and personal circumstances that makes inflow modeling, and homelessness prevention, so hard. Economist Brendan O’Flaherty argues that the most reliable indicator of who will be homeless tomorrow is that a person is homeless today. He notes, and many service providers have likely experienced, that it is extremely difficult to predict the next homeless cases among those who are currently housed. This is because, in a region the size of Portland, high housing costs put tens of thousands of households at risk of homelessness at any given time. It is impossible to know which of those households will experience domestic violence, the loss of a job, a death, a health event, or other adverse circumstances that can trigger homelessness.

In their book, *How to House the Homeless*, Gould Ellen and O’Flaherty have likened a region with high housing costs to a forest under severe drought conditions.³¹ During an extended drought, firefighters know the likelihood of wildfire is elevated. But they do not know where the

“Homelessness is not an indelible characteristic like a birthmark or a Social Security number. Almost everyone who will be homeless two years from today is housed now, and almost everyone who is homeless today will be housed two years from now. Homeless spells are more like semesters than careers. Some homeless spells are many years long, but these are rare. What is important about these spells is that at their starts they are unpredictable.”

Brendan O’Flaherty

³⁰ A Home for Everyone, *Housing Work Group Action Plan* (March 3, 2013).

³¹ Ingrid Gould Ellen and Brendan O’Flaherty, *How to House the Homeless* (Russell Sage Foundation, 2010).

lightening will strike. Given the unpredictability of new homeless spells, agencies will continue to struggle in their attempts to narrowly tailor prevention activities among those who are currently housed. In short, the at-risk population is simply too broad. That said, broader inflow modeling can be improved. Forecasts of key housing market indicators—rents, rent-to-income ratios, vacancy rates—can strengthen assumptions about the direction of the inflow: increasing, decreasing, or staying the same.

The interplay of housing and personal circumstances has implications for the scope of policies that should be addressed in a plan to end homelessness. The demonstrated importance of broad housing market conditions points to a need to widen the scope considerably. Gould Ellen and O’Flaherty organize a comprehensive response across four policy fronts:³²

- **Market-based supply responses.** These include a suite of policies that would expand the supply of housing, such as deregulation of local zoning, state overrides of local zoning, and incentive-based regulations.
- **Means-tested, subsidized housing.** This includes demand- and supply-side subsidies that increase tenants’ abilities to compete in the private market.
- **Targeted programming for high-needs, high-cost homeless individuals.** These are more-comprehensive services to quickly move individuals and families experiencing homelessness back into housing that includes wraparound services.
- **Shelters.** The last-resort policy response for emergencies. Shelters serve a necessary role in the housing continuum, providing temporary access to a crisis bed and a gateway to permanent housing, but are primarily for safety and do not provide a long-term solution to issues of homelessness.

The balance of this section steps through each policy category, reviews current policy and programming, and estimates today’s regional public and private expenditures. Then, the section turns to a discussion of the funding gap and focuses on the most cost-effective approaches to moving the region’s population experiencing homelessness into stable housing.

³² Ibid.

Market-Based Supply Responses

Housing Underproduction in the U.S. and Portland

The U.S. Interagency Council on Homelessness notes that homelessness prevention is not the exclusive responsibility of crisis response systems and that reducing the risk of housing crises requires action across a range of community actors.³³ Our interregional findings on the relationship between rent and homelessness suggests prevention starts with a better functioning housing market.

The current economic expansion has seen a sharp upturn in the share of households that are housing cost-burdened³⁴ across the United States and especially in many West Coast metropolitan areas. Slow wage growth is partly to blame, and some communities have responded with increased minimum wages and other labor-related policies. But the problem's geographic nature—on the West Coast, along the Washington-Boston corridor, and in Florida—points to the underproduction of housing as an important driver of the cost-burden trends.

We evaluated trends from 1960-2015 across the United States and estimated that national housing production fell short by as many as 7.3 million units between 2000 and 2015.³⁵ The problem is most easily illustrated by a comparison of housing construction and household formation over time. The U.S. built 1.1 units for every new household during the half century from 1960-2016, which roughly kept pace with population growth while allowing for a vacancy factor and the demolition of older, unsafe stock. Since 2010, the national pace of building has slowed considerably, with only 0.72 units built per new household formed.

The problem is particularly acute in Oregon and the four-county Portland region. Housing starts have fallen well below the pace of household formation in the region since 2000 and particularly since 2010: 0.59 in Multnomah County, 0.71 in Washington County, 0.78 in Clackamas County, and 0.90 in Clark County (see Figure 11). A ratio of 0.59 indicates that about six new units of housing were produced for every 10 new households formed between 2010 and 2016. The underproduction has decreased vacancy rates, put upward pressure on

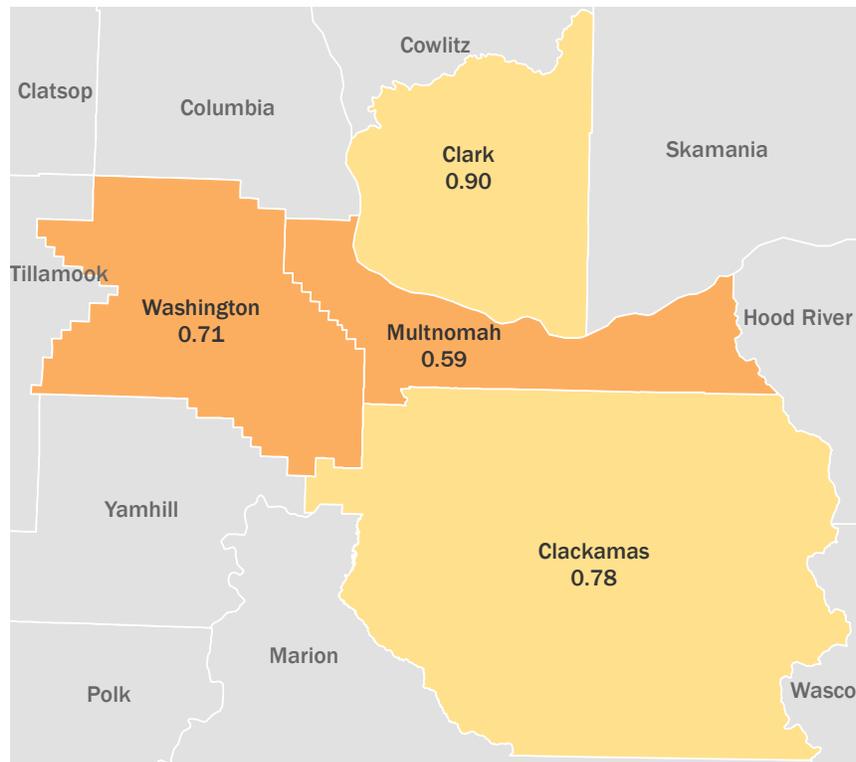
³³ United States Interagency Council on Homelessness, *Home, Together: The Federal Strategic Plan to Prevent and End Homelessness* (Washington, DC: United States Interagency Council on Homelessness, 2018), 12.

³⁴ Housing cost-burdened means that a household pays more than 30 percent of their gross income on housing and utilities.

³⁵ Madeline Baron, Marley Buchman, Mike Kingsella, Randall Pozdena, and Mike Wilkerson, *Housing Underproduction in the U.S.* (Washington, DC: Up for Growth National Coalition).

housing costs, contributed to high rents, and, in 2016, helped put half of the region's renters in cost-burdened status.

Figure 11. 2010-2016 Regional Housing Starts Have Not Kept Pace With Household Formation



Source: PSU Population Research Center, U.S. Census American Community Survey 2010 and 2016 5-year estimates, Moody's Analytics
Note: A ratio of 0.59 indicates that about six new units of housing were produced for every 10 new households formed between 2010 and 2016.

The Role of Land-Use Regulation in Housing Underproduction and Implications for Homelessness

Looking for causes of underproduction, economists examine housing's three inputs: land, labor, and capital (construction materials, machinery, etc.). Tight housing markets may trigger shortages of labor and capital. If that happens, construction costs increase and development feasibility declines in areas where prices do not keep pace. As a result, developers build fewer units in the region. Over the last several decades, inflation-adjusted house prices have routinely outpaced inflation-adjusted construction costs, which suggests labor and capital are not the key drivers of housing inflation or constraints on production.³⁶

³⁶ Jason Furman, *Barriers to Shared Growth: The Case of Land Use Regulation and Economic Rents* (Washington, DC: Urban Institute, November 20, 2015), 4, Figure 1.

The availability and cost of land has been the dominant factor in determining production levels across regions, and economists see land-use regulations playing a major role. Regulations take many forms: minimum lot sizes, minimum off-street parking requirements, maximum square footage constructions, maximum heights, adequate infrastructure requirements, historic preservation, and other factors that limit and influence the design of new homes.

Regulatory design and implementation affect the cost of development and ultimately housing supply. For example, holding other factors constant, regulations that limit the number of units per acre increase the cost of the land per unit and often lead to higher cost housing. Historic preservation districts, industrial zoning, and infrastructure requirements limit or close off access to development in certain parts of town. And in the Portland region, the urban growth boundary limits the development of rural lands on the fringe of the metropolitan area. In addition to limiting what can be built where, regulations add cost as they are processed by government agencies. Building permitting, design, and review processes require time to complete, create uncertainty, and add to the cost of development.

Policymakers enact regulations with positive goals in mind. Some serve critical health, safety, and environmental protection purposes. Others seek to optimize the use of existing public infrastructure and, importantly, some encourage the development of lower cost housing units that the market otherwise would not deliver.

While a number of economists have demonstrated the link between housing affordability and land-use regulations, Steven Raphael takes the analysis a step further and investigates the importance of regulation on homelessness.³⁷ He compares regulatory regimes to PIT homeless counts across states and then controls for other determinants of homelessness. He estimates that if highly regulated states reduced their regulatory effort to the median, the number of people experiencing homelessness would fall by 7.2 percent nationally. If all states adopted the policies of the least-regulated states (e.g., Arkansas, Iowa, Missouri, Kansas), homeless populations would decline by 22 percent nationally. Raphael's finding does not necessarily imply that housing deregulation is the first step to a plan to eradicate homelessness. The study does, however, identify the relationship between land-use regulation and homelessness that local policymakers should consider as they add to or subtract from their regulatory frameworks.

“Modest improvements in the affordability of rental housing or its availability can substantially reduce the incidence of homelessness in the United States.”

John Quigley and Steve Raphael

³⁷ Steven Raphael, “Housing Market Regulation and Homelessness” In *How to House the Homeless*, edited by Ingrid Gould Ellen and Brendan O’Flaherty (New York, NY: Russell Sage Foundation, 2010), 136-37.

The Housing Supply Imperative in a Strategy to End Homelessness

Calls for broad, market-based supply responses get mixed reactions among homeless advocates. The ties between homelessness and the development of new, often high-end units are indirect, and opponents to new development argue that new supply might increase rents and prices.³⁸ The predominance of published research finds that the laws of supply and demand apply to housing markets, albeit through complex interactions of submarkets that play out across time.

Trends in the current building cycle illustrate the market's dynamics. Portland has witnessed an acceleration in apartment unit delivery in the past two years, with the majority of units commanding rents of more than \$1,500 per month. The supply surge has led to rent decreases at the high-end but has also led to decreases in the growth rate at lower ends of the market, as demonstrated in Figure 12. While rents for units at the lower end of the market are still increasing year-over-year, the rate of increase has slowed. Using Zillow data, Portland economist Joe Cortright draws a similar conclusion: rental markets at the low-, middle-, and high-ends move in tandem.³⁹

A supply strategy starts with a top-line production goal. In the Portland region's case that will require returning to annual production levels that keep pace with household formation while simultaneously adding production to address the legacy of a decade of underbuilding.

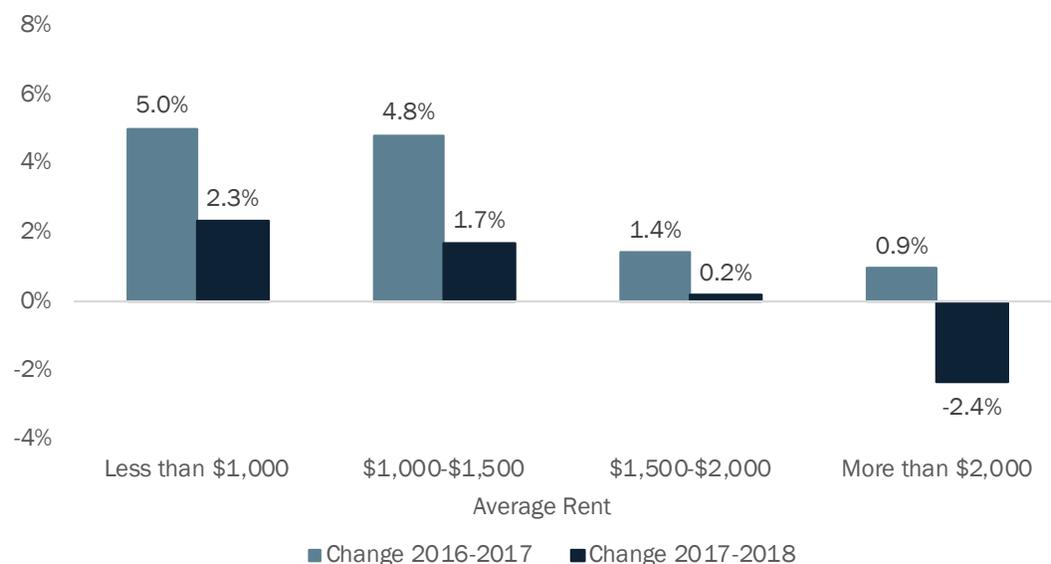
Accelerating production requires a re-examination of the regulatory environment—both what is allowed in code and the processes by which regulations are implemented. Local zoning that prohibits high-density development in high-demand areas is a key production constraint and an important driver of the affordability problem. The City of Portland's residential infill project addresses this issue directly and takes a new look at the rules that govern the types of housing allowed in neighborhoods.⁴⁰ The project's outcome will signal the willingness of local government to address an important production constraint within its own boundaries and political context.

³⁸ Vicki Been, Ingrid Gould Ellen, and Katherine O'Regan. "Supply Skepticism: Housing Supply and Affordability" (draft, New York University, New York, NY, 2017).

³⁹ Joe Cortright, "We Disagree with the Washington Post About Housing Economics," August 13, 2018, http://cityobservatory.org/wapo_rents_analysis/.

⁴⁰ City of Portland Bureau of Planning and Sustainability, "Residential Infill Project," 2018, <https://www.portlandoregon.gov/bps/67728>.

Figure 12. Average Rent Increases in the Portland Area Have Slowed Since 2017 and Declined at the Highest Rent Levels



Source: ECONorthwest analysis of Axiometrics Asset Report Property Time Series

Urban economist Ed Glaeser argues that the locus of regulatory control (local government) inherently leads to underproduction as neighborhoods organize in their own interests to limit growth and protect property values.⁴¹ He sees an important state role in regulatory reform—a combination of carrots and sticks. Massachusetts has examples of each. Once the state has determined a locality’s rules are too restrictive, it can deploy one of two models. The more powerful (but less politically popular) tool allows the state to override local rules entirely. A second tool requires communities that underproduce housing to make transfer payments to communities that build more. New Jersey has implemented similar state-level overrides of local zoning decisions, and California is considering related approaches.

More housing is important, but so too is its geographic location. A completely unregulated market could lead to economic segregation: affluent households living where they please and low-income households relegated to leftover land. Economists have identified economic

⁴¹ Ed Glaeser, *Reforming Land Use Regulations* (Washington, DC: The Brookings Institution, April 24, 2017), <https://www.brookings.edu/research/reforming-land-use-regulations/>.

segregation as a key barrier to intergenerational mobility.⁴² With economic opportunity as a goal, the region would strive for abundant, well-integrated housing.

Means-Tested, Subsidized Housing

Addressing the rates and types of housing produced by the market will have the largest impacts on the costs and availability of housing across the entire continuum. While benefits may accrue in the market for lower-cost housing, it may take decades. For many households at the lowest income levels (e.g., below 50% median family income [MFI]), the market fails to deliver any suitable housing at affordable costs.

For this segment of the market, action by federal, state, and/or local governments is needed to encourage housing production or provide programs and services that enable households to compete in the private market. Housing challenges at this end of the income spectrum are generally addressed through two broad policy approaches:

- **Demand-side approaches.** Voucher programs that help low-income households compete in the private market for housing.
- **Supply-side approaches.** Public housing, project-based rental assistance, tax credits, and regulatory approaches that reduce the operational cost of affordable housing developments.

Demand-Side Approaches

Federal, state, and local governments intervene on the demand side of the housing market by directly providing housing to low-income households.

HUD Housing Choice Voucher (HCV)

The largest program providing demand-side subsidies is HUD's HCV tenant-based programs, which assist an estimated 1.4 million households across the United States.⁴³ These programs are targeted to extremely low-income (under 30% MFI) and very low-income (under 50% MFI) households by allowing them to pay only 30 percent of their income on housing. The subsidy pays the difference between the tenant's portion of the rent and a fair market rent (FMR) set by HUD based on unit location and size. In the Portland MSA, the 2018 FMR is \$1,026 for a studio

⁴² Raj Chetty and Nathaniel Hendren, "The Effects of Neighborhoods on Intergenerational Mobility II: County-Level Estimates," *Quarterly Journal of Economics* 133, no. 3 (August 2018): 1163-1228, <https://doi.org/10.1093/qje/qjy006>.

⁴³ HUD also has a project-based voucher under the Section 8 program, but this is a supply-side program with the subsidy tied to the unit and going straight to landlords.

apartment, \$1,132 for a 1-bedroom, and \$1,330 for a 2-bedroom.⁴⁴ HCV and other rent assistance programs assign the subsidy to the household, giving them freedom to choose suitable housing in any neighborhood within the FMR area.

HUD’s HCV programs have not seen funding increases since 1997 and current funding is only for contract renewals and ongoing assistance for families currently holding subsidies.⁴⁵ Figure 13 displays additional statistics on the HCV program. HUD data do not differentiate tenant-based vouchers from project-based vouchers (vouchers attached to a specific rental housing unit), so both are included in these figures. The data demonstrate that these voucher programs enable households to pay affordable rents compared to their household incomes.

Figure 13. Local Housing Choice Vouchers Enable Low-Income Households to Pay Affordable Rents

	Subsidized Units Available	Percent Occupied	Average Household Rent per Month	Average HUD Rent per Month	Average Household Income per Month
Multnomah County	9,105	96%	\$407	\$806	\$1,049
Clackamas County	1,655	85%	\$373	\$861	\$1,188
Washington County	2,798	93%	\$383	\$870	\$1,256
Clark County	2,837	86%	\$402	\$752	\$1,239

Source: HUD Picture of Subsidized Housing, 2017

Note: All figures are averages. Average rents may not reflect 30% of average incomes due to averaging across each county.

In 2017, the four-county region had 16,395 units available under contract with HUD’s HCV program (both tenant-based and project-based), serving approximately 35,690 people. The following information provides additional detail about the number of vouchers in the four-county Portland region (data differ slightly from HUD data).

- Home Forward, the housing authority for Multnomah County, has 6,300 tenant-based vouchers and about 2,860 project-based vouchers. Its waitlist currently has 3,065

⁴⁴ U.S. Department of Housing and Urban Development, *FY 2018 Fair Market Rent Documentation System* (Washington, DC: U.S. Department of Housing and Urban Development, 2018), https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2018_code/2018summary.odn.

⁴⁵ U.S. Department of Housing and Urban Development, *Section 8 Rental Certificate Program* (Washington, DC: U.S. Department of Housing and Urban Development, 2018), <https://www.hud.gov/programdescription/cert8>.

people on it. The waitlist is currently closed and not taking additional names. It was last opened in September 2016 and before that, in November 2012.⁴⁶

- The Housing Authority of Clackamas County offers 1,430 tenant-based vouchers and 92 project-based vouchers and is currently utilizing about 88% of all of them. The waitlist for both programs has about 830 people on it, roughly a seven-year wait.⁴⁷
- The Washington County Housing Authority's waitlist for vouchers has not been opened since 2011. The county currently offers approximately 2,700 tenant-based vouchers and about 196 project-based vouchers for residents.⁴⁸ Its tenant-based waitlist has about 2,500 people at present.⁴⁹
- The Vancouver Housing Authority is the housing authority for Clark County, Washington. It offers 2,250 tenant-based vouchers and about 650 project-based vouchers. There are currently 552 households on its waitlist for both types of vouchers.⁵⁰

Adding up these figures, there are just under 7,000 households on waitlists for voucher programs across the region, or about 42 percent of the total number of units available.

State and Local Rent Subsidies

Some state and local governments across the U.S. have implemented local rental assistance programs to extend or complement HUD's resources. In Portland, Home Forward's Short-Term Rent Assistance program (STRA) combines federal, state, and local revenue to fund up to 24 months of rent assistance for families that are homeless or at risk of homelessness.⁵¹ The

⁴⁶ Home Forward, *July 2018 Dashboard*,

http://www.homeforward.org/sites/default/files/Home%20Forward_Dashboard_July-2018.pdf.

⁴⁷ Estimates from staff at the Housing Authority of Clackamas County's voucher program, sourced from phone conversations on August 28, 2018.

⁴⁸ Washington County, *Financial Statements & Supplementary Data: The Housing Authority of Washington County* (Hillsboro, OR: Washington County, 2017), https://www.co.washington.or.us/Support_Services/Finance/upload/FINAL-HAWC-CUFR-2017.pdf.

⁴⁹ Estimates from staff in the Washington County Housing Authority voucher program, sourced from phone conversations on August 28, 2018.

⁵⁰ Data from the Vancouver Housing Authority Public Information Request Officer, sourced from phone conversations on August 28, 2018.

⁵¹ Home Forward, "Short-Term Help Paying Rent," <http://www.homeforward.org/find-a-home/get-help-paying-rent/short-term-help>.

program provides emergency hotel/motel vouchers to homeless individuals, eviction prevention services, and housing placement assistance.

Gold-standard, controlled-trial experiments have proven HCV's effectiveness in improving housing outcomes.⁵²

A Chicago-based voucher lottery found that voucher recipients reduced spending on rent from 58 percent to 27 percent of reported income.

In a Welfare-to-Work trial, vouchers reduced the likelihood of a homeless spell from 45 percent to 9 percent.

In HUD's *Family Options Study*, vouchers provided at emergency shelters reduced the proportion of families with subsequent shelter stays (21-32 months after voucher receipt) by three-fourths.

Supply-Side Approaches

Federal, state, and local governments can also intervene on the supply side of the housing market, either by directly providing housing to low-income households or by encouraging the private market to do so.

Public Housing

Between 1940 and 1970, millions of units of public housing were built across the country.⁵³ However, public housing has long been underfunded and has an estimated \$26 billion in needed capital repairs.⁵⁴ Through its Rental Assistance Demonstration (RAD) program, HUD is encouraging housing agencies to convert their public housing to rent assistance programs that can leverage public funds with private sources to pay for the necessary repairs and upgrades.⁵⁵ In Oregon, HUD served 4,756 families in public housing facilities in 2016—a small share when compared to the number of families served through the HCV program.

⁵² Ingrid Gould Ellen, "What Do We Know About Housing Choice Vouchers?" *Regional Science and Urban Economics*: 1-5, <https://doi.org/10.1016/j.regsciurbeco.2018.07.003>.

⁵³ Katharine L. Shester, "The Local Economic Effects of Public Housing in the United States, 1940–1970," *The Journal of Economic History* 73, no. 4 (2013): 978-1016. <https://doi.org/10.1017/S0022050713000855>.

⁵⁴ Terner Center for Housing Innovation, *Lessons for the Future of Public Housing: Assessing the Early Implementation of the Rental Assistance Demonstration Program* (Berkeley, CA: UC Berkeley, October 2017), http://ternercenter.berkeley.edu/uploads/RAD_Report_FINAL.pdf.

⁵⁵ U.S. Department of Housing and Urban Development, "Rental Assistance Program," <https://www.hud.gov/RAD>.

Project-Based Rent Assistance

Project-based rent assistance programs include the project-based vouchers mentioned earlier, a few other HUD programs, and a rent assistance program from the U.S. Department of Agriculture's Rural Development program. In general, project-based vouchers and assistance programs are similar to tenant-based programs, but the subsidy is tied to an affordable housing unit rather than a household.⁵⁶ This subsidy bypasses the tenant and is paid directly from HUD to the landlord, thereby increasing the supply of affordable housing units.

Project-based rent assistance programs are often deeply subsidized, allowing units to be affordable for households with extremely low incomes (below 30% MFI). These programs are a direct federal subsidy to the local economy and are incredibly valuable from a subsidized housing and economic impact perspective.

In Oregon, HUD served 9,210 families in project-based rent assistance in 2016. Estimates from local housing authorities suggest that there are about 3,800 units that have project-based vouchers in the Portland region.

Market Subsidies

Market subsidies are a much more common supply-side intervention and include tax incentives (like the Low Income Housing Tax Credit [LIHTC]), zoning requirements, and reduced fees or expedited land use, design, and permitting reviews. These interventions range from requiring rent-restricted affordable rental housing to be built (e.g., via inclusionary zoning) or incentivizing it via reductions in upfront development costs (such as reduced fees or the LIHTC) or reductions in ongoing operations (such as tax incentives, LIHTC, or project-based rent assistance). The LIHTC is now the largest program to develop rent-restricted affordable housing.

Publicly Funded Construction of Affordable Housing

Through a variety of tax or fee mechanisms, state and local governments can directly finance the construction of affordable housing. In 2016, voters in the City of Portland approved a \$258.4 million general-obligation bond with the goal of creating 1,300 newly affordable homes.⁵⁷ In November 2018, Metro-area voters will consider a \$652.8 million bond to finance affordable housing.

⁵⁶ The unit has a Fair Market Rent determined by HUD relative to the location and size. The tenant pays 30% of their income to the landlord, and HUD pays the difference between the tenant's portion and the FMR.

⁵⁷ <https://www.portlandoregon.gov/phb/article/659537>

Inclusionary Zoning

Inclusionary Zoning (IZ) requires or incents developers to set aside a certain share of new housing at a price affordable to people of low or middle income. In 2016, the Oregon Legislature passed Senate Bill 1533, which allows a jurisdiction to implement an inclusionary zoning policy if it meets certain requirements. These requirements relate to the income at which the units are affordable (80% MFI or 60% MFI), the percent of the project set aside as affordable (no more than 20 percent of the project), the size of the project (only if greater than 20 units), and the offering of both an in-lieu fee option and incentive package.

In theory, private market-rate development supports some portion of the cost of the affordable units in an inclusionary project. However, in almost all cases, public incentives are also required. These incentives can be regulatory (reduced parking requirements or density bonuses, for example) or financial (property tax abatements or other forms of public investment). Funds can come from general funds, urban renewal, or other municipal sources.

The Region's Affordable Housing Gap: An Upper Bound on the Cost of Homelessness Prevention

Broad trends in housing and the availability of housing assistance—in its variety of forms—are key affordability drivers. Unlike other aspects of the safety net, housing programs do not automatically expand or contract with need.⁵⁸ Increases in rents or big downturns in the job market do not trigger additional assistance. By and large, Congress determines the level of assistance through its annual appropriations process.

Periodically, HUD provides an assessment of affordable housing needs to Congress—nationally and for larger metropolitan areas. The *Worst-Case Housing Needs* analysis captures the interplay between the market and local policy conditions. And the report offers a credible estimate of the number of households at elevated risk of homelessness.

In 2015, HUD reported 349,000 renter households in the Portland metropolitan area. Of those, 125,000 household had incomes below 50% MFI—or “very low income” by HUD’s definition. About one-quarter (32,000 households) received federal housing assistance. Forty-five percent (56,000 households) received no assistance and had severe housing problems (i.e., paid more than one-half of household income for rent and utilities, lived in inadequate housing, or both).

⁵⁸ Most of the federal housing portfolio is part of the discretionary budget and is subject to the Congressional appropriation process. By contrast, Medicaid, Medicare, and SNAP are entitlement programs with budgets that automatically expand or contract with the number of people deemed eligible to receive them.

From a prevention perspective, the region's 56,000 worst-case households are all at measurable risk of homelessness. As discussed previously, predicting which of these households will encounter a life event that triggers a homeless episode is extremely difficult—if not impossible.

The cost of extending subsidies to the worst-case households can serve as an upper bound of the cost of homelessness prevention. The federal government spends an average of \$9,757 per year on assisted households in the four-county region. Extending assistance to the 56,000 unaided, worst-case households would cost almost \$550 million annually. Rough estimates suggest homelessness would fall by four people for every 100 additional households served.⁵⁹ So, universal housing assistance, extended to all worst-case households, could reduce the region's homeless count by about 2,240 people.

No metropolitan region in the United States has attempted to fill the housing assistance gap in this way.⁶⁰ Policy discussions typically turn to redesigned, targeted programs that could serve broader populations at lower cost and ideally achieve a similar level of homelessness prevention at a lower price. Alternative programming of shallow and temporary subsidies (e.g., payment of rent and utility arrears, move-in expenses, time-limited rent assistance) have been deployed but evidence on effectiveness is limited. Along these lines, the Bipartisan Policy Center's Millennial Housing Commission recommended making one-time emergency rental assistance available to all households with incomes between 30% and 80% MFI.⁶¹ Similarly, experts at the Urban Institute recommended testing a flat subsidy equal to 35 percent of area FMR.⁶² Either of these approaches, or variations of them, could serve as useful demonstration projects.

The \$550-million annual affordability gap underscores a central challenge of homeless policy in a tight housing market like Portland's. If the region cannot manage to slow rent inflation, the number of worst-case needs households will continue to grow. Each of those households has an elevated likelihood of becoming homeless. To date,

If the region can't manage to slow rent inflation, the number of the worst-case needs households will continue to grow.

⁵⁹ Gould Ellen and O'Flaherty, *How to House the Homeless*, 9.

⁶⁰ Mary Cunningham, Josh Leopold, and Pamela Lee, *A Proposed Demonstration of a Flat Rental Subsidy for Very Low-Income Households* (Washington, DC: Urban Institute, January 2014), 9, <https://www.urban.org/sites/default/files/publication/22311/413031-A-Proposed-Demonstration-of-a-Flat-Rental-Subsidy-for-Very-Low-Income-Households.PDF>.

⁶¹ Bipartisan Policy Center, *Housing American's Future: New Directions for National Policy* (Washington, DC: Bipartisan Policy Center), <http://bipartisanpolicy.org/wp-content/uploads/sites/default/files/Rural%20Slides.pdf>.

⁶² Cunningham et al., 18

no community has demonstrated how to cost-effectively prioritize pre-crisis prevention assistance across this broad, at-risk population. So, policymakers are left with choices: urge federal action, attempt to rally political support for a locally funded expansion of conventional housing assistance, or experiment with shallow and temporary subsidies.

Targeted Services for High-Needs, High-Cost Homeless Individuals and Families

The next level of policy intervention pairs housing subsidies with intensive supportive services for individuals or families with the highest likelihood of long spells of homelessness and associated service costs. Rigorous client-selection criteria and carefully designed policies are keys to success.

Targeting the Chronically Homeless

Coordinated, national initiatives to address chronic homelessness started in the early 2000s. Ethical concerns together with the recognition of high-service costs associated with the population motivated federal policy.⁶³ Early policy interventions often involved multi-step processes that required demonstrated progress in treatment programs before a homeless individual would become eligible for housing services. Recognized best practices then shifted to permanent supportive housing (PSH), which provides rent assistance with no time limit and supportive services focused on mental health, substance abuse treatment, and employment. In Portland and elsewhere, the programming applied a Housing First model, which does not require treatment of mental illness or substance abuse as a condition of housing assistance.⁶⁴

The indefinite duration of services and high costs pose a challenge for program targeting. Higher cost programming is more likely to sustain political support if program managers can show that the benefits of services outweigh the costs. PSH per person-per year costs are estimated at \$17,000 (\$11,000 for rent assistance and \$6,000 for supportive services).⁶⁵ If a PSH program can demonstrate its beneficiaries would have induced even higher spending in

⁶³ Libby Perl and Erin Bagelman, *Chronic Homelessness: Background, Research, and Outcomes* (Washington, DC: Congressional Research Service, December 8, 2015), 2.

⁶⁴ National Alliance to End Homelessness, "Resources: Housing First," <https://endhomelessness.org/resource/housing-first/>.

⁶⁵ Halil Toros and Daniel Flaming, *Prioritizing Which Homeless People Get Housing Using Predictive Algorithms*, (Los Angeles, CA: Economic Roundtable, 2018), 1-32.

the program's absence, the net savings could be deployed to additional homeless services or other public purposes.

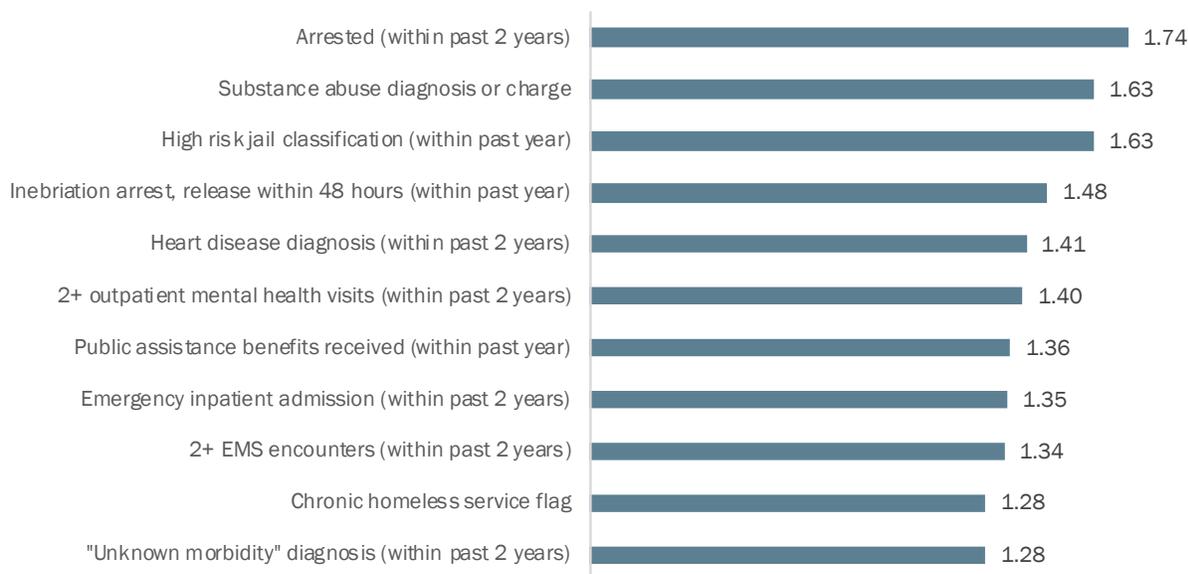
The National Academy of Sciences recently concluded that more evidence is needed before PSH could be deemed cost-effective.⁶⁶ A number of communities across the country—by deploying predictive analytics and innovative finance models—are poised to add to the evidence base.

A higher PSH cost creates a higher expected threshold for savings in the medical, criminal justice, and social service systems. So, forecasting a PSH candidate's future interactions with those systems is a key to effective targeting. Much of this report has emphasized the unpredictability of homelessness, which is the case for a sizable majority of episodic cases. But PSH programs narrowly focus on the highest-needs cases—individuals who are already homeless and have characteristics that suggest they will continue to be homeless for an extended period of time. Analysts with the Economic Roundtable, a California-based research nonprofit, have developed a predictive analytic tool that appears to do a reasonably good job of anticipating an individual's future public costs. The Roundtable's Silicon Valley Triage Tool draws on individual-level, integrated data from healthcare, police, corrections, and social services providers and uses 38 demographic, criminal justice, health diagnostic, emergency service, and behavioral health variables to predict the likelihood that an individual will be a high-cost (top decile) case. The emergency services and criminal justice variables show the strongest predictive power, as described in Figure 14.

The tool identifies the highest cost individuals: males aged 35-44 who are tri-morbid (i.e., diagnosed with a mental disorder, a chronic medical condition, and abuse drugs or alcohol) and are frequent users of hospital emergency rooms, psychiatric facilities, and jail mental health cell blocks. In the tool's valuation exercises, the individuals correctly predicted as "high cost" generated cross-agency service costs of \$60,000-\$90,000 annually during 2008-2012. Individuals predicted as "lower costs" generated costs of less than \$10,000 annually.

⁶⁶ The National Academies of Sciences, *Permanent Supportive Housing: Evaluating the Evidence for Improving Health Outcomes Among People Experiencing Chronic Homelessness*, (Washington, DC: National Academies Press, 2018), 6.

Figure 14. Arrest and High-Risk Jail Classification Within the Last 2 Years are Leading Homelessness Predictors



Source: Toros, Halil and Daniel Flaming. (2018) *Prioritizing Homeless Assistance Using Predictive Algorithms: An Evidence-Based Approach*. CityScope: A Journal of Policy Development and Research. Vol. 20 (1).
 Interpreting odds ratios: an individual with this characteristic is X times more likely to be in the high-cost group than an individual without this characteristic.

The promise of well-targeted PSH models has inspired a number of “pay for success” demonstrations. In one of the longer-running collaborations, the Massachusetts Housing and Shelter Alliance is partnering with Santander Bank, the United Way of Massachusetts Bay and Merrimack Valley, and the Corporation for Supportive Housing to provide 500 PSH units that house up to 800 chronically homeless individuals over eight years.⁶⁷ An April 2018 report indicated the program had housed 640 individuals and that 93 percent of the participants were either still enrolled in the program or had a positive exit. A triage tool indicated that—in the six months prior to enrollment—PSH beneficiaries had accumulated almost 51,669 nights in shelter, 3,243 days in the hospital, 1,233 emergency room visits, 889 nights in detox, and 582

⁶⁷ Commonwealth of Massachusetts Executive Department Office of Governor Deval L. Patrick, *Press Release: Massachusetts Launches Pay For Success Initiative To Reduce Chronic Individual Homelessness*, December 8, 2014, <http://archives.lib.state.ma.us/bitstream/handle/2452/217588/ocn795183245-2014-12-08b.pdf?sequence=1&isAllowed=y>.

ambulance calls.⁶⁸ An early impact study estimates the program saved \$5,966 per participant over six months.⁶⁹

Expansion of PSH services is already high on the Portland region's homeless policy agenda. In October 2017, the City of Portland and Multnomah County agreed to add at least 2,000 units of supportive housing by 2028.⁷⁰ As PSH expansion advances, policymakers will need a more sophisticated analysis of the target population than has been produced to date. The region's PIT count of chronically homeless individuals gives a rough sense of need. The count gradually rose from about 1,500 to 1,700 between 2013 and 2017. Chronic homelessness is strongly related to, but not synonymous with, the highest cost cases that would yield net savings through PSH programming. Given the cost of programming, a rigorous triage tool—backed by integrated health, criminal justice, and social service data—is an important input to service expansion.

Targeting Assistance to Homeless Families

Drawing on the progress of PSH services for chronically homeless individuals, policy experts are exploring program designs for families with children. The dynamics are similar: homelessness and housing instability impose high costs on families and especially on children (e.g., learning loss, lower rates of educational attainment, lower lifetime earnings). If targeted well, benefits to taxpayers more than offset the service costs.

Experts see possibilities in a number of areas.⁷¹ HUD's *Family Options Study* showed that long-term, conventional housing subsidies provided to homeless families significantly reduced homelessness over the subsequent three years.⁷² Less effective, but also less costly, Rapid Rehousing programs (RRH)—time-limited rental assistance and light case management—show some promise as a crisis intervention tool. And paralleling the work with chronically homeless

⁶⁸ Massachusetts Housing and Shelter Alliance, *Pay For Success 2018 Fact Sheet*, 2018, <http://www.mhsa.net/sites/default/files/PFS%20Factsheet%20April%202018.pdf>.

⁶⁹ Harvard University Government Performance Lab, "Reducing Chronic Homelessness in Massachusetts," (Boston, MA: Harvard University, March 8, 2018), <https://govlab.hks.harvard.edu/news/reducing-chronic-homelessness-massachusetts>.

⁷⁰ The Corporation for Supportive Housing, *Scaling Smart Resources, Doing What Works: A System-Level Path to Producing 2,000 Units of Supportive Housing in Portland and Multnomah County* (New York, NY: Corporation for Supportive Housing, 2018), 1.

⁷¹ Maya Brennan, Mary Cunningham, and James Gastner, *Ending Family Homelessness* (Washington, DC: Urban Institute, August 15, 2017), 1-21.

⁷² U.S. Department of Housing and Urban Development, Office of Policy Development and Research, *Family Options Study: 3-Year Impacts of Housing and Services Interventions for Homeless Families* (Washington, DC: U.S. Department of Housing and Urban Development, October 2016).

individuals, programming could target higher cost PSH services to high-need families involved in the child welfare system.

Innovative Approaches to Addressing Homelessness

The scale of the homelessness crisis in high-rent cities has inspired new ways to target aid and ease the condition of homelessness. City agencies and nonprofits are using technology to provide quicker access and analytics, remove barriers to housing, and find or create housing units. Examples include:

- **Mobile hygiene and care.** The nonprofit [Lava Mae](#) has provided mobile showers and urgent care to more than 10,000 homeless individuals in the Los Angeles and San Francisco regions since 2014. Oregon Harbor of Hope launched similar services in Portland in May 2018.
- **Home sharing.** Communities across the country are facilitating matches between individuals and families at-risk of homelessness with property owners who have spare rooms. [Silver Nest](#) operates one version of the model—an online matching service with security checks targeted to babyboomers and empty nesters.
- **Technology-aided giving.** Seattle-based [Samaritan](#) provides quarter-sized beacons to homeless individuals. People with the Samaritan app who pass in close proximity of a beacon holder can transfer money cashlessly into an account that can be used for necessities in partnering stores.
- **Integrated relationship management.** New York City has rolled out the [StreetSmart](#) technology platform to give city agencies and nonprofits consolidated, real-time information on services provided to homeless individuals. The tool provides an up-to-date measurement of need and—with better tracking of service provision—a better method to allocate services.

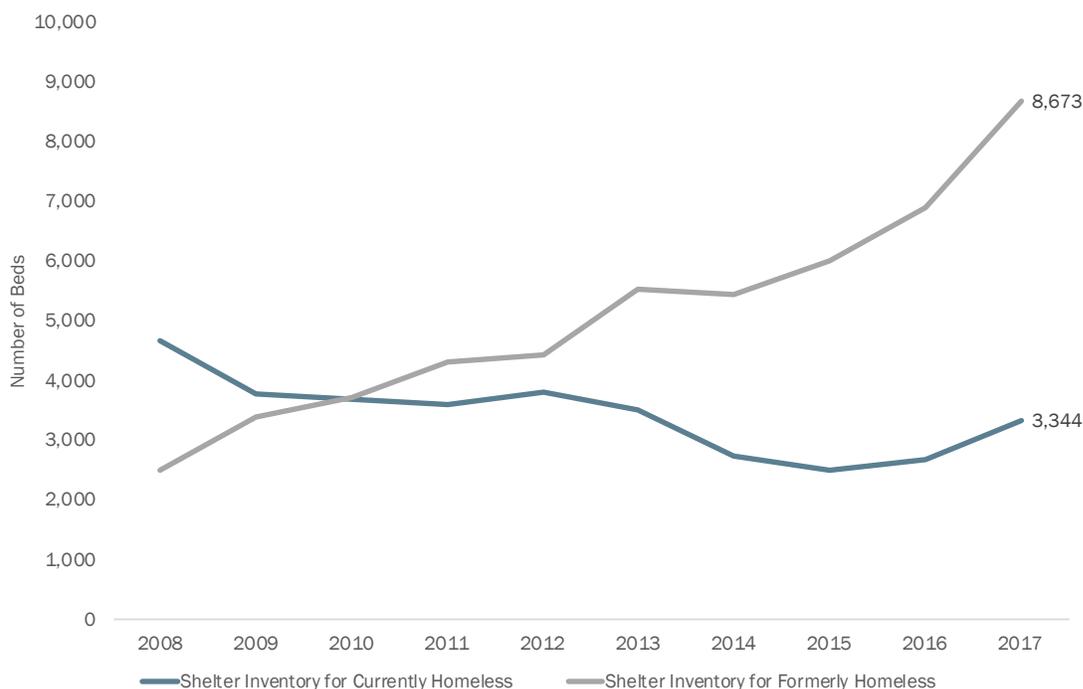
Emergency Shelters

Emergency shelters are an important component of a homelessness crisis response system but are not considered a solution to the problem. Economist Brendan O’Flaherty likens them to unemployment insurance—shelters provide a temporary, minimum level of housing. As with unemployment insurance, policymakers must calibrate the level (e.g., number and quality of

beds) and duration of assistance to ensure shelters do not delay re-entry to permanent housing.

Shelters are the policy of last resort. Effective system management diverts entries if safe housing alternatives exists, provides temporary access to a crisis bed, and offers a gateway to permanent housing. Following this philosophy, Portland and many other regions de-emphasized shelters in the early 2000s and redirected limited resources to permanent housing solutions (see Figure 15). Portland's tight housing market broke the model: high rents put more households into worst-case needs status, personal crises pushed some of those worst-case households into homelessness, and the evidence-based solution to housing re-entry—deep, sustained rental subsidies—were expensive and in short supply. Inflow to shelters exceeded outflows into permanent housing, and visible, unsheltered homelessness edged up.

Figure 15: Significant Increase in Shelter Bed Inventory in Four-County Portland Region Since 2008



Source: U.S. HUD Housing Inventory Count Reports. Shelter inventory for homeless people includes emergency shelter, transitional housing, and Safe Haven shelters. Inventory for formerly homeless people include Rapid Rehousing and Permanent Supportive Housing.

Public opinion on unsheltered homelessness is clear. When asked about solutions for their immediate neighborhoods, 82 percent of Portlanders favored building permanent shelters. Only 26 percent of respondents supported camping in neighborhood parks.⁷³ The inherent

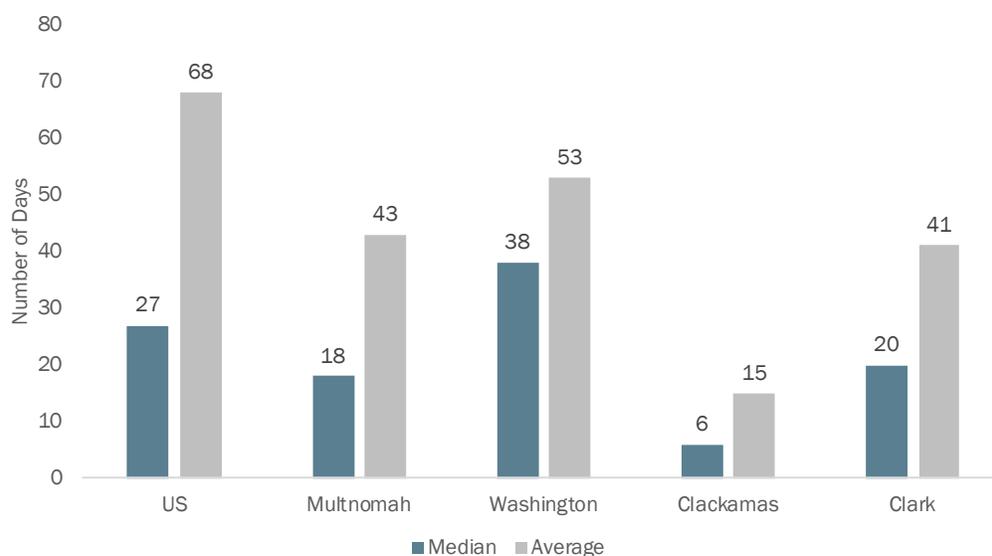
⁷³ DHM Research, *KGW News Homeless Survey*, Questions 82 and 83.

challenge to shelter policy—in a tight housing market such as Portland—is finding the balance between the public’s strong support for system expansion and experts’ equally strong warnings that an overbuilt shelter system becomes an expensive permanent solution for too many individuals and families. Recognizing the health, public safety, and sanitation concerns associated with unsheltered populations, Home for Everyone’s updated community plan called for an expansion of emergency beds.

The inherent challenge in shelter policy—in a tight housing market like Portland—is finding the balance between the public’s strong support for system expansion and experts’ equally strong warnings that an overbuilt shelter system becomes an expensive permanent solution for too many individuals and families.

Local efforts are well-aligned with the guidance laid out by the U.S. Interagency Council on Homelessness: diversion to shelter alternatives when those options are safe, low-barrier (housing first) access to shelters, and access to permanent housing. In fact, the Council highlighted Portland’s progress in improved outreach and low-barrier access,⁷⁴ and data on length of stay indicate that local shelters have served as temporary solutions for individuals and families (see Figure 16).

Figure 16. The Portland Region’s Emergency Shelter Stays in 2015 were Shorter than the National Median and Average



Source: National Alliance to End Homelessness *The Emergency Shelter Learning Series*; U.S. HUD System Performance Measures Data Since Fiscal Year 2015

⁷⁴ United States Interagency Council on Homelessness, *Key Considerations for Implementing Emergency Shelter Within an Effective Crisis Response System* (Washington, DC: United States Interagency Council on Homelessness, August 2017).

Policymakers find themselves in a challenging position. They are implementing shelter policies aligned with national best practices, but the good policy has not translated into sizable reductions in unsheltered populations. The tight housing market, the lack of affordable housing, and a short supply of rental subsidies are to blame. Until policymakers address those conditions, they should anticipate continued pressure on the shelter system.

How the shelter system scales from here is unclear. No standard ratios or formulas exist. Securing the safety of vulnerable populations—women, children, and adults with disabilities—is the imperative, and places with temperate climates, like Portland, can operate smaller systems. Beyond that, scaling is a function of system management, trends in the housing market, and public values/political responses to unsheltered homelessness.

Better progress on the region's long-term, unrealized vision of ending chronic homelessness would free up emergency shelter capacity. That's a necessary first step. Deeper analysis of Homeless Management Information System (HMIS) data might yield insights into patterns of shelter use, identify frequent users, offer ideas on how to further reduce the region's already below-average shelter spells, and boost capacity. The situation also calls for alternative shelter and support models (e.g., relocation centers, tiny home villages, mobile hygiene, and storage facilities).

Where Do We Go from Here?

This report opened with a discussion about public disagreement on the root causes of Portland's homelessness crisis: personal traits of the homeless versus a high-priced housing market.

A close examination suggests both sides are right. The Portland region faces two crises at once.

One involves roughly 1,700 chronically homeless individuals facing barriers to housing, such as mental and physical disabilities, substance abuse issues, criminal records, and/or other problematic circumstances. Every community across the country—large and small—has people with severe personal challenges who will struggle to maintain stable housing absent significant, sustained support. Portland's challenge is not unique.

The second crisis involves tens of thousands of households: the episodic, short-term homeless plus the growing numbers of severely cost-burdened renters on the verge of homelessness. Portland's second crisis is worse than that in most other places, and it has two causes: an under-supplied regional housing market and an unresponsive, discretionary rental assistance program.

The two crises require different strategies and tactics. The first—given its scale—can turn to locally financed interventions implemented by a familiar network of public and nonprofit agencies. The second crisis is massive by comparison and requires action by a diverse array of government and private-sector actors. Universal and deep rent subsidies would be one way to address the crisis, but it comes with a price tag that no other community in the country has been willing to bear.

So, where do we go from here?

Plans to address homelessness should always be mindful of key takeaways from experts Gould Ellen and O'Flaherty: 1) housing matters—broad trends in the housing market will drive the flow into homeless status, and 2) targeting matters—high needs, high costs today is a strong predictor of high needs, high costs tomorrow.

Work going forward must also recognize the coherence—and success—of homeless strategies and tactics to date. The region’s work has been aligned with best practices and is recognized as nation leading. Homelessness is down regionally and stable in Multnomah County despite the tight housing market. High rents and low vacancy rates should have led to more homelessness than exists today. For that, the region’s public and nonprofit homeless agencies deserve credit.

Work going forward must also recognize the coherence—and success—of homeless strategies and tactics to date. The region’s work has been aligned with best practices and is recognized as nation leading.

The following recommendations should be considered reinforcements of—and complements to—strong work that has been underway for more than a decade.

- 1. Expand and add analytic rigor to the effort to end chronic homelessness.** The region has long sought to end chronic homelessness, and trends would suggest it lost ground in recent years. The manageable scale of the problem offers hope that this crisis is solvable. The effort begins with creating new PSH units, and the region has shown recent progress on that front. But new units—and their associated services—are only part of the answer. The region will need to invest in better analytic capabilities—like the Silicon Valley Triage Tool—to target and serve the highest cost, highest needs individuals. It will also need to build rigorous evaluations into its programming to add to PSH’s promising but incomplete evidence base. Success here would deliver sustained support to the region’s most vulnerable populations, reduce health and public safety expenditures, and free up emergency shelter capacity for more-appropriate short stays.
- 2. Identify populations—in addition to chronically homeless single adults—that supportive housing models could serve cost effectively.** Public and nonprofit agencies in a number of regions are testing the costs and benefits of extending supportive housing interventions to families with children. Some of the collaborations are organized under “pay for success” frameworks, in which investors commit funding upfront in return for calculable, downstream savings. These demonstrations may yield insights into specific populations (e.g., families involved in the child welfare system) that could be cost-effectively targeted for PSH interventions.
- 3. Recognize that shallow, temporary subsidies require additional evidence, and enter into partnerships to identify next-generation, low-cost alternatives to the HCV.** The federal government’s HCV program is a proven homelessness prevention tool, but it covers only a quarter of eligible households. To spread limited resources to unserved HCV-eligible populations, Portland and many other communities have experimented with shallow and temporary rent subsidies. HUD’s *Family Options Study* delivered

disappointing news in this area and showed that long-term vouchers were more effective in reducing future spells of homelessness, improving housing stability, and helping beneficiaries live independently. Shallow, temporary subsidies remain promising but unproven. Here, the region would be well-served by recognizing the policy unknowns, partnering with think tanks and communities from across the country, and continuing the investigation for effective, lower-cost alternatives to the HCV.

- 4. Increase the supply of affordable housing units.** Rent-restricted units, regardless of what income bracket they target, provide stable housing for people who need it. They are also an important component of any comprehensive approach to addressing homelessness. Rent vouchers stretch further when they are used to buy down rent from 60% MFI to 30% MFI, than when they are buying down market rate rent. Moreover, by moving people into units that more closely match their financial capacity, they free up market-rate and other affordable units to those who may need them more—a benefit that reverberates through the entire housing continuum. In the past, rent-restricted units were primarily federally funded, but those resources have diminished and are insufficient to meet the regional need. Local revenue-raising efforts are important steps. To ensure that those resources go as far as they can, local governments should evaluate opportunities for additional incentives, such as state-enabled tax abatement programs, fee waivers or reductions, and land write-downs for affordable units. They should also identify and remove regulatory barriers that drive development costs up or unintentionally reduce the number of units possible on a site. These include costly parking requirements, building height and bulk restrictions, design guidelines, and requirements for ground-floor non-residential uses.
- 5. Expand the scope of plans to end homelessness to include goals for regional housing production and accelerate housing supply at all price points.** Existing plans are developed by public and nonprofits agencies that work most directly with homeless populations. At that level, they have been generally well-designed and executed. But given that narrow scope, they are silent about goals and policies that will largely determine the future of homelessness in the region: the production of housing of all kinds and at all price points. The region could expand emergency shelter capacity, innovate around mobile hygiene facilities, harness data to end chronic homelessness, and identify cost-effective temporary vouchers. If the region continued its recent practice of building seven housing units for every new 10 households formed, rents would continue to rise, vacancy rates would fall, and the crisis system would be overwhelmed. That future describes our baseline forecast.

Future homelessness reduction strategies would be appropriately scoped if they articulated broad housing production goals and associated rent and vacancy rate targets. Appropriately scoped plans would pull more actors to the table: planning agencies that design and oversee housing regulations, permitting agencies that help determine the pace and nature of housing development, state legislators with land-use regulatory oversight responsibilities, and the region's Congressional delegation who help determine the scope of federal rental assistance.

Expanded plans by themselves would do nothing to ease the homelessness crisis. Once the undersupply problem is broadly accepted, the work would turn to politically difficult implementation. Local politics work against accelerated housing supply responses. Current residents usually like their neighborhoods the way they are. To overcome the opposition, the region would need to hold itself accountable to clear, broadly disseminated production goals; prune land-use regulations that don't serve a clear health, safety, or environmental protection purpose; accelerate permit process timetables; cede regulatory power to the state for some zoning decisions; and explore little-used but promising policies such as land-value or split-rate taxes.

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- 6. Leverage the newly created Homeless Research and Action Collaborative (HRAC) to elevate the public debate and strengthen policy responses.** This report has outlined the public's disagreement around the causes of homelessness, as well as the need for more evidence on policy responses. The hope is for this report to advance the policy discussion in a productive direction. Meaningful progress will require sustained effort and focus on the homelessness issue. On that front, the region recently received good news. Portland State University (PSU) announced the creation of the HRAC—a center that will provide research on why homelessness exists, evaluate the effectiveness of policy interventions, and uncover innovative approaches to supporting people experiencing homelessness. The center will tap expertise across multiple domains—urban planning, public health, social work, psychology, economics, business—and work in close collaboration with city and county agencies in the region. Activities will include elevating the public debate on homelessness, implementing rigorous evaluations of local programming, and advancing the university's innovative work with temporary villages, hygiene centers, and more. The HRAC is perfectly positioned to

Where Do We Go from Here?

address numerous challenges discussed in this report: inconsistent homeless counts, imperfect resource targeting, and promising-but-not-proven programming.

The region will not make progress on homelessness if the hard work is done only by those who directly serve the homeless on a daily basis. The problem is much bigger than that. Progress will require collective action by a range of actors: public and nonprofit agencies that work on not only homeless issues but also broader housing and land-use regulatory policies; federal partners willing to re-examine—and invest in—rental assistance; state policymakers who can chart new state roles in housing policy; business leaders who will provide leadership and support strategies; philanthropies willing to convene and invest in research and development; and universities that can lead policy innovation.

Appendix A: Measuring Homelessness

Point-in-Time Counts

The most commonly cited source of data on homelessness is the Point-in-Time Counts (PIT) organized by the U.S. Department of Housing and Urban Development (HUD). Conducted by local Continuums of Care (CoCs), HUD requires a count of the total number and characteristics of all people experiencing homelessness in each CoC's region on a specific night in January. CoCs count people living in emergency homeless shelters, transitional housing, and Safe Havens every year, and count unsheltered homeless persons every other year (the latest of which was 2017).

Shortcomings in HUD's PIT approach were highlighted in a recent Portland State University report⁷⁵ and include:

- **Counting methods vary across regions.** The biennial counts are large coordinated efforts and can require hundreds of trained volunteers. Each CoC chooses from among a number of HUD-approved counting methods that will work for their region and resources. For example, Portland officials attempt to survey each homeless person while Seattle uses a combination of one-night headcounts followed by surveys of a sample of the homeless. Varied methods create challenges for interregional comparisons.
- **Counts are inherently low and miss hard-to-locate populations.** Researchers and volunteers' best efforts inevitably miss individuals who are sleeping in obscure places or who double-up with friends and families. Language barriers can contribute to undercounts.
- **Counts rely on unverified, self-reported conditions.** Measurement of key subpopulations (e.g., chronic, disabled) are based on self-reported conditions and are not subject to verification.
- **Changes in a categorization and purpose of a housing facility can change the homeless count.** In Portland, a building that was once operated as transitional housing became permanent supportive housing (PSH) providing longer term housing and services to its residents. While the building's residents did not change, its operations and purpose did. The residents were considered homeless when the building was deemed

⁷⁵ Jessica Chanay, Nishant Desai, Yuxuan Luo, and Davaadorj Purvee, "An Analysis of Homelessness and Affordable Housing in Multnomah County, 2018" (Portland, OR: Portland State University School of Business, July 2018), 1-60.

transitional housing and were not when its status changed. Thus the count of sheltered homeless dropped from one year to the next but the change was somewhat artificial.

Despite the well-known limitations, the PIT counts do convey useful information and are helpful in signaling big shifts in homelessness across time and geography. Additional research and analysis is often necessary to properly interpret and draw conclusions using PIT data.

Translating PIT Snapshots to Estimated Annual Counts

The PIT counts, by definition, represent conditions on specific days in January, and a majority of homeless spells are short. Consequently, the PIT approach fails to measure the total share of a region's population that experiences homelessness over the course of year. The Home for Everyone work group used Homeless Management Information System (HMIS) data to produce an annual count in 2013 and estimated 9,650 people experienced homelessness in 2013 in Multnomah County, 2.17 times more than were counted in the January snapshot.⁷⁶

Along similar lines, California's Economic Roundtable used a series of point-in-time snapshots from their HMIS shelter data to estimate the number of individuals who are "ever-homeless" over the course of year.⁷⁷ They started by calculating the probability of homeless exits (i.e., returning to housing) for cohorts who had been homeless for different durations of time. For example, they estimated two-thirds of individuals who had been homeless for one month would return to housing in the next month. Half of those who had been homeless for two months would return to housing in the next month, and so on. The statistical exercise yielded multipliers for each spell duration to arrive at a simulated estimate of the total population that experienced homelessness *at any time during the year* (see Figure 17). The analysis concluded that almost half (48 percent) of Los Angeles's annual homeless population is homeless for one month or less.

While the data and findings are specific to conditions in Los Angeles, the analytic exercise illustrates the differences in the snapshot (PIT) and annual count methods. A comparable, periodically updated analysis for Portland would make a valuable complement to the biennial PIT counts.

⁷⁶ A Home for Everyone, *Housing Work Group Action Plan* (March 3, 2013), 4.

⁷⁷ Daniel Flaming, Patrick Burns and Jane Carlen, *Escape Routes: Meta-Analysis of Homelessness in Los Angeles* (Los Angeles, CA: Economic Roundtable, April 2018).

Figure 17. Hypothetical Size and Composition of an Annual Population Experiencing Homelessness
Based on Applying Available Data to a PIT Population of 1,000 Individuals

Total Duration of Homelessness	Observed Percent Duration in Truncated ¹ HMIS Data	Estimated Percent of Monthly Cohort Exiting Homelessness (by end of month)	Projected Percent of Annual Homeless Population	Number of People in Annual Homeless Population	Multiplier
1 month	16%	67%	48%	1,323	8.4
2 months	8%	50%	13%	353	4.4
3 months	7%	50%	7%	200	2.8
4 months	4%	33%	3%	80	2.0
5 months	3%	33%	2%	61	2.0
6 months	6%	25%	2%	58	1.0
7 months	2%	25%	1%	35	1.8
8 months	3%	25%	1%	32	1.1
9 months	1.4%	25%	1%	27	1.9
10 months	1.2%	25%	1%	23	1.9
11 months	0.7%	25%	1%	19	2.7
12+ months	48%	-	19%	529	1.1
Total	100%	-	100%	2,739	-

Source: Daniel Flaming, Patrick Burns and Jane Carlen, *Escape Routes: Meta-Analysis of Homelessness in Los Angeles* (Los Angeles, CA: Economic Roundtable, 2018).

¹HMIS data only records duration of homelessness up until the data are collected. They are “truncated” because they do not necessarily capture the entire duration of homelessness for respondents.