

The Costs and Benefits of Supportive Housing

**A Research Paper
Conducted By**

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Background

This research paper outlines several studies – from cities across the nation - that address the cost of homeless individuals accessing existing support systems versus the cost of providing more permanent housing and services. The studies suggest that supportive housing has proven to be both an affordable and effective solution to reducing homelessness.

The research was conducted by the UWM-Center for Urban Initiatives and Research, at the request of the Milwaukee Continuum of Care homeless service provider consortium.

The Costs and Benefits of Supportive Housing

Communities are faced with the ever-increasing task of addressing the issue of caring for their homeless populations. The problem of homelessness goes beyond the simple fact that individuals lack affordable housing. Many homeless individuals have special needs, including the need for mental health counseling, job counseling, drug and alcohol rehabilitation and other types of supportive services. Several communities across the nation have begun to establish programs that consider alternative methods to ameliorating the homeless problem. Rather than focusing solely on temporary solutions, such as shelters and emergency care facilities, communities are increasingly looking toward more permanent solutions. Supportive housing has proven to be both an affordable and effective solution. The following summary outlines several studies that address the cost of homeless individuals accessing existing support systems versus the cost of providing more permanent housing and services.

- Culhane, D.P., Metraux, S., Hadley, T. (2001). *The Impact of Supportive Housing for Homeless People with Severe Mental Illness on the Utilization of the Public Health, Corrections and Emergency Shelter Systems: The New York-New York Initiative*. Fannie Mae Foundation.

The study conducted by the University of Pennsylvania's Center for Mental Health Policy and Services Research is perhaps the most extensive cost-benefit analysis of providing supportive housing to homeless people versus keeping them in shelters or on the streets.

This longitudinal analysis of individuals who received housing funded by the New York/New York Agreement to House Homeless Mentally Ill Individuals was conducted between 1989 and 1997. In 1990, 3,600 units of affordable housing, known as "New York/New York" housing, were created as part of the agreement and those homeless individuals with the most chronic and extensive needs were targeted. This type of housing, known as *Supportive Housing*, provides psychological and social services in addition to fulfilling the basic need for adequate housing.

Culhane, et al., tracked the cost of nearly 5,000 homeless people with severe mental illness (SMI) in New York City for two years while they were homeless and two years after they were placed in NY/NY Supportive Housing. This study examines whether or not the need for services for homeless people decreases with the development of supportive housing.

Major Findings:

- Placing homeless people in supportive housing substantially decreases those individuals' need for temporary shelter, number of and length of hospitalizations, number of and time incarcerated, and other temporary psychiatric and medical services.

- Retention rates are about 70% for the first year.
- On average, the cost of providing temporary services to a homeless person is \$40,500 per year (unadjusted 1999 dollars).
- Supportive housing greatly reduces the costs of providing these services to homeless individuals. The NY/NY program accounted for a \$16,282 reduction in costs of services per housing unit per year.
- It costs about the same amount of money to leave the homeless on the street as it does to provide them with supportive housing and comprehensive care. The cost of placing homeless individuals in supportive housing is estimated at \$17,277 per person per year.
- 95% of the costs of supportive housing are compensated for by the reduction of the costs of other services, such as hospitalizations and incarcerations.

The authors point out that their estimates of reductions in the need for services are conservative, as the costs of an individual in supportive housing may be more costly in the first two years than in subsequent years. They explain this by saying that service use may increase with the beginning of tenancy, as individuals' needs are identified and treatment begun. It is also argued that less quantifiable measure, such as quality of life and the social costs of homelessness (e.g., costs of crime to victims, courts and the police, and the costs of accommodating homelessness in public spaces, neighborhood quality, etc.), are greatly improved with supportive housing.

The report does not address all direct and indirect costs associated with homeless populations, such as street outreach services, federal Health Care for the Homeless programs, costs of uncompensated hospital care, and the social costs of homelessness. The authors state that though this study cannot be generalized to all urban areas, it has important public policy implications. If a significant proportion of homeless are severely mentally ill, and if those individuals regularly receive services, then an "aggressive investment in supportive housing is warranted." This research indicates that homelessness can be substantially reduced for a large segment of the homeless population, at a very modest cost to the public. Creating local, state, and federal partnerships is essential in acquiring the resources necessary to permanent housing options.

- Hart-Shegos, Ellen. (2000). *Financial Implications of Public Interventions on Behalf of a Chronically Homeless Family*. Family Housing Fund.

This report, prepared the Family Housing Fund in Minnesota, documents the actual experiences of homeless individuals in Minnesota. It tells the story of a homeless woman and her three children, and discusses the costs associated with the family's two choices:

either remaining homeless and depending on emergency services, such as emergency medical care, foster care, incarceration and shelters, or moving into supportive housing. This ‘family’ has many problems that inhibit them from acquiring and maintaining stable housing, including substance abuse, incarceration, illness, and unemployment. The characters in this report are modeled on actual homeless people, though they are not part of the same family.

The report provides a cost analysis for temporary care versus supportive housing for a total of nine years in the family’s life. It outlines the costs associated with individual treatment options and categorizes each type of expense. It finds that the supportive housing option is a lower overall cost than the other types of emergency or temporary care options. In addition, supportive housing allows the family to live more stable and fulfilling lives and addresses the underlying causes of homelessness, thus helping to prevent it.

Major Findings:

- The family’s stay in supportive housing reduces costs to the public sector by an average of 51% per year, from \$77,200 to \$37,500 per year.
 - While supportive housing involves increased costs for housing, chemical dependency treatment, and employment-related services, these costs are offset by the reductions in costs to the medical care and foster care systems.
 - Without a single source of support that will act in favor a family’s distinct needs, the public service sector incurs the costs of duplication, and responses that are often “too little, too late.”
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- The Lewin Group, (2004). *Cost of Serving Homeless Individuals in Nine Cities: Chart Book*. Corporation for Supportive Housing.

The Lewin Group, a national health care and human services consulting firm, conducted a study entitled *Cost of Serving Homeless Individuals in Nine Cities*. This 1994 study estimates and compares the costs of housing the homeless in supportive housing, jails, prisons, shelters, mental hospitals and hospitals.¹ Supportive housing is defined in this study as “housing that combines building features and personal services to enable people to remain living in the community as long as they are able and choose to.”

The research consisted of single-point estimates for costs associated with each of the six treatment options. Cost estimates are composed of different variables, yet each are associated with the basic services that each facility provides. The unit of measurement is cost per day per person. Of the nine cities, the cost of serving individuals at mental

¹ Atlanta, Boston, Chicago, Columbus, Los Angeles, New York, Phoenix and Seattle.

hospital and Hospital facilities were the two most expensive options, averaging \$550 and \$1638, respectively. Jail costs were estimated at \$81 and Prisons costs were \$79. In five cities, supportive housing was estimated as the least expensive option, with an average of \$31, while Shelters was reported as the least expensive in four of the cities, with an average of \$29 per day per person.

It should be noted that this study only considers quantifiable variables, such as operating costs, costs associated with providing services, capital costs, etc., and does not consider immeasurable variables, such as the costs or benefits occurring as results of these different types of facilities or recidivism rates.

- Ehrlich, S.P. & Wilkins, C. (2002). *Supportive Housing and its Impact on the Public Health Crisis of Homelessness: How do the Services at Canon Kip Community House Change the way Homeless People Use Medical, Mental Health, and Substance Abuse Services?* Corporation for Supportive Housing.

This study evaluated the decrease in the utilization of inpatient and emergency room care among the homeless people in supportive housing in San Francisco. Canon Kip Community House, a supportive housing facility with services provided by the San Francisco Department of Public Health's Community Health Network, is used as a case study to determine what types of services made the population less dependent on "crisis-oriented" services. The research includes 119 residents of Canon Kip between 1994 and 1999. Most of the residents at this facility were among the most disabled of the San Francisco homeless population, with severe mental health and substance abuse issues, and AIDS.

Most residents of this facility did not receive any mental health or substance abuse service prior to Canon Kip. Those individuals who utilized the services at Canon Kip most regularly showed the largest reductions in "crisis" services, while the inverse was true for those who utilized Canon Kip's services the least. This report concludes that, while financing supportive housing is a complex issue, it is possible for federal, state and local governments to work together to humanely provide the best care to the homeless population.

- Bednar, N. (2000). *A Needs Assessment for Persons who are Employed and Homeless in Richmond Virginia.*

Virginia Supportive Housing conducted an assessment to measure the need for housing for individuals who are both employed and homeless in the Richmond metropolitan area. This 2000 study examined the housing needs of this population and the effectiveness of existing resources to meet those needs. The total population of individuals who were

both employed and homeless was estimated at 351 persons, or 35.6% of the total number of homeless individuals, while the sample population was 60.

The most common type of housing for respondents was shelters or transitional housing, at 46%, while 10% reported that they were living on the streets. The majority of respondents reported that they would prefer a type of housing unit where they could cook in their own rooms, rather than a hotel-like unit. When asked what types of services they felt would be most useful to them, 45% of respondents indicated a need for substance abuse recovery services, and 41% expressed a need for job training. Only 21% of respondents stated that they did not need any services. 76% of the sample population was living in shelters or transitional housing, but 44% of those stay in shelters that are only open in the winter. It is unclear where these individuals will go in the non-winter months. The report concludes that employed homeless individuals need housing that is within their price range, offers supportive services, and offers at least a minimum of independence to the tenant.

- Black, K. & Cho, R. (2004). *New Beginnings: The Need for Supportive Housing for Previously Incarcerated People*. Common Ground Community & Corporation for Supportive Housing.

A report by the Common Ground Community and the Corporation for Supportive Housing argued “supportive housing for ex-offenders is critical at this time when homelessness is rising.” 300% more individuals are released from prison than 20 years ago, and many are integrated into the community with no housing prospects. Reasons for this include: no discharge planning, difficulty of an individual to readjust, inability of an individual to cope with life outside of the incarceration facility, and the fact that many are returning to already disadvantaged areas.

The authors stated that supportive housing has been successful at integrating ex-offenders into society. Supportive housing meets the needs of these individuals by providing services, such as employment training, mental health counseling, and substance abuse treatment, while affording an individual an independent lifestyle. It is argued that the cost of supportive housing per individual is less than the cost of keeping an inmate in a New York prison, jail, shelter, hospital or psychiatric institution, but that funding to develop this type of housing for ex-offenders is limited. One of the authors attributes this lack of funding to recent government trends that have increased the number of incarcerated individuals or lengthened incarceration terms for many inmates. He argues that there are more individuals leaving incarceration facilities, with fewer resources to help them become integrated in society. This, he adds, leads to higher recidivism and homelessness rates.

While funding for supportive housing is already limited, using these types of funds to develop housing for ex-offenders has proven difficult. One of the problems is that ex-offenders may not fit within the formal definition of *homeless*. Most ex-offenders who

have been assisted by supportive housing have first spent time in a temporary shelter, thus rendering them *homeless*.

Other Research and Sources

- Stojanovic, D., Weitzman, B.C., Shinn, M., Labay, L.E., & Williams, N.P. (1999). *Tracing the Path out of Homelessness: The Housing Patterns of Families after Exiting Shelter*. *Journal of Community Psychology*, 27 (2), 199-208.

Families in New York City who left emergency shelters for subsidized housing were compared to families who left emergency shelters for whatever housing they could find on their own in a 1999 study. After a three-year follow-up period, 84% of families who had received subsidized housing were still in stable housing, compared with only 9% of families who did not receive subsidized housing. Only 15% of families in the subsidized group returned to the shelter at any time in the three year period, while 43% of families who had found their own housing had returned.

- Zlotnick, C., Robertson, M.J., & Lahiff, M. (1999). *Getting Off the Streets: Economic Resources and Residential Exits from Homelessness*. *Journal of Community Psychology*, 27 (2), 209-224.

For 15 months, a study in Alameda County, California followed 397 individuals who received services from emergency shelters. The purpose of this study was to determine what personal characteristics or resources were most closely associated with success in achieving stability in housing. The data showed that subsidized housing and governmental monetary support, in the form of Aid to Families with Dependent Children, Social Security Insurance, General Assistance and Social Security Disability Insurance were most closely related to success.

- Rivera, C. (2001, May 12). *Mentally Ill Find Dramatic Success in State Program*. *Los Angeles Times*.

A three-county California initiative to encourage individuals who are released from emergency rooms, jails and other facilities to seek treatment and shelter found that the savings from reduced hospitalization and incarceration was greater than \$7 million, which is more than half of the state's initial \$14 million investment in the program.

- Johnson, A. (2005, March 2). *Survey Find Hundreds Living on the Streets*. *Milwaukee Journal Sentinel*.

On any given night, it is estimated that as many as 1,000 individuals are without shelter in Milwaukee. On January 26, 2005, 2,579 homeless individuals were estimated; about three times as many as available beds in shelters.

- Burt, M. & Wilkins, C. (2005). *Estimating the Need: Projecting from Point-in-Time to Annual Estimates of the Number of Homeless People in a Community and Using this Information to Plan for Permanent Supportive Housing*.

The Corporation for Supportive Housing published a report that provides guidance to organizations that are attempting to measure the number of homeless individuals in their community, and shows how to use those estimates to plan for supportive housing initiatives. The authors state that “people need PSH (Permanent Supportive Housing) if they would not be likely to get and retain housing- even if it was housing they could afford- without ongoing support because of one or more factors that promote instability.” These factors include mental illness, addiction, developmental disabilities, or physical illness.