An Analysis of Homelessness & Affordable Housing Multnomah County, 2018

Prepared for Oregon Harbor of Hope

School of Business MBA Capstone Project
(Revised July 31, 2018)

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Executive Summary

The current homeless crisis has been in the making for decades.

Macroeconomic changes, deinstitutionalization, and massive cuts to public housing during the 1970s and 1980s laid the groundwork for growing numbers of homeless people. The housing crisis during the Great Recession worsened the situation significantly and in 2015 the City of Portland declared a state of emergency.

Homelessness affects entire communities.

Homelessness takes a huge toll on the health and wellbeing of individuals and families and can have a detrimental effect on neighborhoods and businesses. A full accounting of the cost of homelessness in dollars is unknown, affecting the community’s ability to fully evaluate current investments and plan for the future.

The number of people experiencing homelessness is unknown.

The Point-in-Time Street Count provides a snapshot of homelessness on one night every other year, leaving out thousands of people who are doubled-up with family and friends or in hospitals or jails.

Multnomah County lacks 29,000 units of affordable housing.

Multnomah County has a shortfall of 29,000 units of affordable housing for households earning 50% or below of the area median income. These families are housing burdened, often spending more than half their income on rent.

Macroeconomic forces contributed to the current housing and homeless crisis.

Several factors have contributed to the affordable housing shortage starting with an influx of newcomers attracted to higher paying jobs as the economy recovered after the Great Recession. Limited housing units drove up home prices and rents, pricing many people out of their own neighborhoods. Stagnant wages did not keep up with the cost of living, forcing many to choose between paying for housing, food, and healthcare. Some populations have been disproportionately affected, including people of color, seniors, and people with disabilities. The situation could worsen as advances in technology potentially eliminate thousands of jobs that low-wage earners rely upon.

Structural barriers can impede the scaling of affordable housing construction.

Building affordable housing can be a juggling act as developers reconcile low revenues with high construction and maintenance costs, compliance issues, and limited land for development. Assembling a financing package can be difficult and time-consuming. A case study in this report shows how one private developer is navigating these challenges in Multnomah County.

Recommendations

- Reduce barriers to affordable housing development
- Improve the accuracy of the homeless count
- Conduct a cost of homelessness study for Multnomah County
- Promote home-sharing among baby boomers and retirees
Introduction

The community of Multnomah County is experiencing a homeless and housing crisis. Thousands of people live in temporary shelters or outside, and there is a deficit of more than 29,000 units of affordable housing. A confluence of factors has contributed to this situation, including a high influx of newcomers as the economy improved after the Great Recession, coupled with lagging home construction rates. As more people with higher wages competed for scarce housing units, rents rapidly increased and thousands of low-income residents became “housing burdened.” Many people doubled-up with family and friends, and thousands asked for help from government and nonprofit service providers. However, resources were limited, and as evictions increased, some ended up homeless. The situation was so acute that in 2015 a “housing emergency” was declared in Portland. The declaration was renewed in 2016 and 2017 as community leaders continued to grapple with these issues.

Oregon Harbor of Hope, a nonprofit organization formed to “create safe harbors and a path to stability for Oregon’s homeless population,” approached the Portland State University (PSU) School of Business to research the issues and help articulate the challenges surrounding this crisis. Since this is one of the biggest problems the region has faced, many people and groups from the public, nonprofit, and private sectors are focused on it. This report is not intended to duplicate these efforts, but to contribute to the community conversation by highlighting a few key issues and drawing attention to demographic and economic changes that could exacerbate these problems if not addressed.

Research Design and Geographic Focus

Over the course of six months (Jan. – Jun. 2018), a PSU School of Business Capstone Team (“Team”) reviewed a diversity of reports and articles and interviewed 20+ people to gain a broader understanding about homelessness and affordable housing needs in this region and elsewhere. The intent was to understand how the issues have emerged and changed over the years. The Team utilized the Stages of Homelessness and Housing Continuum Framework (see below) to help understand how and why people become homeless and to consider ideas for potential interventions.

Framework

Stages of Homelessness & Continuum of Housing

The geographic focus of this report is primarily Multnomah County. Data from the City of Portland and wider Metro Region were used when County data were unavailable or to further explain the issues.

Understanding the extent and nature of these problems is important for aligning efforts and cultivating the resources needed to address these issues on a much larger scale. Part I of this report provides a general overview of homelessness, how it is measured, who experiences it, and the cost to individuals and communities. Part II provides an overview of a few economic challenges as contributing factors. Part III describes how the issues have worsened over time and highlights several populations who are disproportionately impacted. Part IV delves into some of the challenges developers face when building affordable housing units and examines a case study. Appendix J provides an international perspective, examining how several countries are facing the same issues. Several recommendations are provided for consideration at the end of the report.
How did Homelessness get so Bad? A Brief History

Several macro factors contributed to the current homeless crisis starting with deinstitutionalization efforts in the 1950s and 1960s. The goal was to treat people with mental health challenges more humanely and to reduce costs; however, it left many people with few options for housing. There were 558,000 people in mental health hospitals in 1955 but just 60,000 in 1998. Community-based mental health centers were intended to take the place of institutions but did not materialize at the level needed. Without adequate care, thousands ended up homeless or in jail. Nationwide, an estimated 33% of homeless people and 16% of inmates have a severe mental illness.

Prior to the 1960s, America had a thriving middle class when one parent could work full time as a teacher or manufacturer and earn a sufficient income that would cover household expenses. During the 1970s, the economy began to change in ways that gradually eroded middle-income employment and led to a growing number of low wage jobs, mainly in the service and retail industry. During the 1970s, public housing prevented many people from becoming homeless by helping them bridge the gap between low wages and the cost of living. However, political and ideological changes during the 1970s and 1980s led to the removal of 4.5 million affordable housing units through demolition or conversion. Section 8 rental subsidies were designed to replace public housing projects but were not funded sufficiently to address the growing need. The efforts of local governments, nonprofits, and religious organizations have been insufficient in the face of such a large problem. As a result, homelessness has become ubiquitous in communities across the U.S.

The Great Recession and its Aftermath

Throughout the 1990s and early 2000s, homelessness was a growing problem; however, the Great Recession worsened the situation significantly. An estimated 3.2 million jobs were eliminated and 1.2 million homes foreclosed upon between 2007 – 2009; millions more were lost during the post-recessionary period. More homeowners became renters, driving vacancy rates downward. As the economy began to recover, housing affordability became a bigger concern as popular places like Portland, Seattle, and San Francisco attracted newcomers with high incomes. Competition heated up for scarce rental units, contributing to double-digit rent increases. Low wage workers struggled the most, spending well over 30% of their income on housing.

2015: Portland Declares a State of Emergency

In Portland, the crisis became acute after rents spiked with double-digit increases between 2011 and 2015. Evictions increased as apartment owners sold buildings to investors and landlords sought renters with higher incomes. Those with few options or family supports became homeless. With more people living on the streets than in shelters, the City of Portland declared a State of Emergency in 2015. The declaration allowed the City to do several things: 1). expedite permitting and siting of homeless shelters and affordable housing units, 2). waive certain procurement processes, zoning, and building codes, and, 3) assess the barriers that might be preventing people from moving from homelessness into housing. The Joint Office of Homeless Services was also created during this time to help coordinate homeless services in the City of Portland, Gresham, and Multnomah County.

New Challenges Contributing to Housing Instability

The U.S. has a substantial aging population with about 3.5 million people reaching age 65 per year. More than 40% have a household income of less than $14,000/year. In 2017, the average monthly Social Security check in Oregon was about $1,300/mo., yet it is difficult to find a rental unit under $1,000/mo. in Multnomah County. Workers over 55 did not grow up with computer technology, putting many at a competitive disadvantage in today’s tech-dependent economy. Many will need to work later in life due to low retirement savings and higher debt than previous generations. On a per capita basis, debt among retirees 65 and older increased by 48% between 2003 and 2015.
Homelessness in Multnomah County

Addressing homelessness requires an understanding of how many people are experiencing it, their living situations and demographic characteristics. Knowing how the problem is emerging and changing over time allows communities to assess progress and plan for the future. The following section draws highlights from the Point in Time (PIT) Count of homeless people in Multnomah County. It includes those who were living in shelters, transitional housing, and outdoor spaces not intended for human habitation during one night in February 2017. The study is a snapshot; thus, is not a comprehensive measurement of homelessness in Multnomah County, although it does provide some insight into what some people are experiencing. The PIT methodology is considered in the next section.

An Overview of the Point in Time Count

The federal Housing and Urban Development (HUD) department operates the national Continuum of Care (CoC) program that is designed to support communities in the goal of ending homelessness. HUD requires CoC participants to use a specific methodology that provides a snapshot of the number of homeless people who are staying in emergency shelters, transitional housing, and places not meant for human habitation, collectively known as the “HUD-Homeless.” The PIT Count is conducted on a specific night in January and includes two types of counts during alternating years: On even-numbered years, the count includes homeless people who are residing in emergency shelters, transitional housing, and Safe Havens. During odd-numbered years, a more comprehensive count is conducted to include unsheltered families and individuals, aka the “Street Count.”

PIT Count data serves several purposes: It allows communities in Oregon to maintain eligibility for state and federal funding and is used by service providers to assess progress. Local governments use the data to inform policy and planning efforts, allocate resources, and increase awareness about homelessness. Nationwide, PIT Counts are compiled in the Annual Homeless Assessment Report (AHAR) to Congress. The most recent PIT Count in Multnomah County that included both sheltered and unsheltered homeless people was conducted winter 2017.

Figure 1:
Number of Homeless People in Multnomah County
PIT Count 2009-2017

According to the 2017 Point-In-Time Count, there were 4,177 homeless people in Portland, Gresham, and Multnomah County, a 9.9% increase over the 2015 report. Figure 1 shows the number of homeless people increased after the Great Recession but declined as the economy improved. However, the numbers appear to be increasing again. Two notable improvements over the last report include the number of homeless people who were unsheltered decreased by 11.6% from 2015 to the lowest amount since 2009, and the number of homeless people accessing shelters increased by 31%.
**People with disabilities:** In 2017, nearly two out of three homeless people (60.5%) in Multnomah County had one or more disabling conditions such as a mental illness, chronic physical condition, or substance-use disorder. This represents a 16.1% increase over the 2015 report.\(^{21}\) The percentage was higher among those who were unsheltered (71.6%) or living in transitional housing (67.1%) and lower among those staying in emergency shelters (47.0%).

Having a disability and being unsheltered can be particularly difficult. Table 1 shows the percentages and types of disabilities among those who were unsheltered in 2017.\(^{22}\) Nearly half of those who were unsheltered had a serious mental illness and about one out of three had a physical disability. Another third had a substance use disorder. Percentages do not add up to 100% because some people had multiple disabilities. There is a relationship between mental illness and homelessness. Having a mental illness can contribute to homelessness such as when symptoms affect a person’s ability to maintain employment. The experience of being homeless itself can be traumatic enough to cause mental illnesses such as PTSD and depression.\(^{23}\)

**Table 1**

Disabling Conditions Among Unsheltered Homeless Multnomah County, 2017

<table>
<thead>
<tr>
<th>Unsheltered: Disabling Conditions</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults with serious mental illness</td>
<td>44.8%</td>
</tr>
<tr>
<td>Physical disability</td>
<td>38.0%</td>
</tr>
<tr>
<td>Adults with a substance use disorder</td>
<td>37.5%</td>
</tr>
<tr>
<td>Chronic health condition</td>
<td>26.3%</td>
</tr>
<tr>
<td>Developmental disability</td>
<td>7.8%</td>
</tr>
<tr>
<td>Adults with HIV/AIDS</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Source: PSU 2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County

**Domestic violence:** Domestic violence (DV) survivors often turn to homeless service providers when fleeing a DV situation.\(^{24}\) One out of three homeless people (33.7% or 1,261 people) who was 18 years or older reported experiencing domestic violence in a current or past relationship during the 2017 PIT Count in Multnomah County. Women reporting higher rates (54.8%).\(^{25}\) Among the unsheltered population, the numbers were higher. Nearly half (46.6%) of adults reported experiencing domestic violence at some point and about one in five (21.0%) was fleeing a domestic violence situation on the night of the count.\(^{26}\)

**Gender:** Gender differences among the homeless have been narrowing over the years. Figure 2 shows that about 37% of the homeless population in Multnomah County was female in 2017, up from 26% in 2009.

**Figure 2**

Gender Distribution Among Homeless Population Multnomah County, 2009 - 2017

Source: Point-In-Time Count of Homelessness in Multnomah County, 2009 - 2017

The number of transgender people who are homeless has been increasing in Multnomah County. In 2017, 44 transgender people were homeless compared to 20 people in 2015. Although they represent a small fraction of the overall count (1.1%), the increase could be a trend. According to a survey conducted by the National...
Center for Transgender Equality, one in ten transgender people who came out to immediate family members reported experiencing violence and 8% were kicked out. About one-third (30%) had been homeless at some point in their life with 12% being homeless during the year prior to taking the survey.27

**Age:** The average age of the homeless in Multnomah County was 40 years in 2017.28 Those who were between 25-44 years made up the largest single group of the homeless population at 39.2%, followed by 45-54 years (22.9%). The 2017 Point in Time report revealed a 46.7% jump in homelessness among people 55 years and older between 2015 and 2017. Although it was a relatively small number (14 people) it could be a trend. The National Homeless Research Center estimated that homeless people over 62 would double between 2010-2050.29 According to Dr. Margot Kushel at the University of California San Francisco, people who are homeless are aging faster than the general population, and those born during the second half of the baby boom (1955-1964) have an increased risk of homelessness when compared to other age groups.30 See page 18 for more information about the housing burden among senior citizens and retirees.

Children under 18 decreased as a percentage of homeless people in the PIT Count in Multnomah County, which could be due to a concerted effort among local government and service providers to prioritize shelter beds for families with children.31 In 2015, there were 374 (9.8%) children and youth under 18 years compared to 382 (9.1%) in 2017.32

**People of color:** People of color were disproportionately represented in the PIT Count: 36.5% of the homeless population was a person of color compared to 28.7% in Multnomah County. See page 17 for more information about disproportionality among people of color who are housing burdened.

**Chronically homeless:** About one out of three (31%) homeless people in Multnomah County were considered “chronically homeless” in 2017 (1,290 people). According to the HUD definition, a chronically homeless person has been living in a place not meant for human habitation, a Safe Haven, or emergency shelter for at least 1 year or on at least four separate occasions over the last 3 years that cumulatively add up to 1 year, and can be diagnosed with one or more of the following conditions: substance use disorder, serious mental illness, developmental disability, post-traumatic stress disorder, cognitive impairments resulting from brain injury, or chronic physical illness or disability.33 See Appendix A for more details.

There was a 24.9% increase in the number of chronically homeless people in Multnomah County in 2017 compared to 2015 (257 additional people), and they represented slightly more than half (55.0%) of those who were unsheltered on the night of the count; however, a significantly higher percentage of them were staying in emergency shelters compared to 2015 (136.1% increase).

**Point-In-Time Count Leaves Out Thousands of People**

The PIT Count is helpful for providing a baseline that can be evaluated over time; however, it also has significant shortcomings. The homeless street count is a snapshot conducted on a specific night every other year, thus it is likely to miss some homeless people. The 2017 PIT report acknowledges the shortcomings of the HUD methodology by listing populations who were not be included, such as those who are sleeping in hard to reach or unknown locations, those with language barriers or who refuse to participate, those who may not be using mainstream homeless services, and people who are doubled-up with friends and family.34

Section 4 of the Multnomah County PIT report attempts to account for a portion of those who were not counted by including an estimate of the number people likely to be “doubled up” (i.e., living with friends and families for economic reasons).35 In 2017, the estimated doubled-up population was 9,522 people. This number was derived by multiplying the number of homeless children enrolled in public school by the average family size in in their school districts. The combined total was 13,699 homeless people (4,177 + 9,522).36 Children who were too young for school or not enrolled in public school were not included.

*An Analysis of Homelessness & Affordable Housing in Multnomah County 2018 (Revised July 31, 2018)*
There is a large disparity in the numbers of children counted during the PIT report and those captured by the Oregon Department of Education. For example, the PIT report counted 382 homeless children in Multnomah County under 18 on one night in 2017; whereas, the Oregon Department of Education (ODE) counted 4,427 homeless children enrolled in classes in Multnomah County during the 2016-17 school year. These are different methodologies and there is likely to be some overlap within ODE; however, both measurements are attempting to account for the number of homeless children. This disparity points to the need for a more comprehensive accounting of the number of homeless people in Multnomah County.

The National Law Center on Homelessness and Poverty (NLC) analyzed the HUD PIT methodology and concluded “the count produces a significant undercount of the homeless population at a given point in time.”37 The NLC estimated the actual number of homeless individuals could be 2.5 to 10.2 times greater than official PIT results.38 This is mainly based on HUD’s narrow definition of homelessness that leaves out people living with friends or family due to economic hardship and those who were homeless before entering institutions such as jails or hospitals. Additionally, people who have transitioned in and out of homelessness between PIT counts would be omitted using a biennial snapshot approach. Other uncounted people include those who were unsheltered yet not visible during the count and homeless people who fear interactions with authorities and thus intentionally avoid being counted. Homeless people who travel for work to places such as the Amazon CamperForce Program39 have been called “nomads” and “van-dwellers,”40 and would be missed if they were outside Multnomah County during the night of the count.

Cost of Homelessness: Human Impact

The impact of homelessness can be severe, causing trauma that may linger for years. A range of support services using a trauma-informed care approach helps those who have been homeless maintain housing after being homeless. Homelessness is particularly hard on children and youth who move frequently and change schools more often. Each time they move, they lose connections with friends, teachers, and mentors, which could disrupt their ability to form attachments. Homeless children can also suffer from physical, psychological, and emotional issues. According to a survey from the Family Housing Fund, being poor and homeless may cause toxic stress41 which interrupts normal brain development.42 Figure 3 shows the number of homeless children increased 38.6% between 2012-2017 in Multnomah County. Many of them could be at risk for dropping out of school. According to the U.S. Department of Education, more than 40% of formerly homeless youth reported they had dropped out in middle and high school.43

![Figure 3](image)

**Figure 3**

**Number of Homeless Students (K-12) Multnomah County, 2012-2017**

3,194 3,797 4,059 4,064 4,427


School Year

Source: Oregon Department of Education, Homeless Student Percentages by District
The impact of homelessness on adults can be significant, particularly if they have been unsheltered for a long period. It’s difficult to eat nutritious food, get enough sleep, and access needed health care. Maintaining a job is difficult without a regular shower and opportunity to wash clothes. It can be stressful to constantly move around, looking for a place to sit or sleep. Unsafe conditions can cause feelings of insecurity and some may start using drugs to help numb their feelings or help them cope. Research shows the longer a person is homeless the risk becomes higher they will remain homeless.

The worst possible outcome of homelessness is death. Figure 4 shows that between 2011 and 2016, there were 359 homeless deaths recorded in Multnomah County. In 2016, nearly half (40%) were found outdoors with the remaining dying in hospitals (15%), hotel/motel/shelters (14%), RV/campers/vehicles (11%) and other locations. Half the deaths involved a substance such as opioids or alcohol as a primary or contributing cause.

Cost of Homelessness: For Communities

Homelessness has a considerable impact on neighborhoods and community livability. People who lack homes often travel with all their belongings and do not have regular access to bathrooms or garbage receptacles. In 2016, Buckman and Montavilla neighbors complained about human waste and garbage, and a petition was circulated to initiate cleanup efforts and increase law enforcement in Montavilla Park. It can be challenging for leaders to balance the interests of all community members. People with homes want clean and safe environments, yet those without homes often have few places to go. Some advocates believe the visibility of the problem helps increase awareness, leading to additional action. While difficult to put a dollar on livability, homelessness is costing local communities in many ways.

Business Climate: The homeless crisis is most conspicuous in the downtown Portland area. The Portland Business Alliance has responded by contracting with the Clean & Safe program to keep the downtown area clean for visitors, workers, and residents. However, a 2016 survey by the city auditor revealed the percentage of Portlanders who felt safe walking alone at night downtown had decline from 2012. In November 2017, Columbia Sportswear considered closing its downtown office a year after it had opened. Employees reported aggressive panhandlers and complained about garbage and human waste near their office. Columbia Sportswear CEO Tim Boyle decided to remain downtown and support efforts to help address homelessness by donating $1.5 million for the construction of a “navigation center” expected to open fall 2018 under the Broadway Bridge.

Cost of Homelessness: In Dollars

The Joint Office of Homeless Services (JOHS) administers contracts for homeless services in Portland, Gresham, and Multnomah County. In 2018, the joint office allocated $58 million to more than 20 service providers to prevent and address homelessness through housing assistance, shelters, employment training, DV assistance, and mental health support, among other services. See Appendix B, Figures 23, 24, and 25 for information on specific vendors and expenditures.
Communities in the U.S. and Canada have taken steps to quantify the full costs of homelessness to assess how much each homeless person costs to make effective investments in homeless services and prevention efforts, and to examine the trade-offs between different approaches. The JOHS budget is one source of funds that addresses homelessness. Other government expenditures include healthcare and law enforcement. Local nonprofit organizations that focus primarily on serving the homeless population such as Central City Concern, Transitions Projects Inc. and JOIN receive support through JOHS; however, they also collectively raise millions of dollars through grant-writing and donor development activities. Local businesses also contribute through efforts such as the Clean and Safe program and through other targeted donations.

People who experience homelessness are diverse and have unique needs. Arriving at cost per person can be a “broad brush” exercise. Table 2 shows a range of estimated costs per person, per year after aggregating different cost models in the U.S. and Canada. (See Appendix C for information on specific cost models). Estimates range from $10,000 to $150,000 per person, per year. The wide range primarily reflects various levels of service use. For example, a person who has been chronically homeless with severe medical needs may access the emergency room more often, thus costing more than someone who was briefly homeless. The cost of homelessness can be significant. A study conducted in the Puget Sound area in Washington estimated more than $1 billion was spent every year on homelessness; a study in Santa Clara County in California estimated more than $3 billion between 2007 and 2012. See Appendices D & E.

<table>
<thead>
<tr>
<th>Cost Models</th>
<th>Range</th>
</tr>
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<tbody>
<tr>
<td>• Phil Mangano “Homelessness Czar”</td>
<td>LOW: $10,000</td>
</tr>
<tr>
<td>• Santa Clara County, CA (2007-2012)</td>
<td>Per Person, Per Year</td>
</tr>
<tr>
<td>• Washington County, OR (NERC, 2012)</td>
<td>HIGH: $150,000</td>
</tr>
<tr>
<td>• State of Homelessness in Canada (2013)</td>
<td>Per Person, Per Year</td>
</tr>
<tr>
<td>• Portland Nonprofit</td>
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</tr>
</tbody>
</table>

Homelessness is costly for both the individuals who experience it and the communities that must respond to it. Several economic forces are at work that may be contributing to the homeless problem in Multnomah County, raising the need for more attention on causal factors and preventive efforts.

**Economic Forces at Work**

Like other fast-growing metropolitan areas, Portland is experiencing what some economists call a “Housing Trilemma.” A strong economy and high quality of life often arrive at the expense of housing affordability. According to Josh Lehner at the Oregon Office of Economic Development, “Every city wants to have a strong local economy, high quality of life and housing affordability”; however, most cities will find it hard to achieve all three.53 Portland, Seattle, and San Francisco are experiencing similar challenges. See Appendix F.

Macroeconomics plays a key role in housing affordability. Many jobs in Multnomah County have not provided sufficient wages to cover high housing costs. According to Christian Kaylor, an Economist with the Oregon Economic Department “[i]t’s a classic tale of economic divide.”54 Figure 5 shows after the Great Recession, there was an increase in job polarization in Oregon when many middle-wage jobs disappeared.55 High and low wage jobs quickly recovered, but the number of middle income jobs (paying roughly $35,000 - $50,000/year for a typical worker in 2017) were still not back to pre-recession levels nearly 10 years later.
Poverty Rate vs. Self Sufficiency Standard

The poverty rate in Multnomah County was 14.2% in 2017, representing about 114,000 people; however, the Federal Poverty Level has been criticized as an inadequate measurement of true need. The cut-off is low, leaving out many people who struggle financially. In 2018, a family of three at 100% of the poverty level earned $20,780/year before taxes. More communities are using the self-sufficiency standard to better understand what local households need to cover their basics needs. Figure 6 shows the self-sufficiency wage in Multnomah County for a family of three (one adult, two children) was $31.57 in 2017. A parent earning a minimum wage of $11.25 would need to work 95 hrs./week to cover the family’s basic needs, a gap of more than $20/hr. Of the top 10 occupations in the Portland OR-WA MSA, just two of them (RNs and general/operational managers) offered a self-sufficiency wage for an adult with two children.

The federal minimum wage was created to provide a basic living wage for workers but has not kept up with the cost of living. The minimum wage in Portland is $11.25/hr., one dollar higher than surrounding areas at $10.25/hr., yet many families still need help.
Requests for help: Without adequate wages, families are forced to make hard choices such as eating less, going without medication, or putting off important bills. Even though rent is often prioritized over other expenses, some families cannot keep up with household bills and lose their housing. 211info is a resource and referral network that provides information to people who need assistance with rent, food, childcare and other needs in Oregon and SW Washington. Figure 7 shows 10,733 requests for housing assistance in Multnomah County were logged between January-March 2018 (calls, texts, etc.).53 The next requests by volume were utility assistance (2,652) and healthcare (1,646). (Note: some requests may have originated from the same person or household).

![Figure 7 Requests for Housing Assistance in Multnomah County, 2016-2018](image)

**Assistance Programs Help Prevent Homelessness**

Without sufficient income, many people turn to government programs and local nonprofits for help. This support can mean the difference between being housed or homeless and can provide critical support for those coming out of homelessness. Below are a few government programs that help people stay housed:

**Supplemental Nutrition Assistance Program (SNAP):** SNAP is considered the most important anti-hunger safety net in the U.S.64 In Multnomah County, an average of 75,000 households representing about 125,000 people received SNAP each month in 2017.65 The average monthly SNAP benefit was $215.00 per household, providing an annual benefit of $2,580, about 11% of a household budget for a family working full time at minimum wage in Portland.

**Employment Related Day Care (ERDC):** According to a report prepared by *Child Care Aware*, the annual cost of child care in Oregon is $12,249/yr. and can be as high as $21,645 for an infant and 4-year old.66 It can exceed the cost of monthly rent. The Employment Related Day Care program (ERDC)67 helps low-income working families afford childcare. To be eligible, a family’s income must be less than 185% of the Federal Poverty Level and payments are made directly to care providers. Families receiving ERDC in Portland can receive up to $595/mo. - $928/mo. for a toddler, depending on the type of childcare (home care vs. childcare centers),68 a significant resource for low-wage working families.

**Earned Income Tax Credit (EITC):** The federal EITC helps low- to moderate-income working people reduce their taxes and have more disposable income. More than 27 million people received nearly $65 billion in federal EITC during 2017. The average federal EITC amount received per tax-filer in 2017 was $2,455.69 This once-a-year boost allows low-wage workers to catch up on bills or purchase a car for work.70

**Housing Choice Vouchers/Section 8:** Housing subsidies are the federal government’s primary avenue for helping low-income families, the elderly, and people with disabilities afford decent, safe, and sanitary housing in the private market. Household income may not exceed 50% of the area median income (AMI) and 75% of vouchers go to applicants with incomes at or below 30% AMI.71 Qualified families are expected to pay a minimum of 28.5% of their income on rent; the remaining amount is subsidized unless the rent exceeds the
HUD payment standard in which case the tenant pays the additional amount (up to a limit). In June 2018, 5,709 households in Multnomah County received an average $776/mo. in HCVs support.

Even though government programs can make the difference between having a home or being homeless, several are at risk for cuts. Congress is currently proposing changes to SNAP that could reduce benefits for thousands of people and HUD may reduce the HCV program. Additionally, not all who are eligible receive assistance due to limited government resources. Without sufficient wages or an adequate safety net, more people could become homeless.

Economic changes also pose a risk for increasing housing instability. Advances such as automation could potentially eliminate thousands of low-wage jobs in Multnomah County, as discussed in the next section.

**Future Trends & Economic Outlook**

Advances in technology such as machine learning algorithms, big data, and artificial intelligence are changing the employment landscape. A 2017 report by the McKinsey Global Institute reported 60% of all occupations have at least 30% of constituent activities that could be automated. The activities most susceptible to automation represent $2.7 trillion in wages in the U.S.

The Portland Business Alliance and ECONorthwest collected data showing the risk of automation in Oregon. The 2017 report revealed that nearly all jobs in “Food preparation and Service Related” (93%) and “Sales and Related” (82%) industries were at high risk for automation. These jobs paid a median annual wage of between $22,830 and $27,980/year. Higher paying jobs ($47,860/year or more) were at the lower risk. Figure 8 shows the number of jobs in Oregon (360,000) at high risk for automation.

**Figure 8 Jobs at High Risk for Automation in Oregon**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accomodation/Food Services</td>
<td>144,200</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>141,600</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>91,100</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>67,680</td>
</tr>
<tr>
<td>Construction</td>
<td>50,880</td>
</tr>
<tr>
<td>Admin., Waster Mgmt./Remediation</td>
<td>43,730</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>39,430</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>39,420</td>
</tr>
<tr>
<td>Government</td>
<td>33,360</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>28,670</td>
</tr>
<tr>
<td>Professional/Technical Services</td>
<td>27,420</td>
</tr>
<tr>
<td>Other Services</td>
<td>21,000</td>
</tr>
<tr>
<td>Educational Services</td>
<td>20,260</td>
</tr>
<tr>
<td>Arts, Entertainment and Recreation</td>
<td>10,980</td>
</tr>
</tbody>
</table>

Source: Portland Business Alliance. Adapted from ECONorthwest analysis of Frey et. al. and Bureau of Labor Statistics data

**Economic Outlook:** The Northwest Economic Research Center (NERC) 2018 Population Outlook report forecasts a strong economy and high quality of life in the Portland Metro area, although job growth rates are beginning to slow (2.69% yoy in 2018 compared to 3.00%+ in 2014-2016) as the economy reaches full employment. After experiencing high-growth rates, Leisure and Hospitality is considered a slow-growth industry and Retail is settling into a medium-growth industry through 2027. This could present an issue with an additional 137,000 people projected in Multnomah County by 2035. As shown in the next section, population and economic growth together can have a significant impact on housing affordability.
Affordable Housing Crisis Worsens

Several factors have worsened the affordable housing crisis, starting with domestic in-migration. Metro areas with healthy economies attract younger people with higher incomes and education than out-migrants. Figure 9 shows Multnomah County grew by 67,666 people between 2010 - 2017, about 10,000 people per year. Two-thirds (40,290) was due to net in-migration. In coastal areas such as Portland, Seattle, and San Francisco, new home construction was limited, fueling competition for scarce housing and driving up home prices. Many chose to rent rather than own. The number of renter households in Portland increased by 9.6% between 2011-2015 while owners declined by 0.3%. Housing developers responded by building high-end multi-unit apartment buildings to serve the influx of high-income renters but failed to keep up with the demand for affordable housing. Consequently, rental prices rose faster than incomes, worsening the crisis.

Figure 9
Multnomah County Population Change, 2010 - 2017

Source: PSU, Population Research Center, Oregon Annual Population Report, 2017

Figure 10 shows a dramatic change in incomes among new renter households between 2011 – 2015. Portland renters earning $75,000 and above increased by 96%. These households could afford to pay more for housing than low-wage earners and landlords responded by raising rents. In contrast, renter households earning $49,999 and under decreased by about 6% (2,855 households). Some of these households may have moved to areas surrounding Portland, such as Gresham, in search of more affordable options.

Figure 10
Change in Renter Households by Income, 2011-2015

Source: Adapted from PSU Preserving Housing Choice and Opportunity Report, 2017, Figure 4
Figure 11 shows that housing construction slowed significantly after the Great Recession just as more people were moving into the community, compounding the scarcity of housing. Multi-unit construction rates began to rebound in 2014, but not fast enough to address the need.

**Figure 11**
Multi-Unit and Single-Family Unit Construction, Portland, 2002-2016

Increasing Rents & Low Vacancy Rates

According to Zillow, median rental prices for vacant units rose rapidly in Multnomah County starting in 2011, particularly for 2-bedroom units, which increased 50% between 2011 and 2018. Median rental prices slowed in 2017; however, average rents in some neighborhoods continued to experience double-digit increases, particularly in East Portland; Parkrose-Argay and Pleasant Hill are notable examples. This demonstrates that as affordable neighborhoods become more attractive, rents go up, and affordability declines.

**Figure 12**
Median Rental Prices for Vacant Units
Multnomah County, 2011-2018

**Figure 13**
Metro Area Vacancy Rates
2009-2018

Figure 13 shows the inverse relationship between what the market is asking renters to pay for vacant units and vacancy rates, which were declining as rents were increasing. During this time, wages at the lower end remained largely stagnant, putting two out of seven people in Multnomah County at risk of paying more than 50% of their income on housing.

**Rents in Portland compared to the Area Median Income**

Figure 14 shows that average rents in Portland in 2017 Q4 (blue bars) were out of reach for most households earning below 100% of the AMI ($67,230/year or $5,602/month). Households earning 60% AMI and below could not afford any units without exceeding 30% of their income. An extremely low-income single
mother with two children at 30% AMI would have spent nearly all her monthly income ($1,680/mo.) to rent an average 1-bedroom apartment at $1,350/mo.

Figure 14
Average Rents in Portland vs. Average Median Income Percentages, 2017

Figure 15
Renters vs. Homeowners, Multnomah County, 2015

Populations Impacted by the Housing Crisis
Some populations have been disproportionately affected by the high cost of housing in Multnomah County. The next section provides information unique to people of color, senior citizens, and people with disabilities.

People of Color
Figure 15 shows people of color are more likely to be renters vs. home owners in Multnomah County. They are also more likely to have low wage jobs89, thus, have been disproportionately affected by the housing crisis.

Figure 16 shows the displacement of people of color between 1990-2010. The gold circles indicate neighborhoods experiencing a net loss in people of color and the blue circles highlight areas where there has been a gain. High rents have contributed to this displacement. The North/Northeast Affordable Housing Strategy was developed to help households affected by gentrification remain in their neighborhoods or return if already displaced.90 As more people of color moved to areas like East Portland and Gresham in search of more affordable options, poverty became more concentrated91 and neighborhoods more segregated.
Baby Boomers & Retirees

Baby boomers aged 54-72 years (as of 2018) have been changing the demographic landscape since they began retiring in 2011. Every day, 10,000 reach age 65 in the U.S. Additionally, more people are living longer, contributing to an overall older population.92 (See Appendix G). The average lifespan for baby boomers is 80 years; millennials will live an average 95 years and their children 104 years.93 Figure 17 shows an additional 88,260 people aged 50 and above are expected in Multnomah County by 2035, a 37% increase over 2017.

A larger population of older people means more of them will need assistance later in life, particularly since many will lack sufficient retirement income. Figure 18 shows median retirement savings amassed among different age groups before and after the Great Recession.94 Nearly half of working-age households (45%) do not own any retirement account assets, including an employer-sponsored 401(k) or IRA. Half of those households are headed by someone between the age of 45 to 65 years.95

Today’s seniors have fewer assets and children to rely upon than in the past.96 With longer lives, they could outlive what savings they’ve accumulated. Some will choose to work while others will have no choice.97 Without support, some may become homeless. In Portland, a senior earning a median income of $39,328 could afford $938/month in rent. However, according to the 2018 State of Housing Report in Portland, no neighborhoods were considered affordable for seniors at that level. The reality is that many seniors (61%) are relying on social...
security for half their income with one third relying on it for 90% of their income. Of those, about 70% spend more than 30% on housing. Reliance upon social security increases as people get older.

**People with Disabilities**

According the National Coalition on Homelessness, having a disability can be both a cause and condition of homelessness. People with disabilities make up about 16% of the U.S. population (not institutionalized); however, more than 40% of the homeless are considered disabled. 

Supplemental Security Income (SSI) is an important resource for people with disabilities who are very low income but have not worked enough hours to qualify for Social Security Disability Insurance (SSDI). Figure 19 shows that SSI provided a maximum monthly benefit of $735 in 2017 for an individual. This would not cover the rent for a studio apartment at median rent prices in Multnomah County. Housing Choice Vouchers can be a critical resource to combine with SSI to maintain stable housing; however, the waiting list in Multnomah County has been closed since 2016.

According the Center on Disability, about 29% of households who received a HCV voucher in Portland had a member who was disabled in 2017.

**Market Forces Alone Won’t Solve this Problem**

**Affordable Housing Shortfall**

Figure 20 shows that Multnomah County has a current shortage of 29,000 units for families that are earning 50% AMI ($53,000/year and below). Multnomah County has a current supply of 24,326 units of regulated affordable housing. With so many people lacking affordable housing, the question of housing supply is raised. If the demand is so high, why is the supply so low?
The market normally responds to such high demand. However, affordable housing will not scale up without significant government intervention due to many players with differing and sometimes conflicting interests:

- **Renters** want to earn a livable wage and pay affordable rent for a home in a safe and convenient location. However, many do not earn sufficient wages and are housing burdened.

- **Landlords** hope to maximize earning potential by asking for the highest rents possible. They prefer low vacancy rates and tenants with good credit and rental histories. Low-income renters, particularly those receiving Section 8 vouchers, are often not the first choice for many landlords.

- **Nonprofit housing developers** are dedicated to their mission and aim to serve vulnerable renters but must also break even to stay afloat. They have limited capacity to serve those earning the lowest AMI.

- **For-profit developers** seek to maximize income potential. They want to do well and do good but find it hard to earn expected returns on affordable housing projects. They tend to target households earning 60% - 80% AMI; however, even those projects may not pencil out.

- **Governments** seek to balance different constituent interests. Public policies, regulations, and funding are used in combination to encourage, and, in some cases, require construction of new affordable housing; however, public resources are limited, and construction is both expensive and time-consuming. Less than 1,200 units of affordable housing are in the construction pipeline for 2018-2021 in Portland.

**Addressing the Affordable Housing Shortfall**

Real estate investment decisions boil down to considerations of time and money. Figure 21 provides four scenarios for addressing the 29,000 unit shortfall. (See Appendix H for more information about this model’s assumptions and limitations).
If Multnomah County built 900 units a year, it would take 32 years to eliminate the current 29,000 unit housing gap. Assuming an average cost per unit of $284,000, that would entail spending $256 million per year in current dollars. The gap could be closed in seven years by spending $1 billion per year. In order to scale development of affordable housing, we need to find a way to significantly reduce the average cost per unit or find a substantial amount of new dollars. Although that analysis is outside the scope of this study, it presents a critical opportunity for addressing the affordable housing crisis.

**Affordable Housing Development Challenges**

Affordable housing developers face significant challenges that can restrain the ability to scale production of affordable housing quickly or cheaply. The following factors play a key role:

**Low revenues:** When an affordable housing project receives public support, rental income is regulated to maintain affordability for renters. Table 3 shows the monthly income of a 2-bedroom unit at different percentages of the AMI. Rents can increase incrementally over the years but must adhere to the HUD schedule. This exposes owners to operating deficit risk when costs increase but cannot be passed on to tenants through rent increases.

<table>
<thead>
<tr>
<th>Market Rate Rent</th>
<th>$1,599</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated Rent</td>
<td></td>
</tr>
<tr>
<td>80% AMI</td>
<td>$1,345</td>
</tr>
<tr>
<td>60% AMI</td>
<td>$1,009</td>
</tr>
<tr>
<td>50% AMI</td>
<td>$841</td>
</tr>
<tr>
<td>30% AMI</td>
<td>$504</td>
</tr>
</tbody>
</table>


**High construction costs:** Construction costs are the largest expense for housing developers but have steadily increased since 2012. According to edzarenski.com this trend is expected to continue. Since most affordable housing projects are built for 60 years, higher-quality construction materials can reduce maintenance costs in the out years. This can add to the cost of the project.

**Land and SDC costs:** Land is one of the biggest barriers to an affordable housing project moving forward. If developers are unable to secure a deal they must find a way to finance this cost. About 42 square miles of undeveloped land exists in the Portland Metropolitan Urban Growth Boundary (UGB). Between 2015 through 2017, about 3,500 new housing units were permitted in UGB expansion areas, although not all were affordable housing. Building on undeveloped land means higher System Development Charges (SDC) to cover infrastructure investments such as water, sewer, and parks. SDC charges can be waived in full or in part for affordable housing developments. However, with such low margins and lengthy time commitments, it may not be an adequate incentive for private developers, particularly for units targeting households below 60% AMI. If waived, new infrastructure costs for sewers and water would still be incurred by government, thus reducing the amount of government resources for other services.

**Public funding and financing challenges:** Soft and hard costs can increase when accessing public funds (discussed further in the next section). Affordable housing developers must weigh the costs and benefits associated with private and public financing.

- **Debt financing:** Because rents are regulated, affordable housing developers can expect smaller bank loans. Additionally, interest rates have been rising, increasing the cost of debt.
• **Equity investments:** Limited revenue makes the rate of return relatively low. Therefore, it can be challenging to attract investors to affordable housing. The Low-Income Housing Tax Credit (LIHTC) is the largest and most frequently used federal public funding program for affordable housing.\(^1\) However, recent tax reform efforts have softened corporate tax liabilities, diluting the value of LIHTC. According to Novogradic & Company, 235,000 units of affordable housing may not be developed over the next 10 years due to the impact of recent tax reform legislation.\(^{107}\)

• **Public funding:** Other forms of government support are available such as grants, bonds, and tax waivers; however, these can add additional costs through compliance and reporting requirements:
  
  o **Application process:** Applying for public funds can be time-consuming, and labor intensive. Legal and financial expertise is usually needed. Non-housing social goals such as green building and on-site amenities support quality of life and can also increase costs. Competition for limited dollars can lead to what some call a “beauty contest” to attract the attention of funders.\(^{108}\)
  
  o **Costs of compliance:** Requirements such as prevailing wage rates and minimum floor areas can add to construction costs, potentially discouraging some affordable housing projects. According to a Meyer Memorial Trust report, the hard costs of a project can increase by about 10% to meet Bureau of Labor and Industries (BOLI) prevailing wage requirements. In a mixed-use project commercial BOLI rates can add as much as 20% to construction costs.\(^{109}\)
  
  o **Limitations of public funding:** Some public funds cannot be combined on the same project and most can only be applied to construction costs.

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**Case Study**

*For-Profit Affordable Housing Development*

It is difficult for an affordable housing project to pencil out without government support.\(^{110}\) However, some developers have found a way to generate positive cash flow while limiting the use of public funds. This case study provides a look at how one private developer pursued this strategy. This housing development was built in 2016.

Table 4 shows the average cost per unit was $88,979, significantly lower than typical affordable housing projects. The current housing pipeline in Portland (2018-2022) ranges from $116,905 to $435,626 per unit, for an average cost of $284,700/unit.\(^{111}\) There are several reasons that this developer was able to achieve such low costs:

**No land costs:** The land was provided by the developer’s client. In this case, the land was worth approximately $1,278,510,\(^{112}\) about 10% of the total project cost.

**SDC exemption:** The developer received an SDC exemption by renting to households earning 60% AMI. In exchange, the developer agreed to maintain the units as affordable for 60 years. The SDC exemption was worth $2.3 million dollars, roughly 17% of total project costs.

**No public financing:** The developer avoided the costs of compliance attached to public funds such as prevailing wage requirements and minimum unit sizes.

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\(^1\)Investors in affordable housing can reduce their federal income tax burden by $1 for every dollar of LIHTC received. Investors receive the tax credits for 10 years while the property serves low income renter households for at least 15 years. The total amount of credits is determined by a state’s population. The amount of LIHTC assigned to a project is decided by the total development cost, minus land and other costs. (Reference: Schwartz, A. (2015). Housing policy in the United States (3rd ed.). New York: Routledge)
Direct sourcing: Direct sourcing from manufacturers helped reduce the cost of materials.

Low mortgage rate: The developer was able to obtain a 4% interest rate with the help of the client; therefore, the cost of debt was low.

Wood construction: The units are no higher than four floors, avoiding construction costs associated with using materials needed for taller buildings. Additionally, the units are simple in design and have small rooms.

Profitability and return analysis: This project generated positive net operating income (NOI) in its first operating year and gross ROI increased steadily over time. To assess the investors’ internal rate of return, a financial analysis was conducted with a hypothetical sale in the 10th year. Since this project was unsubsidized, it could be riskier, thus an 8% capitalization rate was used with a selling commission of 2.5%. In a 10-year horizon, the investor’s internal rate of return would be 9.3%. Since the land was donated, it was added back and the rate of return recalculated, decreasing it to 5.96%. The property owner can only sell the project if SDCs are repaid to the government (with interest) dropping the internal rate of return to 0.59%.

### Table 4
Case Study: Internal Rate of Return after Hypothetical Sale in the 10th year

<table>
<thead>
<tr>
<th>Inflation Year</th>
<th>0</th>
<th>1</th>
<th>10</th>
<th>10</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Rent</td>
<td>$1,351,884</td>
<td>$1,763,902</td>
<td>$1,763,902</td>
<td>$1,763,902</td>
<td></td>
</tr>
<tr>
<td>Vacancy Factor @3%</td>
<td>(40,556.52)</td>
<td>-52917.05973</td>
<td>-52917.05973</td>
<td>-52917.05973</td>
<td></td>
</tr>
<tr>
<td>Net Rent</td>
<td>$1,311,327</td>
<td>$1,710,985</td>
<td>$1,710,985</td>
<td>$1,710,985</td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$518,000</td>
<td>$675,873</td>
<td>$675,873</td>
<td>$675,873</td>
<td></td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>$793,327</td>
<td>$1,035,112</td>
<td>$1,035,112</td>
<td>$1,035,112</td>
<td></td>
</tr>
<tr>
<td>Less: Replacement Reserve</td>
<td>(44,400.00)</td>
<td>-57931.92936</td>
<td>-57931.92936</td>
<td>-57931.92936</td>
<td></td>
</tr>
<tr>
<td>Net Before Debt Service</td>
<td>$748,927</td>
<td>$977,180</td>
<td>$977,180</td>
<td>$977,180</td>
<td></td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>$70,636</td>
<td>$298,889</td>
<td>$298,889</td>
<td>$298,889</td>
<td></td>
</tr>
<tr>
<td>Initial Equity Investment</td>
<td>(3,950,656.20)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Price @ 8 % Cap Rate</td>
<td>$12,938,905</td>
<td>$12,938,905</td>
<td>$12,938,905</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Balance at Sale</td>
<td>-$5,501,549</td>
<td>-$5,501,549</td>
<td>-$5,501,549</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling Commission @ 2.5%</td>
<td>-$323,473</td>
<td>-$323,473</td>
<td>-$323,473</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales Proceeds</td>
<td>$7,113,884</td>
<td>$7,113,884</td>
<td>$7,113,884</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SDC refund</td>
<td>-$3,404,562</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Cost</td>
<td>-$1,278,510</td>
<td>-$1,278,510</td>
<td>-$1,278,510</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>$70,636</td>
<td>$7,412,773</td>
<td>$7,412,773</td>
<td>$4,008,211</td>
<td></td>
</tr>
<tr>
<td>Investor IRR</td>
<td>9.3%</td>
<td>5.96%</td>
<td>0.59%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The SDC refund includes 10 years of interest at 4% added to the original SDC amount ($2.3 million). Land cost was assessed at [https://www.portlandmaps.com](https://www.portlandmaps.com)

What if this project was a fair market project?

Even though this project was cost-effective due to its unique model, its rate of return may not meet the expectations of many investors who usually expect around 17%-20%. If this had been a fair market project, revenues from rent could increase significantly, bringing a 21.15% rate of return even when including land and SDC costs. (See Appendix I for an analysis of this project at fair market rents). However, at that point the units would no longer be affordable for many households.
Recommendations

After reviewing the research, the Capstone Team arrived at four recommendations that apply to the Stages of Homelessness and Housing Continuum on page 3 (Housing support, Homeless support, and Prevention).

1. Reduce Barriers to Affordable Housing Development

   a. For-profit developers focus more on 60-80% AMI
      Based on the unique challenges of building affordable housing and the profit motive of private developers, it makes sense they primarily target households earning 60% to 80% AMI. This does not address the most pressing needs of households earning 50% AMI and below; however, it could take some of the pressure off the rental market in general by providing more options for households earning closer to the median wage.

   b. Nonprofit and government developers focus more on 30% to 50% AMI
      Nonprofit and government developers of affordable housing have greater access to resources such as land banking and government funds and may be able to better tolerate risks such as time delays. Focusing on households at 50% AMI and below will help address the 29,000 unit shortfall and ensure those who are most vulnerable have more housing options.

      To incentivize more affordable housing development, the government could provide the following support:
      • Simplify application procedures to reduce costs associated with applying for public funds.
      • Balance project selection criteria to emphasize cost-efficiency along with non-housing social goals. The current process generates competition that may add costs, potentially limiting the number of units produced.
      • Support for land purchases: Since land is one of the biggest cost drivers, selling land at a discount or creating additional resources for financing could help build more units.

2. Improve Accuracy of Homeless Count and Include Future Projections

   The Point-In-Time count is the main source of information used by governments, nonprofits, and other organizations to assess the numbers of homeless people, their demographic characteristics, and living situations. The PIT Report could be more helpful if it was used as a supplement to other, more rigorous methods that provided a more accurate count on a regular basis.

   Benefits of a more accurate count:
   • Quantifying how many people experience homelessness on a regular basis.
   • A more accurate demographic profile of who is experiencing homelessness and why.
   • More targeted allocations of limited resources.
   • More equitable and efficient service delivery.
   • Better information about the types of approaches that are working.
   • Forecasting how many people may become homeless, allowing for better planning.

   Target: Joint Office of Homeless Services and the new Homeless Center for Excellence at Portland State University. JOHS would manage data gathered from new information sources. The Homeless Center for Excellence could help develop the methodology and assist with data collection efforts by tapping into the vast knowledge and resources available through local colleges and universities.

   Customers: The main customers would be governments at all levels, homeless service providers, academic institutions, businesses, media, affordable housing developers, the public.
3. Develop a Model to Estimate the Full Cost of Homelessness

Quantifying homelessness in dollars allows community leaders and the public to better understand the full costs of homelessness and efficacy of different approaches. Developing a model for homelessness in Multnomah County could provide the following benefits:

- Analyzing the cost savings of prevention efforts.
- More conscious choices about how limited dollars are spent.
- Identifying who among the homeless population is costing the most and why.
- Understanding which organizations are carrying the largest financial burden.
- Examining how much is spent on services such as health care and law enforcement.
- Forecasting future expenses.

**Target:** Local governments, Joint Office of Homeless Services, and Homeless Center for Excellence. A private-public partnership could provide an opportunity to create a system that accounts for the full costs of homelessness and tracks them over time.

**Customers:** Governments, service providers, business community, academic institutions, media, the public.

4. Promote Home-Sharing among Baby Boomers and Retirees

Many baby boomers and retirees prefer to age in place, staying in their homes as long as possible. Additionally, there are a growing number of older people with few assets and limited incomes who need an affordable place to live. Home-sharing services can connect these two groups.

In 2017, Trulia conducted an analysis of major metropolitan areas to discover how many spare bedrooms were available for home sharing. The analysis focused on multi-generational living (baby boomers and millennials); however, this information could be used to connect baby boomers and retirees with each other. The Trulia analysis revealed 42,511 spare bedrooms in the Portland Metro area potentially available for rent. Monthly rent was estimated at $664/month, providing a more affordable option than a market rate studio and an additional $7,568 in annual income for older homeowners.

**Home-sharing provides the following benefits:**

- Helps people who want to age in place remain in their homes.
- Gives low-income baby boomers and retirees additional options for affordable housing.
- Reduces isolation among older people who are living alone.
- Supports local government density priorities.

There are several local examples of home-sharing services (i.e., Let’s Share Homes and Metro HomeShare); however, they do not appear to be well-known. Home-sharing services could be better promoted to raise awareness among target populations and technological support could be enhanced for recruitment, matching, and screening.
Conclusion

Oregon Harbor of Hope asked the Capstone Team to take a fresh look at the homeless and housing crisis to investigate what might be done to address these problems. Based on our research, the team identified several key factors that are likely to be exacerbating these issues in Multnomah County:

- Competition for limited rental units has driven up the cost of housing and thousands of households in Multnomah County have become housing burdened.
- Economic trends such as automation could eventually eliminate thousands of low-wage jobs, putting more low-income households at risk for homelessness.
- Some populations have been disproportionately impacted by the housing crisis, including seniors, people with disabilities, and people of color.
- Increasing numbers of retiring baby boomers lack sufficient retirement income and will need help paying for housing and other necessities.
- There is a shortfall of 29,000 units of affordable housing over the current inventory of 24,326 regulated units. At the current construction rate, it could take 30+ years to close the gap.
- Affordable housing is typically not affordable to build and operate due to low revenues, high construction costs, inadequate financing, and complex application procedures connected to public funds.
- Community expenses related to homelessness could be costing Multnomah County millions more than anticipated when accounting for the full range of services.
- Proposed cuts to government programs could put more households at risk for homelessness.
- An unknown number of people who experience homelessness in Multnomah County are left out of the official count. Inadequate information prevents a full understanding of the extent of problem and an appropriate response.

Government alone cannot solve these complex problems. Rather, it will require leadership from the private sector, nonprofit organizations, academic institutions, and the government to develop a multi-billion public-private partnership to close the existing 29,000 unit housing gap, ensure a future supply of affordable housing keeps pace with demand, and to provide services for those who need support to remain housed. Bold action is required if we expect to have meaningful impact. Oregon Harbor of Hope can play a key role by helping to orchestrate these efforts.
References


An Analysis of Homelessness & Affordable Housing in Multnomah County 2018 (Revised July 31, 2018)


211info Quarterly Report: Multnomah County. (Jan – Mar, 2018). Retrieved from https://static1.squarespace.com/static/5491c902e4b0d409ad77f2e4/t/5ade49b303ce6478b3bd3008/1524517301316/Multnomah_Q3_FINAL.pdf


Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, Oregon, 2017. Retrieved from https://pdxscholar.library.pdx.edu/cgi/viewcontent.cgi?article=1040&context=prc_pub


Appendices

Appendix A
Definition of Chronically Homeless and Person with a Disability

According to the Housing and Urban Development Department, a **chronically homeless person is an individual who:**

A. Is homeless and lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; and

B. Has been homeless and living or residing in a place not meant for human habitation, a safe haven, or in an emergency shelter continuously for at least 1 year or on at least four separate occasions in the last 3 years; and

C. Can be diagnosed with one or more of the following conditions: substance use disorder, serious mental illness, developmental disability—(as defined in section 102 of the Developmental Disabilities Assistance Bill of Rights Act of 2000 (42 U.S.C. 15002), post-traumatic stress disorder, cognitive impairments resulting from brain injury, or chronic physical illness or disability.

A **chronically homeless family** is a family with an adult head of household (or if there is no adult in the family, a minor head of household) who meets all of the criteria for a chronically homeless individual, including a family whose composition has fluctuated while the head of household has been homeless.

A **Person with a disability** is a person with a disability is an individual with one or more of the following conditions: Physical, mental, or emotional impairment, including an impairment caused by alcohol or drug abuse, post-traumatic stress disorder, or brain injury that:

1. Is expected to be long-continuing or of indefinite duration;
2. Substantially impedes the individual’s ability to live independently; and
3. Could be improved by the provision of more suitable housing conditions.

Appendix B
Joint Office of Homeless Services (JOHS)
Funding for Homeless Assistance Services FY2017

Figure B1
Funding by Provider and General Program Area

Source: Multnomah County, Joint Office of Homeless Services Audit, 2017
Figure: Provider Funding: Funding by Provider and General Program Area
Retrieved from https://multco.us/auditor/joint-office-homeless-services-audit#Objectives
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### Table: Provider Funding: Funding by General and Specific Funding Areas

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Source: Multnomah County, Joint Office of Homeless Services Audit, 2017

Table: Provider Funding: Funding by General and Specific Funding Areas

Retrieved from [https://multco.us/auditor/joint-office-homeless-services-audit#Objectives](https://multco.us/auditor/joint-office-homeless-services-audit#Objectives)

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**Figure B2**

Multnomah County and City Funding for Homeless Services FY2016 – FY2018

![Bar chart showing funding comparison between 2016 and 2018](image)

Source: County presentation and City/County budget documents

Source: Multnomah County, Joint Office of Homeless Services Audit, 2017

Figure: City and County Funding for Homeless Services has Increased Significantly

Retrieved from [https://multco.us/auditor/joint-office-homeless-services-audit#Objectives](https://multco.us/auditor/joint-office-homeless-services-audit#Objectives)
Appendix C
Cost of Homelessness Models

Homelessness is often more expensive than anticipated due to costly and uncoordinated emergency services systems. By understanding the full realm of expenditures and by shifting the focus to permanent solutions, there is an opportunity to reduce the long-term costs of homelessness and make more efficient and effective use of public resources.

1. **Housing and Urban Development Department:** $40,000 per person
   Shaun Donovan, former Secretary of U.S. Department of Housing and Urban Development, stated in a 2012 interview\(^{116}\) that a homeless person costs $40,000 a year in public dollars. This claim was based on a 2002 study\(^{117}\) that estimated an average cost saving of $16,281 per housing unit each year as opposed to $40,451 spent in services. Figures are in 1999 dollars.

2. **Phil Mangano**
   Range: $35,000 - $150,000 per person
   Phil Managano, the former homelessness policy czar under President George W. Bush collected data from 65 cities of different sizes and demographics. According to this study, the cost of homelessness was between $35,000 and $150,000 per person, per year.

3. **Puget Sound Business Journal**
   $1 billion per year on homeless services
   The Puget Sound Business Journal\(^{118}\) estimated the Puget Sound region of Washington State (Seattle, Tacoma, and Olympia) collectively spend over $1 billion per year on addressing homelessness. The infographic\(^{119}\) in Appendix D shows that most costs were incurred by regional nonprofits that provide services to homeless people. Other major cost categories included healthcare and law enforcement.

4. **Portland non-profit organization**
   Range: $40,000 - $150,000 per person
   According to a local non-profit in Portland, a homeless person in Multnomah County can cost anywhere between $40,000 and $150,000 per year in Portland.

5. **Canadian Study**
   $7 billion per year on homelessness
   Canada released its first annual State of Homelessness report in 2013.\(^{120}\) According to the report, 30,000 people in Canada are homeless on any given night with an additional 50,000 hidden homeless people. Homelessness costs the Canadian economy over $7 billion annually. This includes the costs of emergency shelters, healthcare and emergency care, social services, and corrections. Assuming a total homeless count of 80,000 people, this means one homeless person in Canada costs on an average $87,000 annually.

6. **Santa Clara County, CA**
   $3 billion over 5-year period
   See Santa Clara Study below.

**Santa Clara County Study**

*Home Not Found: The Cost of Homelessness in Silicon Valley* is a study based in Santa Clara County, California that aimed to estimate the full cost of homelessness.\(^{121}\) It is the largest and most comprehensive body of information assembled in the U.S. that reviewed the public costs of homelessness. Diverse data streams were used to analyze people experiencing homelessness in Santa Clara County between 2007 and 2012. The study examined demographic and medical attributes, justice system history, and health and human services.

Findings from their study: Between 2007 and 2012, Santa Clara County spent more than $3 billion on services to homeless residents:

- Nearly two-thirds ($1.9 Billion) was spent on medical diagnoses and associated health care services.
- About $786 million was incurred by the criminal justice system.
- Five percent of the homeless population accounted for 47 percent of all public costs. Within this population, 2,800 individuals were categorized as “persistently homeless” with an average cost of $83,000 per year. By prioritizing housing opportunities for these individuals, it was possible to obtain savings exceeding the cost of housing.
- An average $62,473 per capita was spent on the most service-intensive group of people. Upon providing housing to these individuals, per capita costs dropped to $19,767, resulting in an annual cost reduction of $42,706 for those who remained housed.
- Many people experience short-term homelessness: About 20% of the homeless population examined in this longitudinal study experienced homelessness for only for a month. Females in Santa Clara county were overrepresented in the persistently homeless population, as compared to the national average.

Risk factors for higher public costs:
- Mental illness
- Substance abuse
- Incarceration history
- Chronic Homelessness

Healthcare services: Among a total of 104,206 individuals who experienced homelessness in Santa Clara County from 2007-2012, outpatient health care was the most frequently used service, supporting over half the homeless residents. Over a quarter used the emergency room; 17 percent used mental health services; 14 percent were hospital inpatients; 13 percent used drug and alcohol rehabilitation services; and 6 percent used emergency psychiatric services.
- Around 40 percent had a chronic health condition.
- Around 20 percent had substance abuse problems.

Cost Profile: Most costs for homeless residents were paid by the county, although these costs were partially offset by revenue transfers from state and federal government for health care, public assistance, and justice system agencies. Private hospitals also provided health care, paid for with public and private funds. Additional costs were paid by cities within the county, for example for police services. Homeless services provided by nonprofit agencies were underwritten by philanthropic grants and federal funding from HUD. The range of costs is one of the reasons that estimating a net cost of homelessness can be complicated and inexact.

Northwest Economic Research Center (NERC) Study

A study by the Northwest Economic Research Center (NERC) and Washington County Vision Action Network examined the cost of homelessness in Washington County, Oregon beginning in 2012 across four service sectors (medical, law enforcement, mental health and emergency shelters). The study looked at 84 chronically homeless people: 20 individual adults, 27 adults in families and 37 children. An average chronically homeless person cost about $15,000 over the three-year period. Individual adults, or those without families, cost the most on a per capita basis across the time frame, running an average of $40,156 per person. Family adults cost an average $10,801 per person and children cost $4,073 per person.

Costs for each type of service:
- Medical Services: $875,323
- Emergency Shelter: $195,544
- Mental Health: $146,585
- Law Enforcement: $29,021
Appendix D
The Price of Nonprofit Aid: Cost of Homelessness Study in Puget Sound

$1,064,327,303

The price of non-profit aid: $746 million

- Housing: $34 million
- Law enforcement: $26 million
- Health care: $155 million
- Legal aid: $119 million
- Lost business: $57 million
- Real estate: $151 million
- Government services: $108 million
- Non-profit services: $103 million
- Other: $16.4 million
- Total: $1,064,327,303

(For full details, please refer to the report.)
Appendix E
Santa Clara Cost of Homelessness Study
Appendix F

The Housing Trilemma

Cities face tradeoffs in terms of housing affordability, job availability and quality of life. Comparing the 100 largest MSAs in the country.

Source: Oregon Office of Economic Analysis
Figure: The Housing Trilemma
https://oregoneconomicanalysis.com/2016/06/08/the-housing-trilemma/
Appendix G

Forecasted Change in Age Distribution, by Gender

Multnomah County, 2017 - 2067

Source: PSU Population Research Center, July 1, 2017
Appendix H

Time Scenario Model Assumptions and Limitations

**Assumption 1:** The gap in affordable housing is most acute for households earning 30%-50% AMI.

**Assumption 2:** The base is 900 units. This number was derived from the amount of affordable housing units developed between 2015-2016 in Portland (actual = 984 regulated units).

**Assumption 3:** The average cost per unit is $284,700. This is the average cost per unit in the Portland Housing Bureau affordable housing pipeline (2018 – 2022).

\[
\text{Total cost: } 900 \times \$284,700 = \$8.3 \text{ Billion}
\]

**Assumption 4:** The timeline begins in year 2018.

**Limitations:** This model does not consider the need for additional units of affordable housing during the time period scenarios. Additionally, the unit cost is based on the average for 2018 which is likely to change from year to year. Finally, inflationary factors such as increases in the cost of construction and interest rates changes have not been included in this model.
## Appendix I

### Case Study: IRR after Increase in Gross Rents to Match Market Rates

<table>
<thead>
<tr>
<th>Operating Year</th>
<th>0</th>
<th>1</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Year</td>
<td>0</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Gross Rent</td>
<td>$2,253,140</td>
<td>$2,939,837</td>
<td></td>
</tr>
<tr>
<td>Vacancy Factor@3%</td>
<td>-$67,594</td>
<td>-$88,195</td>
<td></td>
</tr>
<tr>
<td>Net Rent</td>
<td>$2,185,546</td>
<td>$2,851,642</td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$518,000</td>
<td>$675,873</td>
<td></td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>$1,667,546</td>
<td>$2,175,769</td>
<td></td>
</tr>
<tr>
<td>Less: Replacement Reserve</td>
<td>-$44,400</td>
<td>-$57,932</td>
<td></td>
</tr>
<tr>
<td>Net Before Debt Service</td>
<td>$1,623,146</td>
<td>$2,117,837</td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>-$678,291</td>
<td>-$678,291</td>
<td></td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>$944,855</td>
<td>$1,439,546</td>
<td></td>
</tr>
<tr>
<td>Initial Investment</td>
<td>-$3,950,656</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Price @ 8% Cap Rate</td>
<td></td>
<td>$27,197,113</td>
<td></td>
</tr>
<tr>
<td>Loan Balance at Sale</td>
<td></td>
<td>-$5,501,549</td>
<td></td>
</tr>
<tr>
<td>Selling Commission @ 2.5%</td>
<td></td>
<td>-$679,928</td>
<td></td>
</tr>
<tr>
<td>Net Sales Proceeds</td>
<td></td>
<td>$21,015,637</td>
<td></td>
</tr>
<tr>
<td>SDC</td>
<td>-$2,300,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Cost</td>
<td>-$1,278,510</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>-$7,529,166</td>
<td>$944,855</td>
<td>$22,455,183</td>
</tr>
<tr>
<td>Investor IRR</td>
<td>21.15%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
International Research: Singapore

Overview: Singapore is a republic located in SE Asia covering 721.5 km area with a population of 5.6 million people. Singapore is a country composed mainly of three ethnic groups: Chinese, Malay, and Indian. Singapore ranks 5th on the UN Human Development Index and 3rd highest GDP per capita. It is ranked highly for education, healthcare, life expectancy, quality of life, personal safety, and housing. Its public housing policy is one of the best in the world, making it a zero-homelessness country.

Homelessness: Singapore has virtually no homeless people as 80% of its citizens live in government-built apartments. The homeownership rate is 90%. Among the remaining 10%, low-income individuals and families can get rental support for an apartment at a very low price. The government developed its housing policy based on three pillars:

1. Established in 1960s, the Housing & Development Board (HDB) is responsible for planning, developing, and administering Singapore’s housing estates, and aims to build homes and transform towns to create a quality living environment for all Singaporeans.
2. The Land Acquisition Act enacted in 1966 ensures the availability of land.
3. Expansion of the role of the Central Provident Fund (CPF) to become a housing finance institution in 1968.

Singapore’s housing policies are designed to promote ethnic integration. According to the Ethnic Integration Policy (EIP) introduced in 1989, there is a cap for each ethnic population in the government-built neighborhood: Chinese, Malay, Indian/Others are set at 84%, 22%, and 12%, respectively, which is basically in line with the ethnic composition of the population.

Singapore housing policy: Singapore’s housing success is largely attributed to the government’s devotion to affordable housing and the system it established to support its goals. By the 1970s, the HDB–CPF housing framework, representing an integrated land–housing supply and financing system, and was working effectively to channel resources into the housing sector. Figure J1 shows how the system works.

Land: In most countries, access to land for affordable housing is a critical constraint. Singapore’s Land Acquisition Act of 1967 empowered the government to acquire land at low cost for public use. Currently, about 90% of Singapore’s territory is owned by the government. The government will lease part of its land to HDB for 99 years for public housing projects.

Public land is also leased for private sector development for 99 years for commercial use such as hotels and private residential development. The lease tenure for other purposes varies depending on the uses. Income from land leases are put into government reserves.

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2 https://en.wikipedia.org/wiki/Singapore
Figure J1 Singapore Housing System

Source: Housing Policies in Singapore

**Funding:** Both housing supply and demand get financial support from the government.²

- **Housing supply:** Singapore’s Ministry of Finance channels HDB funds in terms of annual grants from the government’s current budget offered to HDB to cover deficits incurred by development and maintenance of public housing, and through low-interest (2.5%) loans for mortgage lending and long-term development.

- **Housing demand:** The CPF provides Singaporeans with some cash to buy HDB properties. It is a mandatory national-savings scheme into which most citizens of working age are required to put 20% of their monthly salary while employers contribute 17% with a salary ceiling of $6,000. Citizens are entitled to draw down a portion of their savings to use as a deposit on an HDB apartment. Many are also entitled to cheap mortgages provided by HDB and to use their CPF contributions to meet some or all of their monthly payments. First-time home buyers are qualified for a certain amount of grants from CPF if they meet requirements.

**Housing for low-income households:** The HDB tries to meet everyone’s housing needs, including the 10% of the population who do not own a house, some of whom live in poverty. Those who meet income requirements are allocated an HDB apartment and allowed to rent at a very low price. The median monthly gross income from work in 2017 was $9,023 including an employer’s CPF contribution, according to data from the Department of Statistics. Table 6 shows the rent payments that households will make based on their income and status as first-time applicants.

Table J1: HDB Apartment Rents for Low-Income Households

<table>
<thead>
<tr>
<th>Monthly Household Income</th>
<th>Applicant Type</th>
<th>Monthly Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1-Room</td>
</tr>
<tr>
<td>$800 or less</td>
<td>First-timer</td>
<td>$26 – $33</td>
</tr>
<tr>
<td></td>
<td>Second-timer</td>
<td>$90 – $123</td>
</tr>
<tr>
<td>Between $801 and $1,500</td>
<td>First-timer</td>
<td>$90 – $123</td>
</tr>
<tr>
<td></td>
<td>Second-timer</td>
<td>$150 – $205</td>
</tr>
</tbody>
</table>

*Rents listed in the table are set according to HDB market rates and are subject to change.*

Source: HDB official website (captured Mar. 17, 2017)

**Take-aways:** The Singapore housing policy was designed with citizens in mind and the government plays a key role through ownership of the land and control over how it is used. It could be hard to replicate this design in countries without this history. Its success is based on a unique political and historical experience. However, there are some key take-aways:

- The government’s determination to house the whole nation communicates the value that housing is an essential element for community well-being
- Singapore began early and has continued to invest in housing: Singapore’s public housing initiative started in the early 1900s and the government has continuously implemented policies and regulations to maintain a large supply of affordable public housing.
- Organization and efficiency: A well-organized system has allocated critical resources for public housing sectors and keeps public housing affordable and accessible to residents.

**International Research: China**

**Overview of China:** China is the most populous country in the world with 1.4 billion people. It covers about 9.6 million square kilometers area. It is a socialist republic run by a single party (Communist Party). There are a total of 23 provinces, five autonomous regions, four direct-controlled municipalities (Beijing, Tianjin, Shanghai, and Chongqing), and special administrative regions of Hong Kong and Macau under its jurisdiction. In mainland China, a household registration (hukou) system designates some of the residents’ social benefits and public services that are accessed based on registered birthplace. In practice, this means a migrant worker from another province is not entitled to public services in Shanghai, despite working and living in the city. The government hasn’t overhauled this system yet but takes some measures to reduce its impact on the lives of migrant workers. However, this system still exerts effects on both homelessness and housing affordability.

**Homeless problem in China:** There are no official statistics of the homeless population in China. However, according to a report from the Ministry of Civil Affairs, it is believed there were about 3 million homeless people in 2014. 8 Homeless people tend to be concentrated in big cities like Beijing and Shanghai after migrating with their families for better economic opportunities. However, many cannot afford the high rents

of big cities. Based on the current household system in China, it is difficult to get housing support from the local government with an increasing number of local residents facing housing affordability issues.

The government addresses the homeless problem in the following ways:

- Homeless shelters: China has roughly 2,000 homeless shelters; however, people cannot stay more than ten days. ⁹
- Leverage services provided by NGOs. The Chinese government offers financial support to NGOs to provide services to homeless people.
- Support for special populations. In 2016, aid agencies across China successfully brought 1,570 homeless people back to their families through DNA sampling and by posting search notices on the internet. ¹⁰ These included seniors, women, minors, and those with mental health challenges, some of whom couldn’t provide accurate information about themselves.
- Balance the economic development of different areas in China. Migrant workers are the largest group of people experiencing homelessness. They left hometowns hoping for job opportunities in the city. The central government has been working on changing the imbalance of development between rural and urban areas, including incentivizing companies to invest in emerging areas to create more jobs in outlying areas.

**Affordable housing issues in China.** Housing affordability in China has been a hot issue for more than a decade, especially in big cities. Housing prices have increased significantly since 1998 when a market-oriented reform was initiated. The reasons prices kept rising are complicated, some of which are unique to China.

- Rapid Urbanization. In-migration to big cities fueled the demand for housing, which consequently pushed up housing prices.
- Limited alternative investments: The stock market and real estate are the primary types of investments accessible to citizens in China. However, the performance of the stock market fluctuates widely, and the return can be low for a long time. People tend to put their money in real estate where the return is more stable and satisfying; however, this boosts speculation in the real estate market.
- Land owned by the government. Selling land used to be a primary source of income for local governments when the local GDP was a most important KPI for evaluating performance. Under this system, governments encouraged real estate development to boost their GDP, thus their performance. Local government was a barrier for taming the housing market. ¹¹

Housing affordability was so serious that it impacted social and political stability. The government began to take measures to cool it down in 2007 through the following strategies:

- Change the KPIs to evaluate local government performance. The central government has deemphasized the importance of GDP to reduce overreliance on land sales.
- Tackle land speculation. Some real estate developers were stockpiling land in hopes of selling it at a higher price later or waiting to construct homes when the market was more favorable. To address this issue, the government set a new policy that if the land was not used for two years, it reserved the right to take it back without compensation. ¹²

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¹⁰http://english.gov.cn/state_council/ministries/2016/07/05/content_281475386462742.htm  
¹²http://www.npc.gov.cn/englishnpc/Law/2007-12/12/content_1383939.htm
Take-aways: There are significant differences between China and the U.S. in terms of size, political systems, and culture. However, there are a couple of takeaways.

- The Chinese government has used public policies to address structural issues that were making housing affordability problems worse.
- Reunification: The government has focused attention on helping people who are homeless reunite with family members by using a DNA matching service and posts on the Internet.

International Research: Mongolia

Overview of Mongolia: Mongolia is the country of blue sky and home of nomads where 3.1 million people live on 604,600 square miles of land. It is a landlocked country located between Russia and China with a semi-presidential representative democratic republic. The country has experienced rapid urbanization since the collapse of communism in the early 1990s. Many rural residents were nomadic farmers and migrated to the city in search of opportunity due to the economic challenges of the nomadic life style.

Mongolia is a developing country and its population is young. Children under age 15 make up 30.4% of the population. Youth and young adults between 15-24 years represent 15% of the population and working people between 25-49 years represent 39%.

Almost half the population (46%) lives in the capital city of Ulaanbaatar. When Russia helped build Ulaanbaatar during the communist years, they planned for a capacity of 500,000 people. The City is now three times as big. Due to overcrowding, there are issues with poverty, homelessness, food shortages, alcoholism, and increased crime rates, along with traffic, air pollution, and water pollution that is causing serious illnesses.

Homelessness in Ulaanbaatar, Mongolia: High in-migration in recent years has increased poverty and reduced the quality of life in the city. According to population count in 2017, there were 2,790 homeless people in the capital city Ulaanbaatar and 78% were male. Most were working age people (85%). Small percentages were children under 17 years (4%) and elderly people over 55 years (6.5%). These numbers may not represent the full extent of the problem. A private research center reported there could be 10,000 people considered homeless due to the low quality of their living situation. The main cause of homelessness is poverty caused by unemployment and lack of government support. The most vulnerable are children who run away from home due to family disruption such as domestic violence.

Affordable housing: In the capital city of Ulaanbaatar, there were 380,000 families of which 160,000 live in central heated apartment complexes. The remainder live in a traditional home called a Ger, a small round yurt, or other small house. The areas where these homes are concentrated often lack basic infrastructure such as roads, running water, sanitation, and heating.

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13 http://www.en.nso.mn/
14 http://www.themongolist.com/blog/society/89-rethinking-ulaanbaatar-s-population.html
15 http://www.olloo.mn/n/14127.html
16 http://factnews.mn/3kl
17 https://ikon.mn/n/1b2l
Figure J2 shows the living situation of Ulaanbaatar households. Small wooden houses and traditional Gers are heated by inhouse fires. Most burn raw coal which is causing the city to become the most polluted in the world. In January 2018, sensors reported air pollution rates of pm2.5 (ultra-fine particles that are carcinogenic) to be 133 times the level deemed safe by the World Health Organization (WHO). Pneumonia has become the second leading cause of death for children under five years.  

**Government housing programs:**

**Low-interest affordable mortgage program:** The Mongolian government invested in national banks to offer 8% mortgage loans to increase the quality of life among city residents and to encourage residents to buy apartment houses to reduce air pollution. The down payment for a home is 30% for 30 years and a maximum 860 square feet. Since the 8% mortgage policy started in 2010, 50,000 families have been able to buy an apartment and by January 2018, there were 6,000 apartment units available for sale.

**Ulaanbaatar’s redevelopment program:** The Mongolian government provides free land of 75 square feet per person, which is highly valued by the population. Land closest to Ulaanbaatar has increased in value due to its proximity. Because of bad air quality the government is working with private developers to buy land close to city center to build 9-12-floor apartment complexes. The first phase of the program is to buy 210-hectare land from families and build 10,000 units for 45,000-50,000 residents by 2025.

**State rental housing program:** The Mongolian government implemented a state-funded affordable rent program in 2013 with the goal of providing 1,000 families with affordable rental homes by 2016 and 2,000 families between 2017-2020. As of 2018, the program had provided 2,200 families with a home. The next phase, the “Buyant-Ukhaa-2” project, is planned for 6,500 family units. Target segments of this program include young families, government workers, and older people on pensions.

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Key take-aways: Affordable housing and urbanization in general is a new concept for Mongolia. The cultural transition from nomadic to urban life has been challenging. However, the Mongolian government is now testing housing programs to help residents but indirectly on the homeless issue. Due to the nomadic life experience and family-oriented culture, small, traditional homes without heat and water are common, thus the standard for housing appears much lower compared to other counties. There are a few things that Mongolia is doing that could inform efforts in the U.S.:

- Partnerships with the private sector: The government is working with private developers to help families living in traditional housing on the edges of the city move into apartments.
- The government has prioritized certain demographics, such as single parents with children, elderly people on pensions, and young couples with children to provide affordable rents and low rate mortgages to help prevent them from becoming homeless.
- The City of Ulaanbaatar is offering free land to citizens outside the city to help reduce air pollution and traffic congestion.

International Research: India

Overview of India: India is the seventh-largest country by area and second-most populous with over 1.2 billion people. The U.S. has roughly three times the area of India but only one quarter the population. Thus, India is a densely populated country.

Homelessness in India: India defines the homeless as those who do not live in Census houses, but rather stay on pavements, roadsides, railway platforms, staircases, temples, streets, in pipes, or other open spaces. There are 1.77 million homeless people in India, or 15% of the country's total population, according to the 2011 census. The homeless include single men, women, mothers with children, the elderly, people with disabilities, and those with mental health challenges. There are 18 million street children in India, the largest number of any country in the world. About 78 million people live in slums and tenements.

Causes of homelessness: Urbanization, massive in-migration from rural communities to big cities, and lack of affordable housing are the main causes of homelessness.

Situation: India is an emerging market and has experienced rapid urbanization over the last two decades. India’s urban population has grown an average 2.1% per year since 2015. It is likely to reach 600 million by 2031 (up from 380 million in 2018). India currently has a housing deficit of close to 18 million units which is expected to grow to 30 million units by 2022. The economically weaker sections (EWSs) and lower-income groups (LIGs) account for 96% of the urban shortage. The drive to bring homes to the country’s 1.3 billion people is expected to bring $1.3 trillion of investment to the housing sector over the next seven years.

Plan: The government has engaged in reforming both the demand and supply side of housing. The flagship scheme, Housing for All by 2022 or the Pradhan Mantri Awas Yojana, is a prominent supply-side measure taken by the government. It aims to construct 20 million units in India, in three phases, until 2022.

Supply Side Incentives:

- Cheaper borrowing rates: Developers can get loans at rates below 12% including external commercial borrowings (ECBs), and permission for FDI (Foreign Direct Investment)
- Project completion extensions: Eligibility for profit-linked income tax exemptions for affordable housing projects has increased from three to five years.
• Developers will get a year to pay tax on notional rental income on completed but unsold units. The tenure for long-term capital gains for affordable housing has been reduced from three to two years.
• Tax Exemption: 100% tax exemption on profits for the construction of homes of specific sizes.

Demand Side Incentives:

• Subsidized interest rates: Subsidized borrowing rates for loans up to 600,000 rupees has been increased to 1.2 million rupees, with 4% and 3% subsidies on interest for loan amounts of INR 900,000 and INR 1.2 million respectively.
• Tax incentives: A tax exemption of an additional INR 50,000 for first-time homeowners.

Challenge: According to estimates, new size requirements may require unlocking non-essential lands currently being held by large government bodies.

Take-aways:

• An emphasis on public-private partnerships. Table 7 lists the benefits of this approach.
• India competes on volume and density and can maximize small spaces.
• Cheaper and easier access to capital for tenants and developers boost the affordable housing model.

### Table J2
Benefits of the Public-Private Model of Affordable Housing Development

<table>
<thead>
<tr>
<th>Categories</th>
<th>Benefits</th>
</tr>
</thead>
</table>
| Land availability   | • The government owns vast land banks that can be distributed to private developers through a transparent bidding process. This can, to an extent, mitigate woes related to the unavailability of land at reasonable costs.  
                      • The government can relax FSI norms as a means to provide cashless subsidy to developers, bringing down development costs. |
| Improved financing  | • A joint pool of public and private funds is likely to be more effective and efficient in financing development projects.  
                      • The government can form development consortiums with private developers and guarantee bank loans borrowed by such consortiums, thereby reducing borrowing costs. |
| Lower costs         | • Development companies formed through PPPs can obtain project approvals more easily, thereby reducing project cost and time overruns.  
                      • The government can indirectly lower costs by giving tax relief and reducing stamp duties. |
| Economies of scope  | • A PPP model should be more beneficial in developing integrated affordable townships, where the infrastructure and utilities development activity can be taken care by the government, while private developers with expertise in residential development can build affordable homes. |

Source: KPMG, Aranca Research
International Research: Australia

Overview: Australia is ranked the 6th largest country by land mass, although its population is relatively small at 24 million and most people are concentrated on the eastern portion of the continent. It has six states in its federation operating under a parliamentary government system. It is considered one of the most livable places in the world and provides a high quality of life for many residents. Even so, like many countries around the world, it struggles with rising rates of homelessness and lack of affordable housing options for a growing portion of residents.

Homeless situation: As of Jan. 2016, there were 105,237 or one out of 200 people (0.5%) who were homeless. Australia uses the Australian Bureau of Statistics (ABS) statistical definition of homelessness which states that when a person does not have suitable accommodation alternatives they are considered homeless if their current living arrangement is in a dwelling that is inadequate or has no tenure, or if their initial tenure is short and not extendable; or does not allow them to have control of or access to space for social relations.

Drivers of homelessness in Australia:

- Chronic shortage of affordable and available rental housing
- Domestic and family violence
- Intergenerational poverty
- Financial crisis
- Long-term unemployment
- Economic and social exclusion
- Severe and persistent mental illness and psychological distress
- Exiting state care
- Exiting prison
- Severe overcrowding/housing crisis.

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The National Affordable Housing Agreement (NAHA) provides approximately $250 million in funding to state governments to manage funds and achieve homelessness initiatives.

The National Partnership Agreement on Homelessness (NPAH) provides additional funding and requires state/territory implementation plans and joint funding from states/territories. The Commonwealth Government is currently undertaking a ‘Reform of the Federation’ to improve the way the Commonwealth, states, and territories work together. An outcome may be a change in the way homelessness is funded.

Affordable Housing situation:

Housing affordability vs. affordable housing: The term “housing affordability” refers to the relationship between expenditures on housing (prices, mortgage payments or rents) and household incomes. Housing affordability refers to low-income or social housing.

“Housing stress”: A household is typically described as being in housing stress if it is paying more than 30% of income on housing costs. A ratio of 30/40 is used to define housing stress, i.e., if a household falls into the bottom 40% by spending more than 30% of their income on housing, they are in housing stress.

Housing stress and affordable housing shortage: In 2013–14, the ABS found 50.1% of low-income renter households had housing costs greater than 30% of gross household income. Rental costs are rising at a higher rate than CRA thresholds and a substantial and growing proportion of people renting in certain parts of Australia. Social housing is provided for low-income households in greatest need. However, the stock of social housing has not been increasing at a rate sufficient to keep up with demand, and waiting lists for social housing remain long. There were 199,133 households on social housing waiting lists in June 2015.

Australian response to homelessness and housing:

The Australian government plays a central role in addressing homelessness and housing needs:

- State and Territory housing authorities must maintain their current public housing stock.
- An affordable housing growth fund is needed to deliver a minimum of 20,000 new social and affordable housing dwellings each year in perpetuity.
- Renew funding for innovative homelessness services through NPAH.
- Ensuring funding for homelessness services are supported through adequate and planned indexation.
- Increase funding for prevention and early intervention programs with proven records of success.
- Restore funding for research to measure and maximize the effectiveness of homelessness spending.
- Non-pension allowance payments must be increased by a minimum of $50 per week.
- Re-allocate funding to the Department of Social Services grants program for Housing and Homelessness Service Improvement and Sector Support activities.

Homelessness Australia (HA) is one of several “Peak Bodies” which provide a one-stop shop for government and other sectors to share information and experiences, conduct timely and cost-effective research and development for the sector, advocates for change together with its membership, and educate the community. HA represents 1,300 organizations working with people experiencing, or at risk of, homelessness, including domestic violence services.

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Six key activities of HA:
1. Provide informed policy advice to government,
2. Facilitate sector wide training and development (front-line workers and service providers).
3. Community engagement and education to raise awareness about the issues of homelessness and how to support people experiencing it and creating links between services and their communities.
4. Open communication to share information between homeless sectors and government.
5. Increase sector capacity and develop key resources in partnerships with other organizations.
6. Conduct strategic research into homelessness and its relation to other issues.

Housing affordability/affordable housing:

An Affordable Housing Working Group was charged with identifying ways of increasing the supply of affordable housing for people living on low incomes and implement trials models. The Working Group released an issues paper and asked for ideas to boost the supply of affordable rental housing.

Institutional investments would be needed in residential markets. The main barrier was institutional investors who showed little interest in affordable housing due to perceptions of high risk and low returns. Incentives would help get them to the table.

Financing instruments could help increase the supply of affordable housing.

Key takeaways:
Australia seems to be dealing with many of the same issues as the U.S, i.e., high rates of homelessness and the need for 20,000 units of affordable housing. The goal of securing a new financing instrument for the construction of affordable housing units is a key takeaway. This issue has been discussed by developers in the Portland Metro region. There are a number of strings attached to public dollars.

The Australian government has prioritized homeless services that are evidence-based.

Training and development of front-line worker and service providers ensures good customer service.

International Research: United Kingdom

Overview: The United Kingdom is composed of Great Britain (England, Scotland, Wales) and Northern Ireland. It is a constitutional monarchy with a parliamentary democracy. It has 65 million people (2016) living on 93,628 square miles of land surrounded by water. It is predominantly white (87.1%) and Christian (59.5%).

Homeless situation: Each country in the United Kingdom has adopted a policy requiring them to “secure accommodation” for certain populations of homeless people.

England: Each year England takes a snapshot of homelessness. About 4,800 people were estimated to be “sleeping rough” (unsheltered) in 2017. This number was 15% higher than 2016, although the methodology is believed to undercount the actual number of homeless people. In London, a more comprehensive system called CHAIN (Combined Homelessness and Information Network) is used to track people who are sleeping rough through a database of names collected by street outreach workers. CHAIN counted 8,100 homeless people in England in 2017, nearly twice as high as the snapshot figures. A Parliamentary committee has recommended the CHAIN system be the preferred system.

26 https://en.wikipedia.org/wiki/United_Kingdom
Scotland: Scotland has a Code of Guidance that spells out the duty to serve homeless people. It emphasizes prevention services in general and services that prevent a reoccurrence of homelessness if the person has already become homeless. Scotland had 34,100 applications for homeless assistance during 2016-2017. The total population in Scotland is 5.2 million people.

Scotland uses a three-stage process to assess whether a person is actually homeless and the types of benefits a person is entitled to receive. In the first stage, an application is made to a local council. The second stage is designed to assess whether the person has become homeless intentionally, and if there is a connection to a “Local Authority” in another area. If so, the person will be referred back to that Local Authority. The third stage is called the “Outcome stage” and determines the types of services the applicant will be entitled to, which is based upon the Local Authority’s decision. Applicants are entitled to accommodation while waiting for a decision.

Wales: Local government authorities in Wales have a statutory duty to prevent homelessness among those who are at risk. Applicants for homeless services are entitled to 56 days of accommodation called the “homelessness relief duty.” Like Scotland, if a person is deemed homeless, s/he is entitled to receive assistance.

Northern Ireland: The Northern Ireland Housing Executive (NIHE) refers people to accommodation for those at risk for homelessness and are unintentionally homeless and in priority need. This is also the position in England, although the duty lies with local authorities.

Affordable Housing:

Affordable housing in the UK is called “Social housing” or “public housing” and is largely owned by the local government and is known historically as “council houses.” Most social housing was built by the government in the 1940s in response to demands by labor to provide stability for working class residents. In 1979, much of the housing stock was sold off through “Right to Buy” legislation. About 17% of UK households currently live in council housing. In Scotland, housing councils are known as “schemes.” About half the social housing stock is owned and managed by local authorities.

New rules in the 1990s banned councils from borrowing money to build new council houses, leaving affordable housing construction up the independent landlords via private finance vehicles. Prime Minister (PM) Margaret Thatcher allowed tenants to buy social housing which spike home ownership rates. This peaked in 2003 when levels began to decline.

In 2017, PM Theresa May stated that not enough homes had been built over the past 30 to 40 years, causing a housing crisis. Housing costs are reportedly costing UK households eight times their average earnings. The construction rate of affordable homes has been about 40,000 units/year, below the 50,000 units produced in 2011-2012. PM May pledged 2 Billion Pounds to boost government spending for affordable housing construction. However, this amount is anticipated to pay for about 25,000 units.

Key Takeaways:

- Many countries in the developed world struggle with homelessness and a lack of affordable housing.

27 http://www.gov.scot/Publications/2005/05/31133334/33465
29 http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7201
30 http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7201
31 https://en.wikipedia.org/wiki/Public_housing_in_the_United_Kingdom
• Government investment benefit individuals and whole communities. However, social goals must be maintained, lest they fall apart under different government administrations and shifting policy priorities.
• Allowing tenants to purchase affordable housing units could enhance stability among low-wage earners.
Endnotes

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3 Deinstitutionalization, Its Causes, Effects, Pros, and Cons. https://www.thebalance.com/deinstitutionalization-3306067
5 https://www.epi.org/publication/charting-wage-stagnation/
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9 https://www.ssa.gov/policy/docs/statcomps/oasdi_zip/2017/or.html
16 From HUD: “The Continuum of Care (CoC) Program is designed to promote communitywide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers, and State and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.” https://www.hudexchange.info/programs/coe/
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20 Annual Homeless Assessment Report to Congress. https://www.hudexchange.info/programs/hdx/guides/ahar/#reports
21 PSU 2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, page 70.
22 PSU 2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, page 70.
23 Relationship between mental illness and homelessness. https://www.healthplace.com/other-info/mental-illness-overview/mental-illness-and-homelessness
25 PSU 2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, page 75.
26 PSU 2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, page 74.
28 PSU 2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, page 57.
32 PSU 2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, page 58.
33 PSU 2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, Definitions, page 121.
34 PSU 2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, Definitions, page 28.
36 PSU 2017 Point-In-Time Count of Homelessness in Portland/Gresham/Multnomah County, Page 22
40 https://www.jessicabruder.com/nomadlandbook/
43 Department of Education, Supporting the Success of Homeless Children and Youth
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112 Land cost assessed at https://www.portlandmaps.com
113 Trulia analysis. Table: Rates for Boomates. https://www.trulia.com/research/boommates/
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