
HOMELESSNESS IN THE PORTLAND REGION

A Review of Trends, Causes, and the Outlook Ahead

October 10, 2018

Prepared for:
The Oregon Community Foundation

EXECUTIVE SUMMARY

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Acknowledgments

This is the executive summary of a report written by John Tapogna, Madeline Baron, and Ralph Mastromonaco with research assistance from Ryan Knapp, Lisa Rau, and Virginia Wiltshire-Gordon and editorial support from Allison Tivnon, Melissa Rowe, and Robert Whelan. The authors received valuable feedback on an earlier version of the report from David Bangsberg, Ryan Deibert, Melissa Freeman, Mitch Hornecker, Sandra McDonough, Robert Stoll, Stephanie Swanson, Sonia Worcel, and Marisa Zapata. The authors would also like to recognize Ingrid Gould Ellen and Brendan O’Flaherty—editors of *How to House the Homeless* (Russell Sage Foundation, 2010). The policy framework advanced in this report draws heavily on their book’s insights.

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

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

² Ibid.

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- **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 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.

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.

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- **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 homelessness—typically involving the highest need populations—started in the early 2000s. Permanent supportive housing (PSH), the recognized best practice, provides

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>.

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 exists, 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.

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

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.

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.