State of California

Little Hoover Commission

MEETING THE NEEDS OF CALIFORNIA'S HOMELESS: IT TAKES MORE THAN A ROOF

JUNE 1989

Commission on California State Government Organization & Economy

Meeting The Needs Of California's Homeless:

It Takes More Than A Roof

Little Hoover Commission

June 1989

There are several factors that greatly complicate state efforts to meet the needs of the homeless. As noted in the Commission's findings:

- Because of diverse funding sources and the resulting diffused leadership, services provided for the homeless are fragmented. As a result, some segments of the homeless population are not served or are served inadequately.

- The availability of the three main types of homeless programs (emergency, transitional and permanent) is uneven, and there is no efficient, coordinated method of moving the homeless through the different programs.

- Because there is no cohesive approach to a statewide housing policy, many actions at various levels of government drive up the cost of housing and/or discourage the availability of adequate affordable housing.

The Little Hoover Commission has made 13 recommendations to address the problems cited in the findings. Chief among them are:

1. The diverse state programs dealing with the homeless should be unified under the state Health and Welfare Agency and the state should take an aggressive leadership role in coordinating services.

2. Homeless Coordinated Intake Centers should be created throughout the state so that homeless people may apply in one location for all forms of aid for which they are eligible. These centers would provide on-going case management services when they are needed, as well as coordinating placement in emergency shelters.

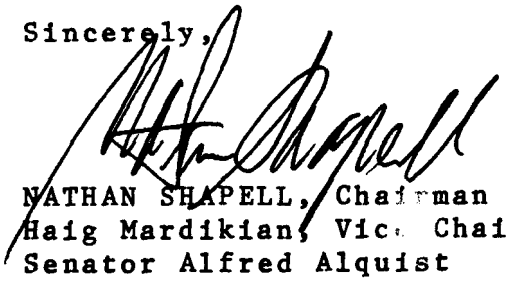
3. Statutes should be amended so that the mentally disabled homeless can be treated more effectively and more efficiently without waiting until they become a threat to themselves or others.

4. The state should study the interplay of slow-growth initiatives, locally imposed building fees, general plan housing elements, rent control and restrictive zoning practices to determine their effect on the availability of affordable housing.

After a major natural disaster, such as an earthquake, or a major man-made upheaval, such as war, it is not surprising when people are left homeless. But it is shameful in a state such as California, which is rich in resources and generosity, that

people are left on their own on the streets or in their cars. California can and should take immediate steps to meet the needs of people without shelter.

Sincerely,



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Meeting the Needs of California's Homeless:

It Takes More Than A Roof

Executive Summary

California's streets, parking lots, greenbelts, alleys and stairwells are host to thousands of homeless individuals. Although an exact head count has eluded experts, the estimates in California range from 100,000 to 250,000 homeless. Their common link is the lack of a stable, permanent roof over their heads. But beyond that link, their problems are diverse and their needs may be multiple.

In California, 16 programs specifically targeting the homeless are spread across at least 10 state departments and six different state agencies, not counting the more generic state benefit and rehabilitation programs that arguably keep many more people from joining the ranks of the homeless.

These state efforts are not carried out in isolation: The needs of the homeless are also targeted by local governments, charities, private foundations and the federal government, which often bypasses the state and deals directly with local organizations. Altogether, more than $780 million is spent on homeless programs in California yearly (this does not include bond money such as the $450 million approved by voters in 1988).

The Commission on California State Government Organization and Economy (also known as the Little Hoover Commission) has spent almost two years studying the state's response to the needs of the homeless.

The Commission considers homelessness a multi-faceted problem that must be approached with solutions addressing three levels of need: emergency, transitional and permanent. Within that context, the Commission--which by statute reviews state policies and actions--focused on the role of the state as a provider of programs and funds, and as a facilitator of solutions.

The Little Hoover Commission has concluded that despite intense interest in meeting the needs of the homeless and despite the allocation of considerable resources to do so, the state has failed to provide an effective safety net that ensures people will be adequately housed.

The Commission's investigation resulted in the following

findings:

A. Because of diffused leadership, services provided for the homeless are fragmented. As a result, some segments of the homeless population are not served or are served inadequately.

Programs around the state are as diverse as the homeless themselves. But the effectiveness of this diversity is hampered by a lack of firm leadership and policy direction from above. Because no one agency or individual is in charge of setting priorities for spending, some categories of homeless are left with few or no programs and there is little control over efficient use of dollars.

B. Availability of the three main types of homeless programs (emergency, transitional and permanent) is uneven, and there is no efficient, coordinated method of moving the homeless through the different programs.

The homeless are being served by a wide array of programs--when they are available and when connections are made. But the result of having programs that are not thoroughly integrated and "user friendly" is predictable: Many people remain on the streets rather than successfully extracting aid from the bureaucracy that has grown up around homeless programs.

C. Because there is no cohesive approach to a statewide housing policy, many actions at various levels of government drive up the cost of housing and/or discourage the availability of adequate, affordable housing.

The law of supply and demand is a major factor in the rapidly escalating price of housing in California. With the rapid expansion of population moving into the state, the supply of housing--particularly affordable housing--cannot keep up with the demand.

In addition, many laws and programs have a direct, readily recognizable effect on housing availability. But other policies, while having no on-the-surface link to housing, still have an indirect, and cumulative, effect on affordable housing. With no overall statewide housing policy in place to rein in counterproductive measures, the result is a complicated array of laws and regulations that contribute to increases in the cost of both rentals and home purchases.

Flowing from these findings, the Commission's report recommended the following actions:

1. The diverse state programs dealing with the homeless should be unified under the state Health and Welfare Agency.

Although the state has been diligent in its coordination

efforts across many agencies and departments, strong leadership is lost in the shuffle. The bulk of state homeless programs are already under the Health and Welfare Agency, but a significant and high-profile portion of these programs are housed within the Department of Housing and Community Development, which is under the Business, Transportation and Housing Agency.

2. The Department of Housing and Community Development should set up a unit to qualitatively evaluate local homelessness efforts based on state-promulgated priorities and policies, and aggressively recommend model programs and alternatives to local regions.

The state should be leading in efforts to replicate model programs, direct spending to the most efficient and productive uses and allocate resources in a manner to target those with the greatest need and/or those who can be most helped.

3. The Department of Housing and Community Development should serve as a clearing house for information on programs for the homeless.

In its clearing house role, the department should attend to functions such as (but not limited to) producing yearly updates of shelters around the state; compiling annual reports on programs and expenditures by region; and listing and tracking legislation affecting the homeless and housing.

4. The Governor and the Legislature should expand the duties of the Attorney General's Charitable Trust Division so that it can operate more effectively on the public's behalf.

The division should be given enough staff and resources to adopt the national standard reporting model for charities, set up a toll-free hot-line for potential contributors and register professional fund-raisers.

5. The Governor and the Legislature should fund the creation of Homeless Coordinated Intake Centers, funneling one-time grants to counties through the Department of Housing and Community Development.

These one-stop reception centers would take all newly homeless individuals, assess their varied needs and hook them into all available and applicable programs (federal, state, local and private services would be represented at the centers).

6. The Governor and the Legislature should require the Health and Welfare Agency to create a training program for homeless case management workers and provide such training to county personnel.

The training program would ensure that case management workers would be familiar with the gamut of benefits available from federal, state, local and charitable agencies, as well as with the range of needs usually found in the homeless.

7. The Governor and the Legislature should amend the Lanterman-Petris-Short Act to further define "gravely disabled" to allow a wider scope for treatment of the homeless mentally disabled.

The civil rights and liberties of the mentally ill should not be ignored; but these people are not served by a "right to choose" when they don't have the mental capacity to make appropriate choices. The Governor and the Legislature should redefine gravely disabled to include a person who, "based on the historical course of the person's disorder, is likely to deteriorate without treatment until he is unable to care for his own personal need for food, clothing or shelter."

8. The Governor and the Legislature should create a "provisional leave" program for mentally ill persons for continued monitoring after involuntary care is completed.

Some patients who are released after involuntary commitment fail to continue treatment and deteriorate to the point where they must be involuntarily committed again. This "yo-yo" syndrome can be broken by requiring those who have been involuntarily committed several times in the course of two years to participate in a 180-day outpatient program that ensures adequate food, clothing, shelter and medical care.

9. Any new funding of emergency shelters, such as from state bond money, should be focused on facilities for homeless families, runaway youths and dual-diagnosed individuals (mentally ill substance abusers).

There is universal agreement that homeless programs are lacking for families, runaway youths and dual-diagnosed individuals.

10. The Governor and the Legislature should investigate the use of state-owned, vacant, surplus property for development of transitional housing, particularly for the mentally disabled.

The use of surplus property should be explored, including the development of lands around state mental institutions for transitional housing purposes.

11. The Governor and the Legislature should expand the use of tools to place people in permanent housing.

The state has made use of many innovative programs and should explore expanding those and creating others, including: rental

deposit programs, mortgage credit programs, incentives for federally subsidized housing to remain in subsidy programs, developer density bonuses and so-called benevolent lending programs.

12. The Governor and the Legislature should study the interplay and effect of land use factors including, but not limited to, slow-growth initiatives, locally imposed building fees, general plan housing elements, rent control and restrictive zoning practices.

The Governor and the Legislature last year requested the Little Hoover Commission to investigate the effects of growth control measures on the availability and affordability of housing (SB 2895, Chapter 1423 of the Statutes of 1988). The study was delayed when funding was deleted from the 1988-89 budget. The study should be funded and expanded to cover the entire range of elements that affect housing construction. The study would include recommendations for statewide policy changes.

13. The Governor and the Legislature should authorize a complete review of the Building Standards Code.

The federal General Accounting Office issued a report several years ago that concluded that unnecessary building standards add 30 percent to the cost of housing. While safety and durability should remain top considerations, the state Building Standards Code should be reviewed with an eye to adopting improved technology and cost-effective techniques, as well as eliminating duplicative requirements and aesthetic frills.

Introduction

James Stone leans against the wall of a Sacramento store, his dark glasses hiding his blind eyes and his small stock of new pencils protruding from a cup that holds the coins from his sales. Homeless, he is hooked into none of the state programs that could help him because of his fear that his young daughter would be removed from his care by social workers. They both will sleep under a bridge by the river tonight.

Filthy and tattered, a constantly muttering Eric Smith collects cans in San Francisco streets and dumpsters to buy marijuana and food, usually in that order. Described by a counselor as psychotic, he receives no government aid, sleeps in city parks and cadges infrequent meals from homeless missions or food banks.

In Los Angeles, a man refuses to touch the thousands of dollars deposited in a bank account for him from an inheritance. He prefers to ramble the streets, rent an occasional single-room-occupancy hotel room and ignore the pleas of relatives.1

California's streets, parking lots, greenbelts, alleys and stairwells are host to thousands of homeless individuals. Some are sympathetic, even heart-rending figures, others are frightening and may appear dangerous, and still others seem to bring their homeless condition on themselves.

Although an exact head count has eluded experts, the estimates in California range from 100,000 to 250,000 homeless. Their common link is the lack of a stable, permanent roof over their heads. But beyond that link, their problems are diverse and their needs may be multiple.

This diversity, more than the sheer numbers of those living on the streets, makes the problem of the homeless seem overwhelming. That no one right answer works for all homeless individuals can throw into disarray the usual governmental efforts to quantify solutions, ascribe costs, track results and, above all else, coordinate actions.

In California, 16 programs specifically targeting the homeless are spread across at least 10 state departments and six

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1. "California's Homeless: 24 Hours in Their Lives," The Sacramento Bee, March 5, 1989; and Associated Press, 1988.

different state agencies,2 not counting the more generic state benefit and rehabilitation programs that arguably keep many more people from joining the ranks of the homeless.

These state efforts are not carried out in isolation: The needs of the homeless are also targeted by local governments, charities, private foundations and the federal government (which often bypasses the state and deals directly with local organizations).

Multiple problems, multiple approaches--and, unfortunately, multiple holes in the safety net that is meant to extend beneath all homeless. Where do these holes come from?

The Commission on California State Government Organization and Economy (also known as the Little Hoover Commission) has spent almost two years studying the state's response to the needs of the homeless.

The Little Hoover Commission considers homelessness a multi-faceted problem that must be approached with solutions addressing three levels of need: emergency, transitional and permanent. Within that context, the Commission--which by statute reviews state policies and actions--focused on the role of the state as a provider of programs and funds, and as a facilitator of solutions.

In the course of its study, the Little Hoover Commission reached several conclusions about the reasons for holes in the safety net:

1. **An absence of strong coordination** keeps an eclectic array of programs from being firmly linked together. No one person or agency at any level of government is responsible, and therefore accountable, for addressing the homeless plight.

2. **The aid offered is often not "user-friendly."** Since help can come in many forms from many different sources, the homeless are faced with a maze of bureaucracy that can prevent them from knowing about available aid or discourage them from even trying to obtain aid they are aware of.

3. **An overall strategic policy doesn't exist.** In the absence of centralized leadership on the homeless issue, all levels of government continue to pursue policies that are counterproductive to assuring an adequate supply of affordable housing.

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2. Health and Welfare Agency Secretary Clifford Allenby, testimony to Little Hoover Commission, December 9, 1988. See Appendix C for listing of programs, departments and agencies.

Although the problems may appear overwhelming, the Little Hoover Commission believes meeting the needs of the homeless is manageable:

1. **The homeless can be categorized and, therefore, targeted:** Most cannot find housing that is affordable on budgets driven by government benefit checks or minimum-wage jobs. Many are mentally incapable of taking care of their own basic need for shelter, either because of mental illness or substance abuse--or a combination of the two. Others suffer from literacy problems or lack of money management skills. And some simply are not interested in meshing with the rest of society.

2. **The homeless are not being ignored in California:** Last year, homeless programs in the state used more than $780 million from federal, state, local government and charitable sources. To tie together homelessness efforts, state officials participate in several interagency task forces and other state-wide networks, county-wide organizations have sprung up, and federally required report filings promote information sharing.

3. **The homeless can be helped:** Programs can and do permanently end the cycle of homelessness. For example, recent studies of a new AFDC program that pays for temporary shelter and rental deposits on permanent housing shows that of 114,782 families who received money under the program last year, 37,152 families were helped by the rental deposit portion of the program.3 Los Angeles' showcase Weingart Center on Skid Row maintains its statistics show that 62 percent of the people it helps each year are removed from the streets.4

In reaching the above conclusions, the Little Hoover Commission conducted three hearings on the homeless issue. The first, on December 1, 1987, dealt with the scope of the homeless problem facing the state. The second, on September 29, 1988, explored the problems of the mentally ill and/or substance abuser homeless. The third, on December 9, 1988, focused on solutions and programs. (Appendix A details the witnesses at each hearing.)

During this time, Commission staff conducted an extensive review of studies, literature and reports on homelessness in general and conditions in California specifically. In addition, meetings and interviews with various homeless advocates, governmental officials and academic experts also were conducted.

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3. From interview with AFDC and Food Stamp Policy Implementation Bureau, California Department of Social Services, April 1989.

4. "The Weingart Center: On the Cutting Edge," Weingart Center Association, 1988.

The following report, which details the results of the Commission's study, is provided in two sections: a background section and a statement of findings and related recommendations.

Background

How Big Is The Problem?

Any discussion of the homeless should begin with an agreement on the scope of the problem. But an exact count--in fact, even a reliable estimate--remains elusive. Current estimates of California's homeless range from 100,000 to 250,000.

Studies that produce figures on the low end of the scale are criticized for missing the homeless who have dropped out of society so far that they have no contact with government and charitable programs. Figures on the high end of the scale may fail to take into account the temporary--as opposed to annual--nature of homelessness for many people. These high figures may also include, rightly or wrongly, illegal aliens, those in rentals that are unfit for habitation and those temporarily sharing someone else's home.

One baseline study frequently cited in literature is the state Department of Housing and Community Development's 1985 report, which estimated 50,000 to 75,000 homeless in the state with the largest concentrations in Los Angeles and the San Francisco Bay area. 5

The Health and Welfare Agency updated this data in 1987, surveying 20 county welfare departments, to conclude that the homeless population is closer to 100,000 (not counting an estimated 46,000 undocumented immigrants), with 80,000 of those in Los Angeles and the Bay Area. 6

These state figures are in line with a well-known 1986 study by Harvard Professor Richard Freeman, who concluded there are 350,000 homeless nationwide. (Although the state has roughly 10 percent of the nation's population, California, with its welcoming climate, national allure and high property values, is known to have a disproportionate share of the homeless.)

On the other hand, the National Coalition for the Homeless estimates the numbers of homeless in the course of a year at 3 million across the country. Statewide homeless advocacy groups, many of whom testified at Little Hoover Commission hearings, commonly use a figure of 250,000 for California.

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5. California Department of Housing and Community Development, "A Study of the Issues and Characteristics of the Homeless Population in California," April 1985)

6. California Legislative Analyst Elizabeth G. Hill, "The 1988-89 Budget: Perspectives and Issues," pps. 109-126, 1988.)

Among the more recent studies, the Urban Institute in Washington, D.C., released in November 1988 a survey of 229,000 individuals who used shelters and food services in six large urban areas and concluded that there are about 600,000 homeless in the United States. But one of the study's authors pointed out that the results were extrapolated to take into account people who make no contact with shelters or food banks and those in rural areas--and such extrapolation is not always reliable.7

Closer to home, the Los Angeles County Grand Jury in April 1988 issued an update of its 1985 report on homelessness. The new report concluded that there are almost 35,000 homeless in that county alone.8

Finally, a federal General Accounting Office analysis in 1988 (GAO/PEMD-88-24) reviewed 27 surveys of the homeless and concluded that the best-documented and most carefully conducted studies show a median homeless rate of 13 per 10,000 population, or about 320,000 people nationwide.9 As mentioned above, California can be expected to have a disproportionate share of that number.

Despite the depressing disparity in all of these figures, one fact is evident: Whichever end of the scale is correct, the homeless comprise less than 1 percent of California's 28 million-plus population. While the plight of the homelessness is very real, the magnitude of the problem California faces is hardly hopeless.

Who Are The Homeless?

Many of the same studies that attempt to quantify the homeless also attempt to classify them. Some of the statistics:

The Urban Institute study interviewed 1,700 homeless people and found: 81 percent male, 54 percent nonwhite, 51 percent between 31 and 50, 75 percent single adults and 15 percent children. A fifth of those interviewed had been homeless for more than four years, but the median period was about 10 months. About 20 percent of those interviewed received some form of government

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7. Interview with Barbara Cohen, Urban Institute co-author, "Feeding the Homeless," November 1988.

8. Los Angeles County Grand Jury, "An Interim Report on Homelessness in the County of Los Angeles," April 1988.

9. Warren T. Brookes, "We Can Afford To Help The Truly Homeless," Sacramento Union, December 26, 1988.

income support and 25 percent had worked for pay during the month.

The Legislative Analyst's "Perspectives and Issues" tallied surveys in San Francisco, Alameda and Los Angeles' Skid Row, but pointed out the homeless populations differed significantly in each location. For instance, San Francisco's homeless were white males by a large majority, while Alameda's homeless were predominately black women and children. Los Angeles and San Francisco figures both showed a high degree of mental illness and substance abuse that was not found in Alameda County.

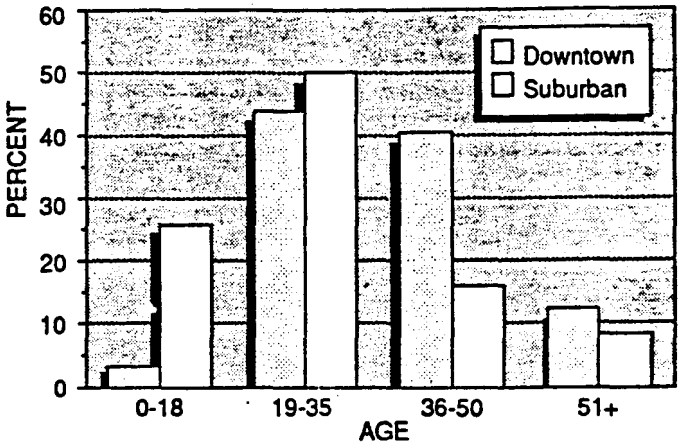
Relying on a United Way 1986 survey of shelter inhabitants, the Los Angeles County Grand Jury concluded that 40 percent of the homeless in Los Angeles are families with children, 40 percent are veterans, 33 percent suffer mental illness and 25 percent have full-time jobs with pay low enough to preclude finding affordable housing. (Overlap among the groups results in a total larger than 100 percent.)

In the Little Hoover Commission's 1987 report, "The Children's Services Delivery System in California," it was noted that there are no accurate statistics on the number of runaway/homeless youths. But experts place the number at about 20,000 to 25,000 on any given day. A 1984 study by the California Child, Youth and Family Coalition estimated that almost 40,000 homeless children received service from some level of government agency that year. Exact figures still remain elusive today, but the state Department of Education is expected to issue a report soon that shows some 25,000 children have been identified in shelters and classrooms as homeless.

A 1986 study by United Way of downtown and suburban programs in Los Angeles gave a snapshot profile of homeless people served by shelters and is illustrated by a chart (on the next page) compiled by The Sacramento Bee from study data for a March 5, 1989 report.

How old are they?

Here were the percentages of various age groups housed in the downtown and suburban Los Angeles shelters in 1986.



Source: United Way Inc. Planning Division

The chart above shows that the bulk of the homeless fell in the 19-to-35 age group, although a substantial number of homeless were under 18, especially in the suburban areas. This belies the image that some people may have of the homeless consisting mostly of aging, washed-up winos.

Emerging from these and other sources is a picture of a multi-faceted, diverse homeless population. But three sets of statistics are worth focusinhg on because of their impact on the state's ability to meet the needs of the homeless:

* About 25 percent of the homeless work, either full-time or sporadically, but cannot find affordable housing.

* About 40 percent suffer mental illness, have substance abuse problems or both (dual-diagnosed).

* Families with children make up between 25 and 40 percent of the homeless and are perceived to be the most rapidly growing segment of homelessness.

Another way of looking at the homeless population relies less on statistics and more on a problem-solving approach. Maxene Johnston, president of Los Angeles' Weingart Center, wraps it up succinctly:

> To begin to devise a solution it is important to understand the three different segments of this population: the have-nots, the can-nots and the will-nots.

The "have-nots" are working Americans temporarily derailed by economic downturn or family crisis who need relatively little support to provide for themselves and their families. The strategy with this group is to give them an immediate remedy to keep them from becoming so emotionally or economically disabled that they fall into the "can-not" category.

The "can-nots" are those disabled by mental illness, drug or alcohol addiction, poor health, inadequate education or illiteracy. With short-term strategies to link them to existing benefits and programs, they can lead relatively self-sufficient lives, in available housing with minimal supervision. The goal is to prevent them from becoming completely dysfunctional.

The "will-nots" are those most visible to us. They are so distraught and incapacitated from years of mental illness and/or living on the streets that they are amenable to only limited assistance. While we should not turn our backs on this group, our time and resources should first be invested in services for the two segments of the homeless population that still have the ability and desire to help themselves.10

What Causes Homelessness?

There is no single, or even predominate, answer to the question of what causes homelessness. United Way, in its 1986 Los Angeles survey, illustrated on the next page, questioned the homeless about why they were on the streets and received a variety of answers.

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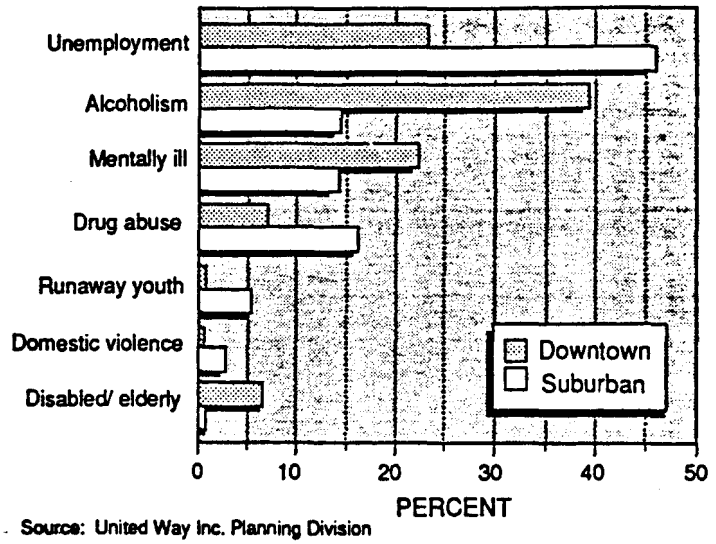
10. Maxene Johnston, "Homeless Are More Than Homeless," Los Angeles Times, June 29, 1988.

Why are they homeless?

Here were the primary reasons for homelessness, according to a survey of the downtown and suburban Los Angeles shelters in 1986.



Source: United Way Inc. Planning Division

The chart above, taken from The Sacramento Bee's March 5, 1989, report, shows that the primary cause cited for homelessness was unemployment for those in suburban areas. But alcoholism and mental illness were the major causes of homelessness for those settling in the downtown area.

Nationally, a general shift in the economy away from factory jobs to lower-paid service jobs has squeezed many out of their homes. Simply put, poverty, even among the working, is a large cause of homelessness. (A person earning California's minimum wage of $4.25 an hour for 40 hours a week makes $736 a month before withholding. If 30 percent of this gross income were allocated for housing, the worker could only afford rent of $221 a month--far less than the rents available in some of the state's urban areas.)

Some policies at all levels of government have worked against the creation of affordable housing, ranging from a federal cutback in funding for housing development to rent control, special district taxes on building, initiatives to control growth (which generally drive up land values) and local redevelopment efforts (which tend to eliminate existing low-cost housing).

Another factor leading to homelessness has been the lack of adequate mental health services. People suffering from mental illness who are not dangerous enough or gravely disabled enough to be committed to an acute-care facility may need constant outpatient care. But such programs may be crowded or unavailable,

leaving the mentally ill adrift and, in many cases, homeless.

Not all factors that lead to homelessness are negative, although certainly the consequence is. An increase in the number of women and children who are homeless has been linked to an enlightened atmosphere that results in more frequent breakup of homes where wives are battered and/or children are abused. In escaping unhealthy and dangerous conditions, many of these people, unfortunately, suffer some duration of homelessness.

People may become homeless because of a temporary crisis (such as job loss) that pushes them over the edge of what was already a precarious existence. Or they may be homeless because of repeated patterns of money mismanagement or poor coping skills that make it impossible for them to keep a job or make good use of government benefit programs.

Pinpointing the causes of homelessness would not be a crucial task if the only goal is to place a roof over the heads of people now on the streets. But much more than a roof is needed to break the cycle of homelessness. Services needed to help someone escape homelessness permanently range from the simple (providing an alarm clock, a shower and clean clothes to assure job hunting success) to the complex (arranging mental health treatments and drug rehabilitation). And ongoing services, such as help in money management or medication maintenance, are vital for many of the homeless.

In short, the homeless are not a homogenous group that can be dealt with in bulk. They come to the streets from different backgrounds and for different reasons. And because they are diverse and their problems are varied, multiple approaches are necessary to help them.

Resources Devoted To Homelessness

Funds to help the homeless come from federal, state and local governments, charities and private sector efforts (philanthropic foundations and business coalitions, for instance).

Even when one is dealing with an accountable entity, such as state government, it is difficult to arrive at a "correct" total of how much is being spent on the homeless. Do you only count money spent directly on housing programs? Do you include funds allocated for alcohol rehabilitation, AFDC, mental health and other programs that may give people the resources to escape homelessness?

The Salvation Army, as one example, runs a 290-bed alcohol recovery facility near Skid Row in Los Angeles. The primary purpose is treating alcohol problems, but the side effect is to

put a roof over the heads of 290 men, many of whom would otherwise be homeless.

The Little Hoover Commission looked at spending with a fairly narrow focus on homelessness, and estimated the following expenditures by source:

Government: The state will spend $86.7 million on programs narrowly targeted for the homeless this fiscal year (1988-89). Another $54.4 million in federal funds is spent by the state, and an additional $24.1 million bypasses the state and goes from the federal government directly to local entities.11 This total state and federal spending of $165 million excludes bond measures approved by voters in 1988 that will come on line in future years.

Local government spending, by both counties and cities, often comes in the form of matching funds for state and federal dollars, funds for county general assistance grants and property taxes raised by Community Redevelopment Agencies.

Statewide totals are difficult to pin down. A report issued by the County Supervisors Association of California in 1986 used only two examples (Monterey and Los Angeles) to show the diversity of funding included when counties responded to a survey question on spending for the homeless. Sifting out state and federal contributions from those examples, Los Angeles spent in excess of $100 million (mostly on general relief) and Monterey spent about $300,000, both figures from 1984-85.12 Statewide, about $250 million is spent solely on general relief grants, with another $50 million to administer the program.13

In a report issued in April 1988 on Community Redevelopment Agencies by the Department of Housing and Community Development, statewide figures show that almost 11,000 units for low-income persons were assisted, rehabilitated and/or added to the housing stock. Spending (for fiscal year 1986-87) nudged $74 million.

Although some figures are unavailable and some listed above are from differing fiscal years, one can peg a conservative estimate of annual total government spending in California on homeless programs at about $540 million.

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11. Health and Welfare Agency Secretary Clifford Allenby, testimony to Little Hoover Commission, December 9, 1988.

12. "Report of the CSAC Homeless Task Force," October 1986.

13. Interview with County Welfare Directors Association, April 1989.

Charities: The Department of Justice's Charitable Trust Division tracks all tax-exempt charitable organizations, but unfortunately categorizes them by very broad designations. For instance, in its report dated April 1989 (which reflects annual records from charities for 1987 or 1988), the division lists 940 charities with the main purpose of providing housing. Excluding government grants, these charities spent about $440 million. But included in the category are those who clearly are not providing immediate aid for the homeless, such as non-profit organizations that run housing for seniors, disabled people and various ethnic groups, as well as nationally based housing interest groups.

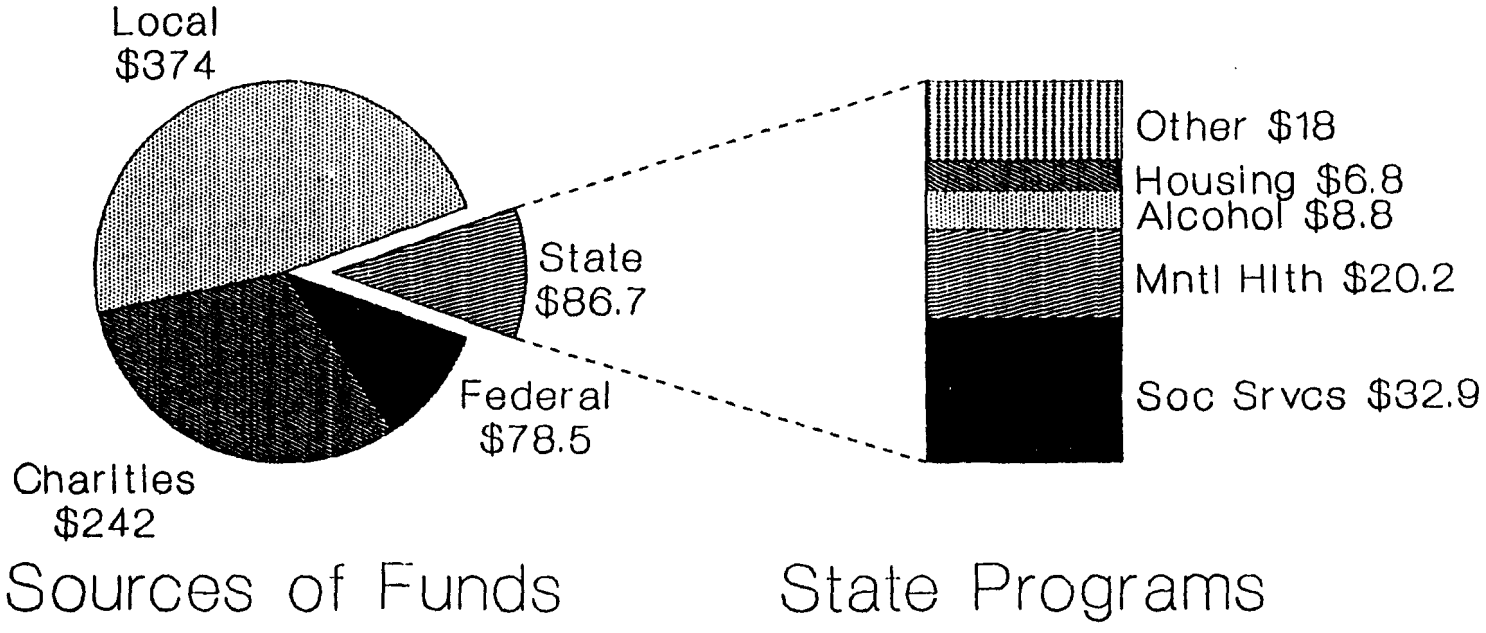
Other categories tallied by the Charitable Trust Division under which homeless programs might be operated include General Social Welfare (3,537 groups, $497 million), Services to Alcoholics and Narcotic Users (845 groups, $120 million), Needy Persons (732 groups, $142 million), General Charitable (4,131 groups, $865 million), Adult Education (66 groups, $3 million), Vocational Training (467 groups, $76 million) and Public Health (407 groups, $416 million). Spending by religious charities is delineated by denomination rather than by goal, making it impossible to determine how much is concentrated on social services. (All spending figures exclude money provided by government grants.)

Although the recordkeeping mechanisms simply are not in place that would allow an accurate estimate of charitable spending on the homeless, it would appear reasonable to at least accept the statistics in the Needy Persons category as a low floor ($142 million) and add an additional $100 million to include the massive efforts of religious missions, the Salvation Army, United Way and other multi-purpose charitable organizations.

From the evidence cited above, it can be estimated that spending from all sources on programs that are fairly narrowly targeted for the homeless exceeds $782 million. The chart on the following page illustrates the breakdown of expenditures, and Appendix B details state and federal programs.

The information available makes it clear that homelessness is an issue that has been much studied, and considerable resources have been devoted to solving the problems of the homeless. Nonetheless, people remain on the streets, unreached by efforts to help them.

CALIFORNIA'S HOMELESS
Annual Expenditures on Services



All figures are in millions

Findings and Recommendations

A. FINDING: Because of diffused leadership, services provided for the homeless are fragmented. As a result, some segments of the homeless population are not served or are served inadequately.

Programs around the state are as diverse as the homeless themselves. But the effectiveness of this diversity is hampered by a lack of firm leadership and policy direction from above. Because no one agency or individual is in charge of setting priorities for spending, some categories of homeless are left with few or no programs and there is little control over efficient use of dollars.

This lack of leadership from above should not be confused with a lack of coordination. There is ample evidence that coordination and information sharing is rife:

* The state operates at least 16 programs for the homeless spread across 10 different departments and six different agencies (see Appendix B), with a Health and Welfare Agency Assistant Secretary designated the point person on homeless issues. Ongoing coordination comes in the form of bimonthly meetings of the Interdepartmental Task Force and quarterly reports prepared by each department, which are summarized for the governor. In addition, the state actively participates in the California Working Group on the Homeless, which since 1985 has involved all levels of government and charitable organizations in bimonthly meetings in San Francisco.

* Regions and counties have set up their own task forces and information-sharing seminars. For instance, in Orange County, Assemblywoman Marian Bergeson has led in the formation of the Orange County Homeless Issues Task Force, which has been meeting since April 1988 as a coalition of 170 organizations and individuals.14 In Los Angeles County, the Shelter Partnership and United Way have each brought the many homeless service providers together through seminars, surveys and reports.15

* The federal government has required states and all recipients of McKinney homeless funds to file

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14. Orange County Homeless Task Force, "Five-Year General Plan," April 1988.

15. Shelter Partnership Inc., "The Short-Term Housing System of Los Angeles County," August 1987.

Comprehensive Homeless Assistance Plans (CHAPs). These plans detail the perceived needs of the homeless and how funds will be spent to meet those needs. In addition to filing the CHAPs with the federal government, state and local entities are required to share CHAPs with each other.

Information sharing and consultation, therefore, is occurring. The key element missing is summed up by Health and Welfare Secretary Clifford Allenby in his testimony to the Little Hoover Commission on Dec. 9, 1988:

> It is important to note that the state does not have a unilateral responsibility (emphasis added) for determining the needs of California's homeless population. Instead, it fulfills the role jointly with local and federal governmental entities, the private sector and homeless advocacy groups.

The same viewpoint was conveyed more colloquially by an official in the state Department of Housing and Community Development, who rejected the idea that more reporting and information sharing is needed. The state receives all the various CHAPs now, he said, but it does little good to review them when the state has no power to tell local entities they are wasting money, spending it unwisely or making the wrong choices on programs.

One symptom of the lack of clear direction is the hit-and-miss nature of spending on the homeless. There was almost universal agreement in testimony before the Little Hoover Commission that facilities and programs are few for homeless families, runaway youths and the so-called dual diagnosed (people with both mental illness and substance abuse problems). In addition, Rand Corp., in its February 1988 report entitled "Review of California's Program for the Homeless Mentally Disabled," notes that the dual-diagnosed and the hard-to-reach mentally disabled homeless are underserved. Yet there is no evidence that funds are being shifted or new funds are being allocated to attend to these priorities.

The fragmented structure of support for homeless services also means that some expenditures may not be adequately monitored to ensure efficiency. With money pouring in from diverse sources and with the varied reporting requirements of each of these sources, no one agency or person is in charge of seeing that money is allocated to get the "biggest bang per buck."

This does not mean expenditure reports are lacking. Health and Welfare Agency Secretary Clifford Allenby gave convincing testimony to the Little Hoover Commission (December 9, 1989) that each state department involved in homeless programs requires

monthly or quarterly reports and, in many cases, sends staff to conduct on-site inspections. But reports can be fairly meaningless unless they are evaluated for an overall pattern, checked against articulated goals and acted upon.

For instance:

* In 1987, Los Angeles County returned $3.2 million to the state in funds meant to serve the mentally disabled homeless. County officials maintain they were barred from spending the funds for acute-care beds and that time constraints and the one-time nature of the funds kept them from using the money for other purposes.

But neither state nor county records show any concentrated effort by Los Angeles to expend the funds on any services rather than return them to the state.

State officials correctly have pointed out that statutory provisions rerouted the $3.2 million to a housing program for the mentally ill so that it did not return to the general fund. Nonetheless, more aggressive leadership from the state and increased authority from the top would have assured that these funds were expended in a time period and location where clearly there was a need for services for the mentally disabled.

* Little Hoover Commission Chairman Nathan Shapell and Commissioners Haig Mardikian, Abraham Spiegel and Mary Ann Chalker conducted on-site investigations of five Los Angeles homeless facilities. Two of the programs, each one-stop centers offering an array of integrated services for the homeless with mental problems, operate within a few miles of each other in Los Angeles. One, which can house up to 14 persons per night, says its cost per person-day is $39. The other, which includes 600 beds, figures costs at about $17.50 per person.16

While the efficiency of programs cannot be determined by merely comparing cost-per-individual-served, the disparity in expenditures at various homeless programs is of concern at a time when resources are scarce. Can more people be helped more efficiently at large centralized locations? Or do small neighborhood settings that are more costly produce better, more long-lasting results?

Now these questions are answered on a case-by-case basis as organizations apply for grants from various levels of government and private foundations. But they should be addressed by

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16. Interviews with officials from Portals Community Connections, 3881 S. Western, Los Angeles, and the Weingart Center, 566 S. San Pedro, Los Angeles, November 1988.

coordinated and planned policies rather than by the whims of grant-application victories.

* The Sacramento Homeless Project, created by two professional fund-raisers, took in $8,000 from telephone appeals in October 1988. But less than $2,000 of that actually went to the homeless.17

There is nothing illegal about the small pass-through of contributions gathered. In fact, recent U.S. Supreme Court decisions have made it impossible for regulators to require professional fund-raisers to limit what they charge or to reveal in their phone solicitations the percentage that actually goes to the charitable purpose.

But the state does have an existing role in monitoring charities, requiring charities to register and file annual reports of earnings and expenditures. However, more than 72,000 charities exist in the state, 500 new ones register each month (with only 100 closing down each month) and the state office in charge--the Attorney General's Charitable Trust Division--is both understaffed and underfunded. (In 1968, there were 1,300 charities per clerical employee. Twenty years later, there are 4,600 charities per clerical employee.) This means consumers have no access to information that could guide their charitable giving and produce the most benefit for the homeless.

As previously noted, more than three-quarters of a billion dollars are spent on the homeless in California by a variety of sources. But the leadership that would ensure a safety net without holes for the homeless in return for those dollars is missing.

Recommendations:

1. The diverse state programs dealing with the homeless should be unified under the state Health and Welfare Agency.

Although the state has been diligent in its coordination efforts across many agencies and departments, strong leadership is lost in the shuffle.

The bulk of state homeless programs are already under the Health and Welfare Agency, but a significant and high-profile portion of these programs are housed within the Department of Housing and Community Development, which is under the Business, Transportation and Housing Agency. This department could be moved under the wing of Health and Welfare and designated the lead

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17. "Charities Get Loose Financial Rein, Officials Warn," The Sacramento Bee, November 17, 1988.

department for all statewide homeless efforts. (Some functions of the existing department, such as building standards, could be shifted to remaining departments under the Business and Transportation Agency.)

2. The Department of Housing and Community Development should set up a unit to qualitatively evaluate local homelessness efforts based on state-promulgated priorities and policies, and aggressively recommend model programs and alternatives to local regions.

The state should be leading in efforts to replicate model programs, direct spending to the most efficient and productive uses and allocate resources in a manner to target those with the greatest need and/or those who can be most helped.

As the department develops standards and integrated plans for regions, it may become desirable legislatively to tie local acceptance of state guidance to continued state funding of local programs.

3. The Department of Housing and Community Development should serve as a clearing house for information on programs for the homeless.

In its clearing house role, the department should attend to functions such as (but not limited to) producing yearly updates of shelters around the state; compiling annual reports on programs and expenditures by region; and listing and tracking legislation affecting the homeless and housing.

4. The Governor and the Legislature should expand the duties of the Attorney General's Charitable Trust Division so that it can operate more effectively on the public's behalf.

The division should be given enough staff and resources to immediately adopt the national standard reporting model for charities, which would allow better tracking of the billions of dollars in contributions and spending by categories of services rendered.

The Governor and the Legislature should create a program within the division that offers consumers information at a toll-free number on how much specific charities collect and spend, including how much money actually reaches the intended recipients. (This information already is filed annually with the division, but the overwhelming number of charities, the lack of updated computerized models and the lack of consumer awareness of what is available keeps the information from being useful.)

In addition, the Governor and the Legislature should require all professional fund-raisers to register with the Attorney

General's Charitable Trust Division.

B. FINDING: Availability of the three main types of homeless programs (emergency, transitional and permanent) is uneven, and there is no efficient, coordinated method of moving the homeless through the different programs.

Simply placing a roof over someone's head for one night rarely solves the causes for that person's homeless state. As discussed in the background section of this report, homelessness can stem from a variety of causes, some singular and some in combination. Removing an individual from the street one night, or giving him housing for 30 days, or even finding him a job does not break the cycle of homelessness he may be trapped in by mental illness, substance abuse problems, poor money management skills, illiteracy and/or poor work habits.

Clearly, then, programs for the homeless need to cover three levels of need. 1) They need to tackle immediate, short-term needs with emergency shelter. 2) They need to provide transition services that are appropriate for the specific homeless person, such as on-going monitoring of medication for the mentally ill, support for continued abstinence for substance abusers and reinforcement for work-habit and money-management training. 3) They need to help secure permanent housing and living situations.

Testimony received by the Little Hoover Commission indicates the following status for each category of aid:

* **Emergency:** Roughly 17,000 beds are available in some 350 shelters, with more shelters expected to come on line as voter-approved bond money becomes available. (A problem that is expected to develop is that the bond money allows only construction of facilities that can show operating funds for three years, but no new operating funds have been provided.) There is universal concurrence that emergency shelters for families, runaway youths and the dual-diagnosed (mentally ill substance abusers) are lacking. Some homeless individuals avoid shelters because they believe the shelters have too rigid rules, are unclean or are dangerous. Most are open only at night, leaving the homeless without facilities during the day.

* **Transitional:** The Rand evaluation of homeless services notes that there is a "lack of appropriate alternative housing arrangements" for the mentally ill and substance abusers.18 Facilities that would provide monitored housing for these individuals have difficulty securing sites because of opposition from neighboring property owners. Such facilities also may become

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18. Rand Corp., "Review of California's Program for the Homeless Mentally Disabled," February 1988.

permanent homes by default when other long-range housing is not found.

* **Permanent:** Long-term policy effects on permanent housing is discussed under the following finding. However, there are short-term considerations under this category:

1. Existing affordable housing stock is threatened because of the expiration of federal subsidized housing programs, which will allow owners to convert the units to fair-market rentals.

2. Community Redevelopment Agencies, which spent $74 million in 1986-87 to assist, add and/or rehabilitate 11,000 units statewide, failed to spend another $86 million that same year that was designated for low-income housing. Some sources estimate $200 million has now accumulated statewide, although a new "use it or lose it" law is expected to bring more rapid expenditures in the next few years.19

3. Although about 25 percent of the homeless are employed, their salaries are such that they cannot put together first month, last month and security deposits even when they can find affordable rentals.

In addition to the holes in the safety net that stem from a lack of facilities, there are also the cracks between programs. Without solid linkage between programs, a homeless individual may never make the connection with the program best designed to meet his needs.

Information-sharing has ensured that many homeless service providers know what aid is available from the various federal, state and local agencies. But viewed from street-level, shared information is not the same as solid linkage. The homeless person may have to go to a dozen different sites and fill out up to 70 different forms to apply for the many varieties of aid from all levels of government that may fit his needs.20 For a person who has no transportation or money for public transit fare, this task is daunting; for someone with a mental illness, substance abuse habits or literacy problems, it is impossible.

The Los Angeles Grand Jury's April 1988 report on homelessness spoke eloquently on this point:

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19. William Fulton, "From Selling To Dwelling," Golden State Report, April 1989.

20. Los Angeles County Grand Jury, "An Interim Report on Homelessness in the County of Los Angeles," April 1988.

The General Relief process is tedious and difficult to complete....An applicant must submit an application and wait an average of seven hours to speak to a caseworker... Generally, the Relief offices have more than 200 people waiting all day in smokey rooms with inadequate seating. Armed, uniformed security guards are the only staff members in the room....

To apply for General Relief, you have to make three or four other trips to other agencies, usually on foot, to gather eligibility information....Fully 10 percent of the checks that are issued each month get "lost" in the system, often because of incorrect data entry. Once a check is lost, it takes a minimum of ten days to replace it, and generally two more office visits....

Sixty-day penalties are applied to applicants who do not complete some aspect of the General Relief process. During this 60-day period the applicant cannot apply for General Relief and is essentially denied all help for food or shelter.

The vast majority of penalties are related to noncompliance with the workfare project. The workfare project is a requirement that those who apply for General Relief and deem themselves "employable" must work off their $280 grant at minimum wage (about 10 days of work)....

There is no effort made to match the location of a General Relief recipient's shelter to location of work....Most shelters serve meals during established time periods--perhaps 7 a.m., noon and 5 p.m. If a General Relief recipient must leave at 6 a.m. to work at a workfare project, works all day in a remote location, and arrives back at the shelter at 7 p.m., he or she receives no food the entire day.

The problems with Los Angeles' General Relief are not unique to that benefit program. Several of those who testified before the Little Hoover Commission estimated that between 30 percent and 40 percent of the homeless who are eligible for monthly government benefit checks, such as Supplemental Security Income or veteran's payments, are never signed up. In addition to the paperwork barrier, many are stymied by a lack of an address where checks can be sent.

Others who do not have the mental capacity to handle their own money may have their Social Security or other benefits

withheld unless they find a "payee." Under the "payee" system, the benefit checks are sent directly to the designated third party (the "payee") who cashes them and turns the funds over to the original intended recipient. Problems arise when the "payee" is not honest or charges a disproportionate fee for his service.

Another group that frequently is underserved, as mentioned previously, are the hard-to-reach, or severely, mentally disabled homeless. Many refuse to participate in programs, but involuntary treatment cannot be invoked unless the person meets legal criteria, including being a clear and present danger to themselves or others. The Little Hoover Commission, after discussions with experts and family members, agrees with the conclusion reached in the Rand study of programs for the homeless mentally disabled:

> Most program staff, often reluctantly, suggested that making involuntary commitment easier is both desirable and necessary.
>
> They cautioned, however, that such a measure must be accompanied by 1) an extension of the initial maximum period of commitment to allow for full stabilization of the individual before release and 2) an increase in the available number of hospital, crisis or transitional beds.
>
> In addition, staff also noted the need to establish or expand the temporary conservatorship program to help individuals discharged from hospitals or transitional facilities manage their affairs while in the community.

Clearly changes are needed in the laws that govern when a person can receive mental health treatment.

Despite the concerns about insufficient programs cited above, it should be noted the state has taken an active role in providing programs for the homeless. But many of these innovative approaches should be expanded, and model programs from other areas of the country should be replicated. Programs could include the following:

> * The state is successfully operating a program to provide AFDC families with grants to cover first month, last month and security deposits (almost 115,000 families were served last year). Although the program has not been problem-free (counties have reported that some families spend the grants without ever obtaining permanent rental housing), it has succeeded in placing almost 35,000 families in permanent housing. A program with similar goals offers loans for rental deposits to

homeless who are not eligible for AFDC under a pilot project in eight counties. This loan program should be expanded statewide.

* Under federal tax changes adopted in 1984, states and local governments can authorize a Mortgage Credit Certificate program. This allows first-time home buyers to receive annual tax credits of $2,000 to $3,000 on beyond regular mortgage deductions, which should make more people eligible financially to buy homes. The state has never authorized this program, although some local jurisdictions, including Sacramento, have.21

* Federal subsidies that financed the building of low-rent housing 20 years ago are beginning to expire. Owners of thousands of units (39,000 in Los Angeles and 7,000 in Sacramento alone) will be able to convert to fair-market value rents--and undoubtedly will do so unless the state devises incentives to keep the buildings affordable.

* Under existing laws, builders can be granted differing "density bonuses" when they commit 25 or 50 percent of their developments to low-cost housing. An innovative expansion of this program would allow developers to contribute to a housing trust fund (to build low-cost units off-site) in return for greater density bonuses. The trust fund could be managed by a separate state commission or by local housing authorities to ensure low-cost housing is built in areas of need.

* Other creative programs are developing elsewhere that could be copied in California, such a "benevolent lending" program.22 This Baltimore-area program known as the Enterprise Plan encourages individuals and corporations to place money in one-year certificates of deposit that yield below-market rates, such as 3 percent compared to a market rate of 7 percent. The excess interest becomes a contribution from the depositors that, when pooled, is used to subsidize mortgages to such a degree that low-income people can own their own home cheaper than one can be rented.

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21. Golden State Report, October 1987, and "Few Bills Likely From Legislature," The Sacramento Bee, January 1, 1989.

22. "Loan Plan For Low-Income Buyers Gains Support," The Sacramento Bee, March 19, 1989.

The homeless, then, are being served by a wide array of programs--when they are available and when connections are made. But the result of having programs that are not thoroughly integrated and "user friendly" is predictable: Many people remain on the streets rather than successfully extracting aid from the bureaucracy that has grown up around homeless programs.

Recommendations:

5. The Governor and the Legislature should fund the creation of Homeless Coordinated Intake Centers, funneling one-time grants to counties through the Department of Housing and Community Development.

Pilot projects for San Diego and Santa Clara counties were authorized in 1988, but funding was deleted. The urgency of providing integrated services to the homeless is such that other counties should not be delayed the several years the pilot projects may take.

These one-stop reception centers would take all newly homeless individuals, assess their varied needs and hook them into all available and applicable programs (federal, state, local and private services would be represented at the centers).

Services to be rendered at such centers would include processing paperwork, referring children to appropriate schools, providing an address and phone number for work contacts, and providing benefit payee services and case management.

6. The Governor and the Legislature should require the Health and Welfare Agency to create a training program for homeless case management workers and provide such training to county personnel.

The training program would ensure that case management workers would be familiar with the gamut of benefits available from federal, state, local and charitable agencies, as well as with the range of needs usually found in the homeless.

This training program would be made available to all workers designated by counties as homeless case management specialists, with the goal of making the specialists available in the one-stop referral centers.

Case management specialists, who are responsible for tracking and serving the needs of the homeless beyond short-term shelter, are vital to the success of efforts to permanently break the cycle of homelessness for individuals with multiple problems.

7. The Governor and the Legislature should amend the Lanterman-Petris-Short Act to further define "gravely disabled" to allow a wider scope for treatment of the homeless mentally disabled.

The civil rights and liberties of the mentally ill should not be ignored; but these people are not served by a "right to choose" when they don't have the mental capacity to make appropriate choices.

Under present law, to be judged gravely disabled and therefore subject to involuntary commitment one has to be unable to care for his own personal needs for food, clothing or shelter. The Governor and the Legislature should add a further definition of gravely disabled as a person who, "based on the historical course of the person's disorder, would be likely to deteriorate without treatment until he is unable to care for his own personal need for food, clothing or shelter."

8. The Governor and the Legislature should create a "provisional leave" program for mentally ill persons for continued monitoring after involuntary care is completed.

Some patients who are released after involuntary commitment fail to continue treatment and deteriorate to the point where they must be involuntarily committed again. This "yo-yo" syndrome can be broken by requiring those who have been involuntarily committed several times in the course of two years to participate in an outpatient treatment program that ensures adequate food, clothing, shelter and medical care.

9. As funding is provided for emergency shelters, such as from state bond money, it should be focused on facilities for homeless families, runaway youths and dual-diagnosed individuals (mentally ill substance abusers).

Shelters around the state continue to turn away homeless people nightly. Voters already have approved bond money packages that provide for some new shelters, but operational funds for new shelters also need to be allocated. In the process of funding the operation of new shelters, the Governor and the Legislature can target the population served by the shelters.

10. The Governor and the Legislature should investigate the use of state-owned vacant, surplus property for development of transitional housing, particularly for the mentally disabled.

The state has taken steps to use its property creatively, such as the opening of National Guard facilities for shelter during the winter. However, the use of other, surplus property should be explored. Although the state may wish to retain ownership of vacant lands, such as property surrounding state mental institutions, creative long-term lease arrangments that could provide transitional housing for the mentally ill on these lands should be pursued.

11. The Governor and the Legislature should expand the use of tools to place people in permanent housing.

The state has already instituted some innovative programs that could be expanded and it could explore copying other programs used elsewhere. These efforts should include rental deposit programs, mortgage credit programs, incentives for federally subsidized housing to remain in subsidy programs, developer density bonuses and so-called benevolent lending programs.

C. FINDING: Because there is no cohesive approach to a statewide housing policy, many actions at various levels of government drive up the cost of housing and/or discourage the availability of adequate, affordable housing.

Many laws and programs have a direct, readily recognizable effect on housing availability. But other policies, while having no on-the-surface link to housing, still have an indirect, and cumulative, effect on affordable housing. With no overall statewide housing policy in place to rein in counterproductive measures, the result is a complicated array of laws and regulations that changes from city to city and county to county and drives up the cost of both rentals and home purchases.

For instance, special fees designed to shift infrastructure cost to new developments (such as school developer fees and Mello-Roos special district taxes) obviously increase the cost of building new housing.

More subtle are the effects of building standards and codes, which may require developers to choose higher-cost fire safety systems or not use cheaper materials for aesthetic reasons. A General Accounting Office assessment has indicated that unnecessary building standards add about 30 percent to the cost of housing units.

The U.S. Department of Housing and Urban Development's "Joint Venture for Affordable Housing" has documented cases in dozens of communities where flexibility in building and zoning requirements has cut the cost of units dramatically without endangering life or aesthetics. A development in Redding, Ca., for example, showed savings of $8,050 per lot when the developer was granted a density bonus, allowed to eliminate sidewalks from one side of all streets, allowed to reduce street widths and allowed to joint trench all gas, telephone and electrical conduit.23

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23. Joint Venture For Affordable Housing, "Approved Communities," Vols. 1 and 2, and "Building Better Communities Through Regulatory Reform."

The city of San Diego has had notable success with construction of hundreds of single-room-occupancy units that were made possible, and profitable, by altering building codes and parking ordinance requirements.24 Flexibility and incentives for pursuing alternative building methods can make a difference in the maze of regulations and ordinances that currently discourage the construction of affordable housing.

While the major factor in the high cost of housing is the population growth in California rapidly outstripping the supply of affordable housing, other factors also come into play. Insistence on preserving local control in California has led to growth limiting initiatives and restrictive zoning in rapidly growing communities, both of which contribute to the increased cost of land and housing placed on that land.

In addition, many local areas are now considering imposing non-residential developer assessments that will be placed in housing funds for the construction of low-cost housing. These fees, which in some cases are being challenged as unconstitutional, may well change the pattern of the state's development, and thus its housing needs.

Local, rather that statewide, planning also allows communities to say "Not In My Back Yard" (the NIMBY factor) to low-cost or transitional housing for the homeless. The right to local control is ensured by California Constitution Article 34, Section 1, which expressly requires majority approval of low-rent housing projects by local voters.

However, the state has exercised its authority to require local governments to have housing elements in their general plans. These elements are supposed to consider housing needs and growth patterns, including the need for low-cost housing. Some state legislators, concerned that these housing elements are perfunctory at best, are seeking to add more regulations and guidelines for further factors to be considered, such as areas where job growth is expected.

None of this is to suggest that restrictive zoning ordinances that hold down population densities, codes that ensure fire safety and other policies that preserve an enjoyable quality of life should be thrown out en masse. But currently the cumulative affect of state and local policies is seldom weighed so that decisions adversely affecting housing prices can be mitigated, when possible. In other words, the state does little to rein in disjointed decision-making that ignores the need for

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24. City of San Diego, "Single Room Occupancy: Residential Hotel Program," October 1988.

affordable housing.

Statistics indicate the problem is the affordability factor rather than the amount of housing itself. Nationally, 12 million new housing units were added from 1980-87 while only 8.7 million new households were created. Rental vacancy rates during the same period rose from 7.1 percent nationally to 8.6 percent.25 In California, rental vacancy rates vary by region but far more than 250,000 (the highest estimate of the state's homeless) units remain unfilled.

It is the price tag of those units that puts them beyond the reach of even that element of the homeless (an estimated 25 percent) who are working and bringing home wages. The chart on the next page is taken from the Sacramento Bee report on homelessness (March 5, 1989).

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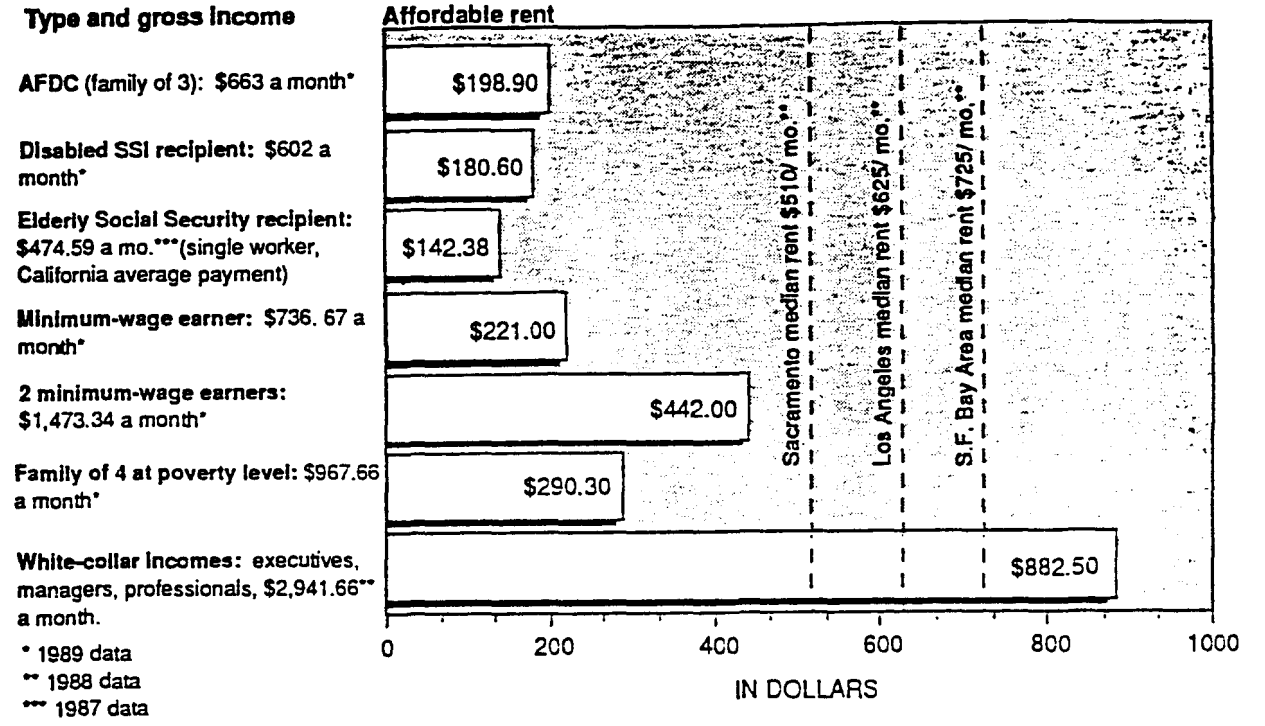
25. Irving Welfeld, "Where We Live," Simon & Schuster, 1989.

Why can't they afford a home?

The U.S. government standard is that most people should spend no more than 30 percent of their gross income on rent. But as the chart below indicates, spending 30 percent of the average incomes of people in various classifications leaves them well short of the median rents in San Francisco, Los Angeles and Sacramento. The median rent figure means half pay more than that amount; half less.



Sources: California Coalition for Rural Housing, California Department of Social Services, Social Security Administration, U.S. Census Bureau, Divine MIS, real estate research company; Bay Area Council; City of Los Angeles

The chart reiterates that the state's large urban areas, where most of the homeless are located, have median rents ranging form $510 to $725--well beyond the abilities of a minimum wage earner whose full-time gross salary may only be $736--or even two minimum wage earners grossing $1,473 monthly.

The need to address affordability of permanent housing is as pressing as the short-term need for temporary shelters. Experts who peg the national homeless total at 3 million today believe that will double within 15 years unless efforts are directed at permanent, affordable housing. The danger of concentrating too many funds on short-term shelters is that a permanent underclass of shelter dwellers will be created.

The homeless person on the street needs immediate attention from the state for food and shelter. But the state should have a larger, long-range role of creating an environment where affordable housing units, rather than the numbers of homeless, will flourish.

Recommendations:

12. The Governor and the Legislature should study the interplay and effect of land use factors including, but not limited to, slow-growth initiatives, locally imposed building fees, general plan housing elements, rent control and restrictive zoning practices.

The Governor and the Legislature last year requested the Little Hoover Commission to investigate the effects of growth control measures on the affordability of housing (SB 2895, Chapter 1423 of the Statutes of 1988). The study was delayed when funding was deleted from the 1988-89 budget.

The study should be funded and expanded to cover the entire range of elements that affect housing construction. The study would include recommendations for statewide policy changes.

13. The Governor and the Legislature should authorize a complete review of the Building Standards Code.

While safety and durability should remain top considerations, the state Building Standards Code should be reviewed with an eye to adopting improved technology and cost-effective techniques, as well as eliminating duplicative requirements and aesthetic frills.

APPENDIX A

Participants at the three hearings on California's homeless conducted by the Little Hoover Commission:

1. **The State's Homeless** — **December 1, 1987** — **Los Angeles**

   Conway Collis, Chairman, State Board of Equalization
   Ruth Schwartz, on behalf of Senator Milton Marks
   Anita Landecker, Executive Director, Equity Fund Project for Low Income Housing
   The Rev. Gene Boutilier, United Way
   Suzanne Campi, President, Greater Los Angeles Partnership for the Homeless
   Ann Reiss-Lane, Chairman, Shelter Partnership
   Margaret DeBow, Assistant Secretary, California Health and Welfare Agency
   Christine Diemer-Reed, Director, California Department of Housing and Community Development
   Bill Evans, Manager, California Emergency Shelter Program

2. **Homeless Mentally Ill in California** — **September 29, 1988** — **Los Angeles**

   Mollie Lowery, Director, Los Angeles Men's Place
   Roberto Quiroz, Los Angeles County Mental Health Director
   Frances Griffith, Los Angeles County Homeless Coordinator
   Walter Watson, Statewide Coordinator for California Mentally Disabled Programs
   Toni Reinis, Director, California Homeless Coalition

3. **California's Homeless Population** — **December 9, 1988** — **Los Angeles**

   Senate President Pro Tem David Roberti
   Conway Collis, member, State Board of Equalization
   Maxene Johnston, President, Weingart Center
   Judith Lenthall, San Diego housing planner
   Dale Maharidge, author
   Clifford Allenby, Secretary, Health and Welfare Agency

APPENDIX B

1988-89 state and/or federally funded programs for the homeless:

1. State-funded programs by administering entity.

Department of Housing and Community Development
- Emergency Shelter Program ($1.94 million)
- Homeless Mentally Ill Program ($1.46 million)
- Rental Deposit Guarantee Program ($.2 million)
- Special User Housing Rehabilitation Program ($3.2 million)

Office of Criminal Justice Planning
- Homeless Youth Hotline ($.2 million)
- Homeless Youth Projects ($.9 million)
- Family Violence Shelter Program ($1.5 million)
- Family Violence Prevention Training ($.2 million)

Department of Mental Health
- Homeless Mentally Ill Program ($20.2 million)

Department of Alcohol and Drug Programs
- Residential Recovery Services ($8.8 million, plus $3.7 million in federal funds)

Department of Social Services
- AFDC Homeless Assistance Program ($32.9 million, plus $35.8 million in federal funds, $3.9 million in county funds)

Department of Health Services
- Homeless AIDS Shelters ($.7 million)

Department of the Military
- National Guard armories for shelter ($150,000)

2. Federally funded programs, operating through state entities

Department of Housing and Community Development
- Permanent Housing for the Handicapped ($.4 million federal, $.3 million state)
- Emergency Shelter Grant Program ($.2 million)

Department of Economic Opportunity
- Community Services Block Grant ($1.1 million)
- Emergency Community Services and Homeless Grant Program ($1.8 million)

Office of Criminal Justice Planning
- Domestic Violence Shelters ($1.6 million)

Department of Mental Health
- Case Management Demonstration Projects ($.5 million)
- Mental Health Block Grant Program ($6.1 million)

Employment Development Department
- Petty cash to help homeless job seekers ($25,000)
- Specialized Employment Services ($.3 million)
- JTPA Targeted Projects ($2 million)

Department of Education
- Adult Education (literacy for homeless) ($.5 million)
- Homeless Children and Youth ($.4 million)

3. Federally funded programs administered at local level

Primary health services, substance abuse projects ($9.7 million)

Emergency shelter grants ($1.8 million)

Emergency food and shelter grants to FEMA boards ($1.3 million)

Transitional housing demonstration project ($4.5 million)

Special assistance for disabled, elderly, families ($1.5 million)

Alcohol and drug treatment demonstration grants ($.9 million)

Mental health demonstration grants ($.9 million)

Single room occupancy hotel rehabilitation ($3.5 million)

Job training ($.8 million)

Job training for veterans ($.2 million)