

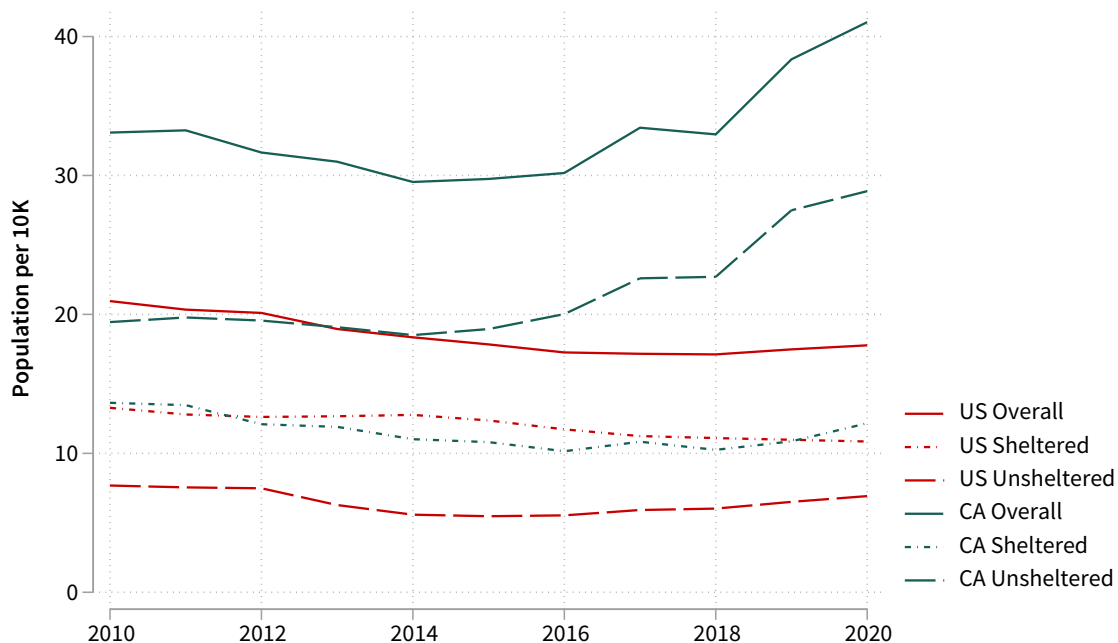
# Homelessness in California: Practical Solutions for a Complex Problem

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Since 2019, more than half of the unsheltered homeless population in the United States has lived on the streets of California. This amounted to over 113,000 people in 2020. As shown in figure 1, from 2010 to 2020, overall homelessness in the Golden State grew by 31 percent and unsheltered homelessness ballooned by 57 percent. Nationally, overall and unsheltered homelessness decreased by about 9 percent and 3 percent, respectively, over the same period.

These increases in homelessness in California are not for lack of funding or awareness of homelessness in the state. In recent years, the state has spent billions of dollars on an array of homelessness programs and services, resulting in a 150 percent increase in permanent housing units in California from 2010 to 2020. According to a 2021 California State Auditor’s report, Sacramento allocated \$4 billion in each of the last three fiscal years

Figure 1. US and California Homelessness Counts over Time



Source: HUD Exchange and US Census Bureau



to homelessness programs. Now, with the problem still growing larger, the May Revision of the 2022–23 California state budget allocates \$9.4 billion for homelessness.<sup>1</sup>

So, where is the disconnect? Where is this funding going, and why is homelessness continuing to rise in California?

In this piece, we propose practical solutions for the complex problem of homelessness in California. Our goal is that California’s policy should seek to reduce the number of people experiencing homelessness, particularly unsheltered homelessness, in a humane and cost-effective manner that generates positive long-term outcomes. To that end, we recommend the following:

- Increase funding and spending transparency through the expansion of the state’s Homeless Data Integration System to enable cost-benefit analyses of homelessness programs and better oversight.
- Repeal statutes implemented by 2016 Senate Bill 1380 that require homelessness programs to use a housing first approach in order to implement a diversified mix of programs and services.
- Create permanent contingency management treatment programs for substance abuse and consider expansions of pilot programs for mental health treatment applications.
- Enforce laws that are already on the books regarding public camping and substance use or possession, and expand residential treatment facilities and the use of diversion courts.
- Remove barriers to building housing by reforming the California Environmental Quality Act (CEQA) and eliminating arbitrary construction and zoning rules to increase housing supply and lower costs.

### **Transparency and Accountability**

At the center of every proposal offered in this report is the need for greatly increased transparency and accountability when it comes to the homelessness services system in the state. Homelessness in California cannot be attributed to a lack of funding for homelessness programs. According to a 2021 State Auditor’s Report on homelessness in California, the state provided more than \$13 billion for homelessness programs and services over the last three fiscal years. This funding was dispersed to at least nine different agencies, forty-one different programs, and forty-four Continuums of Care (CoCs, typically counties or cities).<sup>2</sup> Despite this huge expenditure, homelessness has continued to increase across the state.

Clearly there is inefficiency in the way the state is providing funding to programs and service providers, but due to a lack of information available to policy makers and the public, it is unclear which programs are being funded by the state and how programs are actually using that funding. Without the ability to link funding to outcome metrics, it is impossible to assess if funding is being allocated in an effective manner.

A major impediment to funding and spending transparency is California's lack of an entity that oversees the state's homelessness response. The Homeless Coordinating and Financing Council (now the California Interagency Council on Homelessness, Cal ICH), formed in 2017 by SB 1380, was created to provide oversight, guidance, and coordination within the homelessness services systems. But due to its lack of statutory authority over state agencies and departments, it was unable to do so effectively.

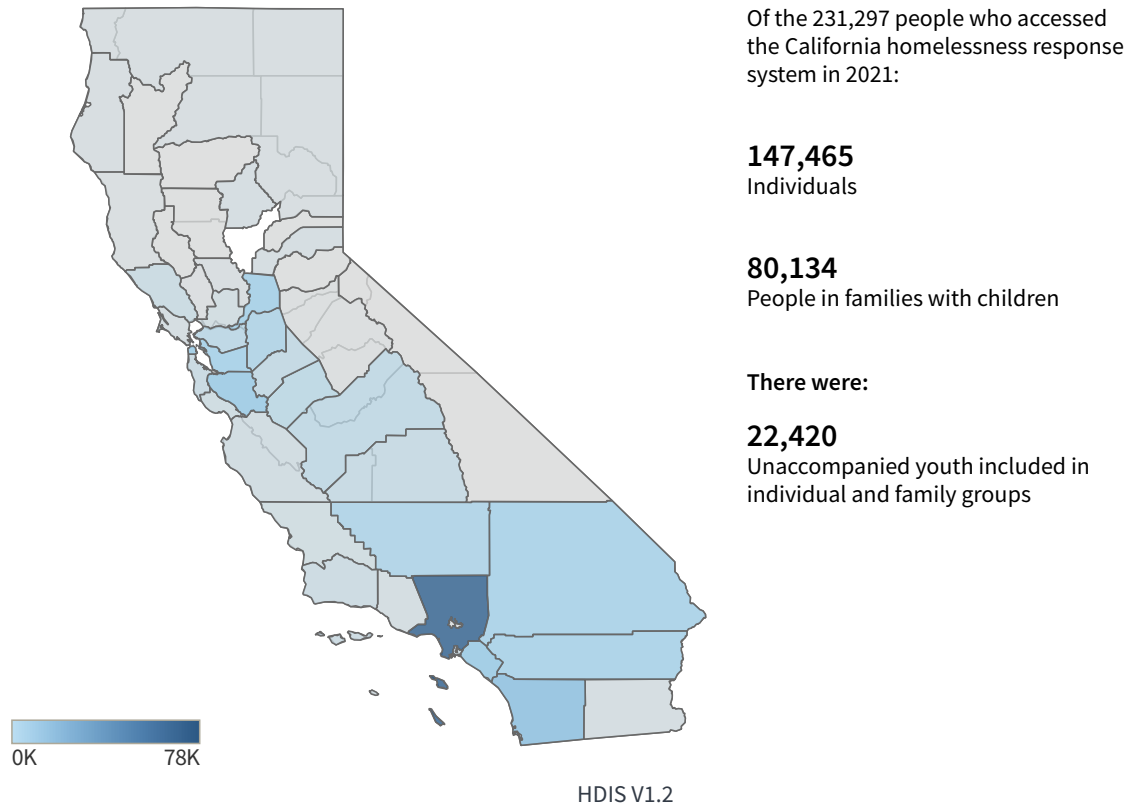
Assembly Bill 1220, signed into law by Governor Newsom in 2021, was a step toward greater transparency.<sup>3</sup> This bill attempted to grant the Cal ICH more authority by appointing several state agency and department heads to the council and requiring agencies and departments to provide information to the council regarding homelessness programs. This bill also created the Homeless Data Integration System (HDIS) that combines data from the Homeless Management Information Systems (HMIS) that each CoC is required to have as a condition of funding from the Department of Housing and Urban Development (HUD). The state currently displays this data in a dashboard, seen in figure 2, housed on the Business, Consumer Services and Housing Agency website.<sup>4</sup>

While the development of this data system is a step in the right direction, more work needs to be done to increase transparency and accountability. The dashboard does not provide enough information at present to be a useful assessment tool. First, it only provides data on how many people experiencing homelessness have been served in each CoC, coupled with demographic information. Missing completely from the tool is any data on what types of services were being utilized, data on how effective those services were, and precise information on funding sources. Cal ICH has stated that its next goal is to incorporate performance measures into the dashboard.<sup>5</sup> Yet, without further legislative or executive action, information on the amount of funding received by programs will likely not be added, as HUD does not require this data point to be collected by CoCs. Complete data linking funding to performance must be included if the effectiveness of public spending to address homelessness is to be improved.

Second, even if funding information were available in a CoC's HMIS, the HDIS tool would still provide limited information. The Auditor's Report notes that a CoC's HMIS does not paint the whole picture of services provided in a given area due to the fact that only programs that receive certain types of HUD funding are required to report data in the HMIS at all. Similarly,



**Figure 2. People Experiencing Homelessness Whom California Served**



**Source:** HDIS

the state does not require that all providers that receive state funding enter information into their respective HMIS. In fact, the report found that only eight of the forty-one state programs required recipients of state funds to submit information to an HMIS.

Better data collection has been shown to be an effective tool in ending homelessness at the local level, even in California. Starting in January 2015, the Bakersfield/Kern County CoC, in partnership with the nonprofit Community Solutions, began creating a quality by-name dataset that tracked every person experiencing chronic homelessness in real time. This data helped the CoC to design its homelessness response around the specific challenges facing the homeless population in its community. With this strategy, the Bakersfield/Kern County CoC saw its chronic homeless population fall from over two hundred in 2015 to functional zero by March 2020.<sup>6</sup>

California must prioritize the collection of comprehensive data by requiring every homelessness service provider that receives funding from the state through any agency to report data to its CoC at least quarterly. Cal ICH should then consolidate this data and integrate it into the current public-facing dashboard tool. Ideally, a provider's report to its

CoC should include type of program, people served, state funding source, amount of state funding received, and an array of performance metrics related to program type. The state should also encourage communities to create by-name datasets for internal use by providing grant funding for this process. This would help CoCs to better address the needs of their communities' homeless populations.

In the past, bills that attempted to create more funding accountability, such as 2020 Assembly Bill 2746, had been vetoed by Gov. Gavin Newsom due to associated data collection costs, despite the fact that the bill had estimated appropriations of less than \$1 million.<sup>7</sup> AB 2746, however, was passed with unanimous support in both the state Senate and Assembly, suggesting that there is political will for more transparency. We strongly encourage the Legislature to continue its efforts to create better transparency and accountability by reintroducing a more expansive and comprehensive version of AB 2746, including, if necessary, proposals to reduce other spending to make the bill cost neutral.

Once the state is able to collect sufficient data, legislators should revive a measure similar to AB 2329, which would have authorized a statewide needs-and-gaps analysis of homeless services and assessed investment needs for moving people experiencing homelessness into stable housing arrangements.<sup>8</sup> While AB 2329 failed to make it through the legislative process, any cost-benefit analysis of state homelessness spending is a sound idea. The state must be able to account for its homelessness programs in order to ensure the homeless population is being served effectively.

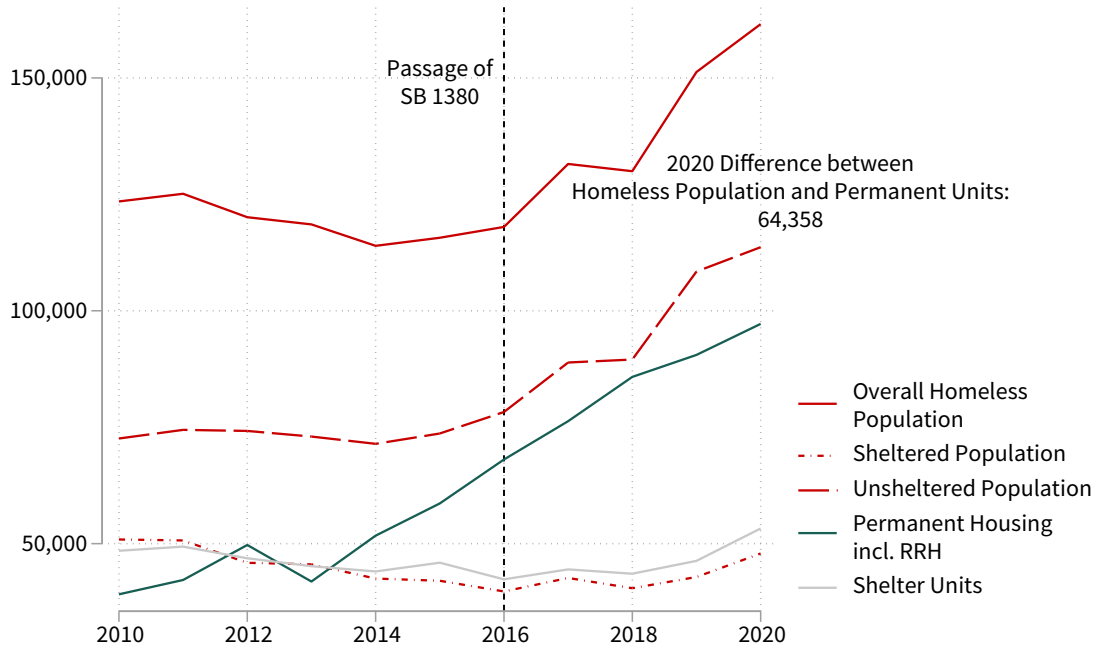
### **Housing First Is Not the Only Way**

The Housing First (HF) approach to addressing homelessness was created in New York City in the 1990s by an organization called Pathways to Housing led by Sam Tsemberis. In this model, individuals experiencing homelessness are provided with immediate access to housing in permanent, independent apartments and then offered voluntary supports including mental health and substance abuse treatments.<sup>9</sup> This stands in contrast to a “housing readiness” or “treatment first” model that would condition housing placement on another behavior or activity like sobriety or participation in treatment.

Programs that fall under the HF umbrella are generally either “permanent supportive housing” (PSH) units that are accompanied by long-term rental assistance with services offered or “rapid re-housing” (RRH) units that are coupled with shorter-term rental assistance and voluntary services. Rather than just types of housing, though, the HF approach is classified as a systemwide orientation that places consumer choice and harm reduction at the center of homelessness services. Under this orientation, individuals experiencing homelessness are “met where they are at,” meaning they can decide whether to seek services (including substance abuse or mental health treatment). Regardless of this choice, they are treated no differently with regards to their housing placement.<sup>10</sup>



Figure 3. California Housing Inventory and Homeless Population Counts over Time



Source: HUD Exchange

This approach gained traction nationally at HUD in the early 2000s but was formally emphasized in 2010 under the US Interagency Council on Homelessness (USICH) Opening Doors plan (updated in 2015).<sup>11</sup> This meant that HUD funding for homelessness programs throughout the country became increasingly tied to adherence to the HF approach. In California, HF became formal policy in 2016 through SB 1380, which required agencies and departments in the state that administer funding to housing and homelessness services to adopt the HF approach in their guidelines and regulations.<sup>12</sup> Reflecting these shifts in policy, the number of PSH and RRH units in California has grown by nearly 150 percent since 2010 and 43 percent since 2016, according to HUD data. Yet overall homelessness has grown by roughly the same amount since the shift to HF in California, as shown in figure 3.

There is empirical evidence that the Housing First model, when coupled with Assertive Community Treatment (ACT), does result in high rates of housing stability. In a randomized controlled trial (RCT), Tsemberis and other researchers found that individuals experiencing homelessness with co-occurring severe mental illness remained stably housed under the HF treatment about 80 percent of the time twenty-four months after treatment.<sup>13</sup> A review of the At Home-Chez Soi demonstration of HF in Canada found similarly that 73 percent of people with severe mental illness remained stably housed two years after placement.<sup>14</sup>

Despite this and other positive evidence, some studies have found that the HF model has limitations. First, very little research has focused on housing outcomes beyond

two years. It is unclear if the initial housing stability experienced by HF participants extends to long-term stability. A recent study by Jill S. Roncarati and coauthors, which examines a PSH program in Boston that adheres to HF guidelines, finds that after five years, the impressive housing retention statistics that appear after one or two years fall off dramatically. Participants retained housing after five years just 36 percent of the time, and many moved multiple times to avoid eviction, with each move increasing the risk of returning to homelessness.<sup>15</sup>

Looking at community-level effects continues to lessen the attractiveness of the HF approach. A study by Kevin Corinth published in the *Journal of Housing Economics* found that a one-unit increase in PSH beds only decreased homeless counts by up to 0.10 people, meaning that ten beds would be needed to reduce the population of those experiencing homelessness by just one.<sup>16</sup> This is particularly concerning considering the gap between PSH and RRH units and the fact that the overall homeless population in California in 2020 was nearly sixty-five thousand, as well as the fact that more people become homeless every day than exit homelessness in Los Angeles County.<sup>17</sup> If Corinth's estimates held true in California, the cost of an approach based on PSH units would be massive—the median home value in the state was over \$790,000 as of April 30, 2022.<sup>18</sup> Units for those experiencing homelessness are being built in Los Angeles County for about \$600,000.<sup>19</sup>

Beyond housing alone, other outcomes need to be considered. Reports from the Departments of Public Health of both Los Angeles and San Francisco counties show that the primary cause of death among people experiencing homelessness is drug overdose or acute drug toxicity.<sup>20</sup> The *Los Angeles Times* examined 2019 point-in-time count surveys in the county to find that 76 percent of people experiencing unsheltered homelessness reported being, or were observed to be, affected by mental illness, substance abuse, or physical illnesses.<sup>21</sup>

Proponents of HF state that “housing first is not housing only,” referring to the idea that optional wraparound services are offered to participants in a HF program, but there is little evidence regarding the nonhousing outcomes of those in HF and PSH programs.<sup>22</sup> A working paper by William Evans and coauthors states, “Housing first approaches and prevention programs both argue that stable housing provides a platform for success in other areas of life, yet very little rigorous evidence tests whether this claim is true.”<sup>23</sup> Some randomized studies have shown that HF treatment groups have similar rates of alcohol and drug usage as control groups.<sup>24</sup> Reports out of PSH programs in San Francisco, however, show that conditions in the PSH programs can be terrible and not conducive to healthy living. A study on single-room occupancy hotels from the *San Francisco Chronicle* found that a quarter of the 515 PSH participants tracked by the city exited the program by dying and more than a fifth returned to homelessness.<sup>25</sup> Many of these SRO buildings are characterized by squalor as well as violence and other criminal behavior. It seems unlikely that being housed in such poor conditions would have positive effects on nonhousing



outcomes. Furthermore, there is little evidence that PSH treatments reduce medical costs. Evans' review goes on to state that a number of RCTs on medical costs and PSH found statistically insignificant changes in cost per participant.

Meanwhile, some programs that emphasize “housing readiness,” an approach that aims to provide intensive services and temporary housing until a participant can maintain independent permanent housing, have achieved success with little to no funding from state or federal governments. A Vista, California-based service provider called Solutions for Change boasts that its program reduced recidivism rates for drug usage to just 7 percent compared to 74 percent for similar organizations in the area. Yet despite these results, Solutions for Change lost funding because it violated state and federal HF guidelines by conditioning participation in their programs on sobriety.<sup>26</sup> These types of programs, however, would likely be more suitable for those who have begun the recovery process or who would benefit most from living in a substance-free, treatment-intensive environment.

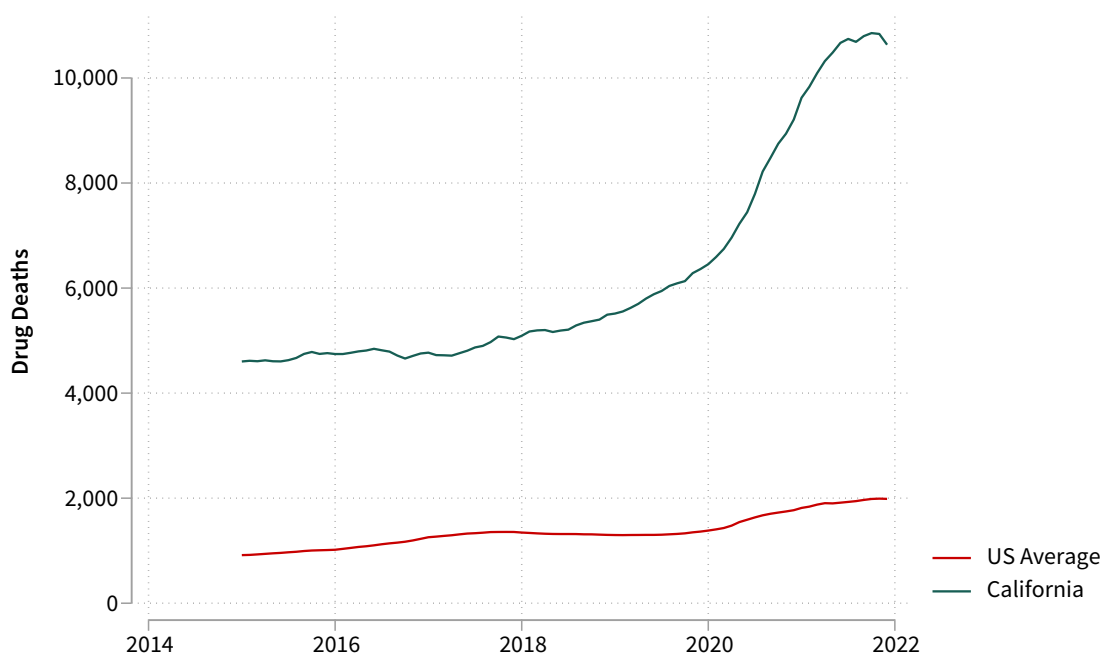
While the success of HF programs is demonstrable in many cases, the state should not discriminate against programs that show success using other approaches when it comes to funding, particularly when the homelessness crisis only continues to expand under the HF regime in California. It is important to note that we are not advocating for doing away with all HF, PSH, or harm-reduction programs. Rather, we support the repeal of statutes that require HF be used, so that effective housing readiness or treatment-first programs would also be eligible to receive state funding. In order to judge the effectiveness of all homelessness services programs, Cal ICH should develop metrics that assess programs based on a variety of desirable outcomes and measures of effectiveness—including treatment of mental health and addiction, housing retention, and cost effectiveness. Then the state should develop a mechanism by which service providers receive funding based on these metrics. California's homelessness policy should ensure that programs that are the most effective are given the most funding support from the state so that they can serve more of the state's most vulnerable populations.

### **Incentives Work: The Role of Contingency Management**

As shown in figure 4, according to Centers for Disease Control and Prevention statistics, nearly eleven thousand Californians died from drug overdoses in the twelve-month period ending in November 2021, up from around five thousand in 2018. The average US state has also seen an increase, but nowhere nearly as large.<sup>27</sup> While there is often heated debate surrounding the role of substance abuse in homelessness, the drug epidemic certainly extends to the homeless population—as previously stated, drug overdose is the most common cause of death among people experiencing homelessness in Los Angeles and San Francisco counties. Reports on admissions to publicly funded treatment programs from Los Angeles County show that methamphetamines are the primary drug used by those experiencing homelessness (42 percent), followed by alcohol (24 percent) and heroin (20 percent).<sup>28</sup>



Figure 4. California Drug Deaths vs. Average US state, per 100,000 Population



Source: CDC

Point-in-time counts typically state that the rate of substance abuse among people experiencing homelessness in California cities is no greater than one-quarter of this population, but other studies suggest that this is a significant underestimate, with results ranging from 43 percent to 88 percent.<sup>29</sup> Addiction is particularly prevalent in the chronic homeless population (defined as homeless for more than one year or four times in three years and living with a disability), currently accounting for one-third of those experiencing homelessness in California.

Substance abuse has been shown to affect housing attainment and stability among people experiencing homelessness. For example, one study found that crack cocaine users failed to attain and retain stable housing over a two-year period 82 percent of the time. Conversely, abstinence from cocaine use in the first follow-up year was associated with housing stability in the next two follow-up years.<sup>30</sup> Based on this, effective substance abuse treatment for those experiencing homelessness is critical to positive long-term outcomes for this group.

One strategy that has had success in treating substance abuse is contingency management (CM). Under a CM framework, small financial incentives are given to a person contingent on abstinence from substance abuse. In a review of the literature on CM from 2009 to 2014, researchers found that 86 percent of CM studies reported significant treatment effects.<sup>31</sup>



Evidence shows that CM has been particularly effective in treating stimulant use disorders, for which no pharmacotherapy exists, but it has also shown promising results in increasing adherence to treatment for opiate-dependency and even smoking cessation.<sup>32</sup>

Perhaps the most significant large-scale implementation of CM was conducted through the Department of Veterans Affairs (VA). Beginning in 2011, the VA expanded access to CM to treat patients with substance abuse disorders, especially stimulant use disorder. Over more than four years, ninety-four stations made CM treatment available to 2,060 patients. The CM protocol was twelve weeks long and consisted of twice-weekly stimulant testing with increasing opportunities to win prizes if a stimulant-negative sample was submitted. The average expected maximum of the incentive over the treatment course was \$364. Remarkably, 92 percent of drug tests taken by participating veterans were negative and 56 percent of CM sessions were attended.<sup>33</sup>

The success of CM treatment for substance abuse has not gone unnoticed by California's Legislature or Governor Newsom. The 2021 SB 110 would have allowed counties that administer the Drug Medi-Cal-organized delivery system to include CM services in their treatment mix for substance use disorders.<sup>34</sup> Despite unanimous approval from both the state Senate and Assembly, the bill was vetoed by Newsom. In his veto letter, he notes that a CM pilot program was going to be launched through the 2021–22 budget and CalAIM, making SB 110 duplicative.<sup>35</sup>

The pilot is due to start in July 2022 and will be receiving federal Medicaid reimbursement, as SB 110 would have sought to do. Likewise, the pilot will be run at the county level and will treat Medi-Cal beneficiaries who are already receiving substance use treatments. The pilot design includes up to six evaluations which will assess the implementation and efficacy of the program, the last of which will follow the program's conclusion in March 2024.<sup>36</sup>

While the CM pilot program through CalAIM is a positive step toward implementing a successful substance use treatment in California, a pilot seems unnecessary, considering the vast evidence that shows CM is significantly effective for reduction and cessation of drug use. The CalAIM-supported pilot is an intermediary step that slows the process of implementing permanent support for CM treatments through Medi-Cal, while homelessness and drug deaths continue to increase. However, if we accept the pilot design that is being implemented, several recommendations emerge. The evaluations of the program must address its effect, if any, on the homeless population. Most, if not all, people experiencing homelessness are eligible for Medi-Cal, so this population should be able to access the CM pilot program. Evaluations should assess how many individuals experiencing homelessness are enrolled in a CM program and what their outcomes are, and they should also consider ways in which people experiencing homelessness with substance use disorders can be

encouraged to partake in a CM program, perhaps through street outreach. Many people experiencing homelessness are frequent users of emergency departments.<sup>37</sup> These visits could represent another point of contact where handoff into CM treatment may be possible.

Beyond the current pilot program, California should consider the opportunity to innovate in CM treatment. There is some indication that CM treatments work for ailments beyond substance use disorders. For example, studies have found that CM intervention can be an effective method for increasing adherence to prescribed medication.<sup>38</sup> Perhaps the state should consider launching a pilot similar to the CalAIM program that would implement CM treatments to encourage adherence for people experiencing homelessness who are prescribed antipsychotic medications. Adherence to antipsychotic medication has been shown to be very low in the homeless population, decreasing the effectiveness of medication and leading to adverse outcomes like relapse, hospitalization, or arrest.<sup>39</sup> A CM-type intervention could prove to be a novel and successful approach for treating mental illness among those experiencing homelessness, leading to better long-term outcomes. Based on the prevalence of substance use and mental illness in California's homeless population, the state should make every effort to provide effective treatments.

### **The Role of Law Enforcement and the Criminal Justice System**

In November 2021, Los Angeles Mayor Eric Garcetti reported that the LA Police Department received 140,000 calls annually related to homelessness, amounting to one call every four minutes.<sup>40</sup> People experiencing homelessness interact with law enforcement for a variety of reasons. First, there is a high rate of crime within the homeless population. People experiencing homelessness have higher arrest rates than the general population and disproportionately commit property, drug-related, or violent crimes.<sup>41</sup> On the other hand, individuals experiencing homelessness are also disproportionately victims of violent crimes, with prolonged homelessness increasing the risk of experiencing a violent attack.<sup>42</sup> Interactions with law enforcement are also spurred by frequent low-level offenses like public camping, loitering, or panhandling.

Given that California has the largest unsheltered homeless population in the nation, public camping is particularly prominent in communities throughout the state. As of March 2022, San Francisco counted 537 tents or structures where people experiencing homelessness were sleeping and forty-eight large encampments comprised of six or more tents or structures.<sup>43</sup> These homeless encampments can be extremely dangerous to both the individuals living in them and members of the surrounding community. Reports document that while encampments contribute to fires and other environmental hazards, they also can become havens for petty and serious crimes, often relating to drug dealing and usage in open-air drug markets.<sup>44</sup> These markets produce more “spin-off crimes” like robbery, prostitution, and littering of drug paraphernalia.<sup>45</sup>

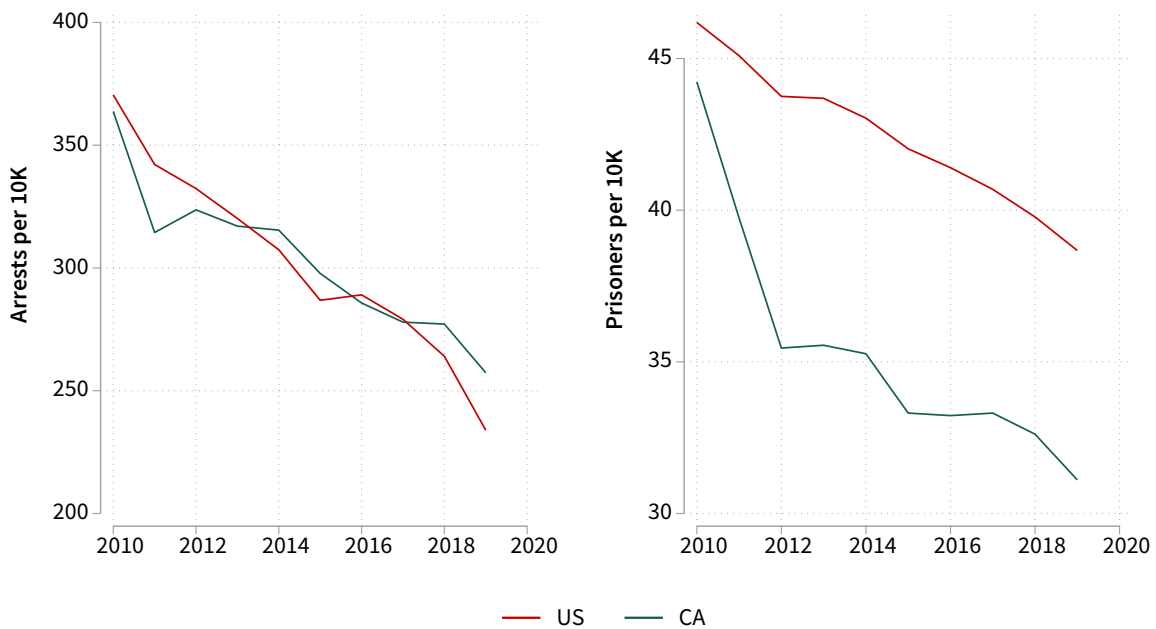


A sustained increase in law enforcement and police presence is needed to keep these activities at bay, disrupt drug markets, and even help those involved in the markets to get treatment. According to addiction experts like Keith Humphreys, an interaction with law enforcement or the criminal justice system is often the impetus for getting individuals the treatment they need because it makes clear the threat of serious punishment or jail time.<sup>46</sup>

Yet in California, current law weakens the perceived threat of punishment from law enforcement. Proposition 47, approved in 2014, downgraded most drug offenses and thefts of less than \$950 in property from felonies to misdemeanors. The Police Executive Research Forum asserts that a major consequence of this change is that the justice system has lost leverage to get people into treatment programs because most drug crimes now only result in citations with very little chance of jail time—an effect that is only worsened when laws are not enforced at all.<sup>47</sup>

Figure 5 shows that while arrest rates in California are on par with the rest of the country, incarceration rates are significantly lower. While decreased incarceration rates may have been an intentional policy outcome, lax punishments and lower levels of prosecution may be affecting the crisis of homelessness if individuals are caught in a cycle of drug addiction and crime. A study of the impact of Proposition 47 in LA County confirmed that there is evidence that those receiving Proposition 47 relief (meaning their charges had been reduced

**Figure 5. Arrest Rates and Incarceration Rates**



**Source left:** FBI, US Census  
**Source right:** US Bureau of Justice Statistics, US Census

from felony to misdemeanor) dropped out of court-ordered mental health or substance use disorder treatment.<sup>48</sup> By not prosecuting certain crimes or enforcing laws properly, California has lost the ability to usher people into care.

California should amend or repeal Proposition 47 to bolster the credible threat of punishment for drug crimes and create leverage to get people into treatment programs. According to a Berkeley Institute of Governmental Studies poll taken in February 2022, this is a popular measure—59 percent of the state’s registered voters said that they support amendment of Proposition 47, likely related to the fact that 65 percent of this group believe that crime has increased in their area in the last year.<sup>49</sup> For the safety of both the community and those who partake in drug-related or property crimes, the state needs to encourage proper active enforcement and prosecution of crimes. Research shows that certainty of being caught and punished is a powerful deterrent for criminals. The state must ensure that those breaking laws perceive that they will be caught with certainty by increasing law enforcement efforts.<sup>50</sup>

To avoid major increases in incarceration rates, any amendment of Proposition 47 or increase in law enforcement should be coupled with an expansion of existing diversion court programs. These courts refer people to services, usually for substance abuse, mental illness, or housing, as opposed to jails or prisons. Once a person has successfully completed the court-ordered program, the charges will be reduced or dismissed. Evidence shows that drug courts can be particularly powerful at reducing recidivism. A study from Baltimore found that drug court clients were three times less likely to be arrested one year after assignment to drug court than participants in standard courts.<sup>51</sup> A meta-analysis of studies found that adult drug courts reduce drug-related recidivism from 50 percent to 38 percent.<sup>52</sup>

Drug courts and other diversion programs are available in many California communities but are often underutilized. For example, the San Francisco Drug Court (SFDC) worked with just 5,375 drug offenders from 1995 to 2018 and only 728 of those clients completed the drug court successfully. Yet even in limited numbers, graduates of SFDC have had success in a variety of outcomes. In 2017, all graduates who reported being homeless when entering SFDC were housed upon completion. Likewise, all drug court graduates who were unemployed at entry gained employment or were receiving government assistance by the end of the program. The SFDC also costs \$14,300 less per participant than traditional criminal court.<sup>53</sup>

To take full advantage of the benefits of these programs, California should encourage the use of diversion courts for nonviolent offenders by providing grants to communities for the expansion of their collaborative justice courts. The legislature should also support 2022 AB 2220, which would establish the Homeless Courts Pilot Program and create a diversion program for defendants experiencing homelessness. Finally, the state must

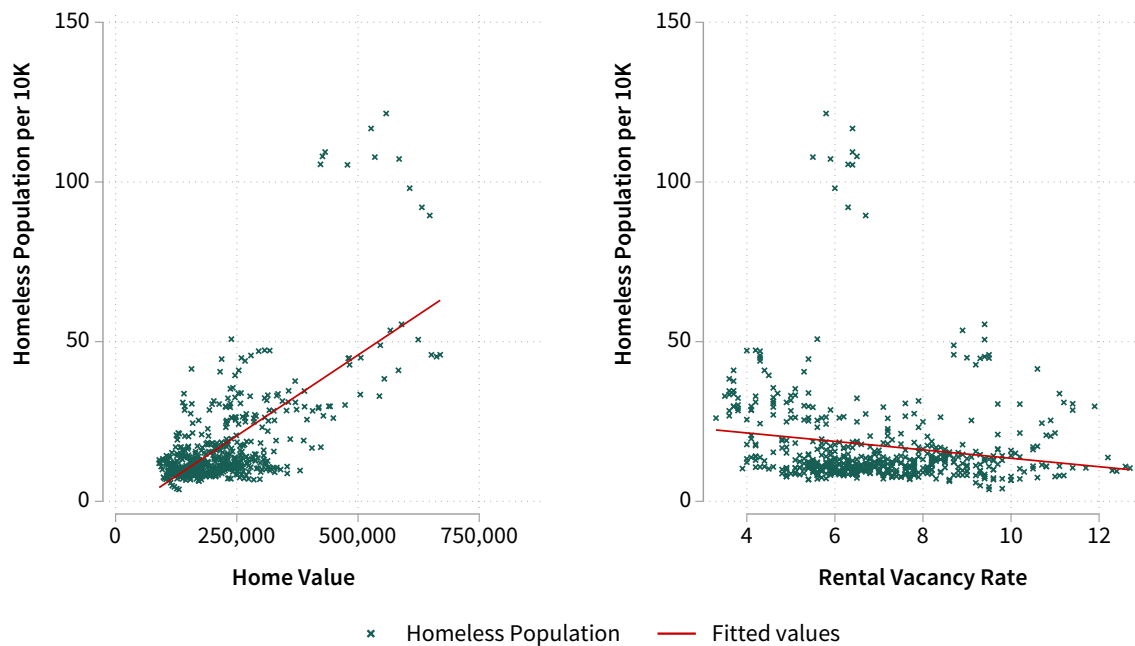


redirect funding to resources like chemical dependency beds in public hospitals and residential treatment facilities so communities can accommodate for expanded diversion court activities—83 percent of counties in California have zero chemical dependency beds and 43 percent have no inpatient psychiatric care services at all.<sup>54</sup> To have an effective collaborative justice court system that ultimately reduces costs by getting people out of the recidivism cycle, the state needs to ensure communities are equipped with the appropriate treatment facilities. Considering that law enforcement and the justice system are so intertwined with the homeless population, California should ensure that existing laws are enforced to protect all members of the community while making treatment and services accessible to those who need it.

### Reducing Barriers to Housing Development

No discussion about homelessness in California can ignore issues surrounding housing affordability and availability. Several studies have found that housing market factors like housing prices, vacancy rates, and rent prices are all associated with homelessness in a given area.<sup>55</sup> Indeed, there is a positive correlation between housing prices in a state and that state's overall homeless population and a negative correlation between rental vacancy rates and homeless counts, as shown in figure 6.

Figure 6. Home Values and Rental Vacancy Rates vs. Homeless Population



Source left: 2010–2020. Zillow, HUD, US Census.

Source right: 2010–2020. HUD, US Census.

This is a particularly potent problem in California. As stated previously, California is a notoriously expensive state. Median home prices are the second highest in the nation, topping \$790,000 in April 2022; more than half of renters pay over 30 percent of their income on rent each month; and the rental vacancy rate was the third lowest in the nation in 2020, according to US Census data. These high prices and low vacancies are a simple story of supply and demand: California does not build enough housing to keep up with the number of people who want it in the state. According to the Public Policy Institute of California, the state added 3.2 times more people than housing units over the last decade.<sup>56</sup> Furthermore, the Legislative Analyst's Office (LAO) concluded in a 2015 report that between 70,000 and 110,000 additional new housing units a year would have had to be built between 1980 and 2010 to keep California home prices on track with the rest of the nation during that period.<sup>57</sup>

Despite this well-documented problem, state laws and resistant communities continue to stifle housing development across California. Zoning laws restrict where and what types of housing can be built, and evidence shows that these restrictive laws do, in fact, result in higher housing prices. A study at the University of California–Berkeley found that political opposition to housing development also predicts higher housing prices, development delays, and low likelihood of zoning reform.<sup>58</sup>

Recently, some progress has been made in this area with the passage of 2021 Senate bills 9 and 10. SB 9 requires localities to allow an additional residential unit to be built on single-family zoned parcels, while SB 10 allows cities to authorize up to ten units on a parcel near transit without requiring CEQA review.<sup>59</sup> While these bills are encouraging, it is not yet clear that they will have a substantial impact on housing supply in the state. Some suggest that the increase in housing as a result of these bills will be limited because of location, parcel size, and owner-occupancy requirements.<sup>60</sup> More zoning reform needs to be enacted to meaningfully expand housing in the state. SB 9 could be amended to eliminate these requirements that reduce its potential impact. Creative financing structures could also be created so that homeowners are incentivized to build new units on their lots. Other zoning reform could also come in the form of 2019 SB 50, which would have prevented localities from blocking development of midrise apartment buildings around public transit and allowed for multifamily apartments on most parcels.<sup>61</sup>

Beyond zoning, a major impediment to development is the high cost of building in the state. First, land can be extremely expensive in California, particularly along the coast. Second, labor is more expensive in California than in other states. California has the highest prevailing wage rate in the country after Washington, DC, and this can raise the cost of building by an average of \$30 per square foot for projects that require it.<sup>62</sup> Similarly, materials are costlier than in other states, often because the state requires higher quality materials to meet energy efficiency goals. Finally, development fees are very high. According to the LAO, fees were 3.5 times higher in California than in the rest of the country as of 2015



and have likely increased, costing as much as \$75,000 per unit for a multifamily building in the city of Fremont in 2018.<sup>63</sup>

CEQA adds an additional burden for builders. The 1970 law allows for the public to pursue litigation against a development project on environmental grounds, a process that can take years or stop projects altogether. While some view the law as a crucial piece of environmental oversight, others maintain that the tool has increasingly been used as a foil to obstruct development by holding up the process in court. Regardless of motive for bringing CEQA action, a study from the University of California–Hastings College of the Law found that this type of litigation has increasingly targeted housing projects in existing communities and urban areas, extending the length and cost of building in densely populated areas.<sup>64</sup>

To effectively impact housing affordability in the state and its subsequent effect on homelessness, California needs to address these barriers to development. The costs associated with building should be made lower by reducing development fees across the state and getting rid of expensive requirements like those for parking spots or solar panels on new builds. Additionally, CEQA needs to be reformed and streamlined so that it is not used for illegitimate reasons. When it is used legitimately, the process should not hold up projects for long periods of time. Taking these steps will help to expand the housing supply, lowering the cost of living in the state and preventing more Californians from becoming homeless in the future.

## Conclusion

While homelessness in California continues to rise and state funds continue to be poured into addressing the issue, state policies have not effectively moved people off the street into safe shelter, treatment, or permanent housing or prevented more people from entering into homelessness. Rather than maintaining the status quo, the state must take a practical yet innovative approach to homelessness that deals with all aspects of the problem—from housing to health and well-being.

First, there needs to be greater transparency and accountability surrounding homelessness services and their funding. Billions of dollars are spent each year on these programs, and politicians and the public are left in the dark about where that funding is going, not to mention the real impact of that spending on the homeless population. The state must urgently require reporting about funding, spending, and outcomes from providers. Such information would allow for regular, comprehensive cost-benefit analyses of the homelessness services system.

Next, California should diversify its portfolio of services beyond the Housing First approach. Housing First has been the mandated approach in the state since 2016, and since that time, homelessness has increased by 37 percent despite massive growth in permanent supportive



housing units. While Housing First is a successful strategy for some groups, different methods may be more effective for others. New outcome metrics and funding mechanisms should be developed alongside this change so that programs that have the greatest impact receive the most support regardless of approach.

Considering the needs of those experiencing homelessness and the existing evidence, the state should expand the use of contingency management for substance abuse beyond pilot programs. Drug deaths plague California's homeless population, and treating substance use disorders is crucial for ensuring better long-term outcomes for those experiencing homelessness.

To that end, California should encourage active enforcement of laws that are already on the books to protect people experiencing homelessness and the community at large. Allowing the state's most vulnerable citizens to live on the streets in dangerous conditions where lethal drugs are easily accessible is not a humane response to homelessness, and the state must do more to shut down open-air drug markets and unsafe encampments. Diversion courts should be utilized more to ensure that people receive the treatment and care they need, rather than simply pushing people into the incarceration cycle.

Finally, to address one of the main causes of homelessness, California must increase its housing supply to lower the cost of living in the state. This should be done by getting rid of restrictive zoning laws, reducing the costs of building, and streamlining the development process. These steps will not only lift people out of homelessness but will also prevent more Californians from becoming homeless in the future.

With homelessness at crisis levels, California faces a significant challenge, but not an ineradicable one. These practical, common-sense steps will make the state's response to homelessness more efficient. More importantly, they will also ensure that those experiencing homelessness can receive the care and services that are right for them. It is time to stop simply flooding the issue with more funds and to take a practical approach to homelessness that places efficiency, impact, and care for all Californians over politics.

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## Synopsis

Despite the billions of dollars of state funding that goes towards homelessness programs and services each year, California leads the nation with more than 161,000 people experiencing homelessness at most recent count, a vast majority of whom are unsheltered. This report identifies several key areas where California's approach to homelessness has failed and offers practical yet innovative solutions that address the full scope of the problem—from housing to health and well-being.