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# From the Bottom Up:

## Rebuilding Federal Homelessness Policy

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**IES POLICY REPORT**

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# 1

## EXECUTIVE SUMMARY

The visibility of the homeless in major American cities has drawn renewed attention to this persistent social problem. Over the past decade, the federal government has responded with significant policy changes and dramatic increases in funding to combat homelessness. From 2007 to 2019, federal spending on targeted homelessness programs nearly tripled to more than \$6 billion annually. However, the number of homeless people is only about 12 percent less than it was before the Great Recession.

Annual point-in-time homeless counts conducted each January have found:

- The estimated number of homeless people fell from 650,000 in 2007 to less than 550,000 in 2016, but it has ticked up the past three years.
- The number of “unsheltered homeless” is estimated to have increased from 175,000 in 2014 to over 211,000 in 2019.
- The actual number of people in all homelessness programs—including those in shelters and short and long-term housing programs who are not counted as homeless—has grown to more than 750,000 people.
- In 2019, between 1.1 and 1.2 million people entered the homeless shelter system throughout the year, with countless more experiencing homelessness on the street.

A combined federal, state, and local effort to “end homelessness” has failed so far. It is time to reconsider the effectiveness of the government’s approach and examine potential alternatives. This requires understanding and critically evaluating the current centerpiece of federal policy, the Housing First model.

Housing First is based on the idea homelessness is mainly a housing crisis, which government can solve by immediately offering homeless people stable, short- or long-term housing with supportive social services, but without any preconditions. Housing First supplanted the idea housing provision is most effective when it comes attached to personal behavioral requirements like sobriety or medical treatment compliance.

For more than a decade, federal policy has pushed Housing First on local social services providers nationwide. As a result, Housing First has become a “top-down, one-size-fits-all” solution. Despite the significant investments, little progress has been made toward the explicit goal of federal policy, which is “to end homelessness.”

Advocates of the Housing First approach say the solution is more money devoted to providing permanent supportive housing for the homeless, and more taxpayer-subsidized housing (and services) for people “at-risk” of experiencing future episodes of homelessness. But pouring money into the existing system is unlikely to end homelessness.

There are several reasons for this lack of results. First, Housing First ignores the personal circumstances of individuals that lead to homelessness. Families and individuals who experience homelessness briefly, or who are at-risk for homelessness, are very different from the “chronic” homeless—the hardest to serve population. For instance:

- More than 90 percent of homeless families were sheltered in January 2019, whereas nearly half of long-term, frequently homeless individuals were unsheltered.
- About three-fourths of unsheltered individuals in Los Angeles in January 2019 were “affected by mental illness, substance abuse, poor health or a physical disability,” according to the Los Angeles Times.

Second, this approach overlooks the localized, community-specific nature of homelessness. Federal policy has prioritizing funding for Housing First programs across the United States, creating highly similar homeless systems across communities. However, homelessness looks very different across these communities. For example:

- Unsheltered homeless people congregate in cities with warmer climates—95 percent of NYC’s homeless population is sheltered, whereas half of LA’s homeless are unsheltered.
- Among U.S. cities with warmer climates there is a wide variation in unsheltered homeless rates, indicating the importance of local public policies—such as the effect of zoning and land use regulations on the cost of housing, and policing policies regarding the behavior of the homeless.

- Homeless people migrate to cities that provide more housing and social services; thus, New York City and Los Angeles account for nearly one-fourth of the homeless population.

Third, a growing body of economic research suggests federally-funded homelessness programs have not been effective at reducing homelessness. In fact, there is little evidence providing more permanent housing units for homeless individuals meaningfully reduces homeless populations in communities. Economist Kevin Corinth estimated it takes roughly 10 additional permanent housing units to reduce homelessness by a single person in a community. This implies the need for nearly 5.7 million additional beds to house the 568,000 people who are currently homeless—not including those who may become homeless in the future.

A different approach to homelessness is needed. A better approach would prioritize innovation, looking to novel, entrepreneurial solutions in the social and private sectors. If local homeless service providers were given the flexibility to use the federal grants they receive on locally-responsive, innovative solutions, they could support their successes and learn from their mistakes. Existing resources could be put toward novel solutions like *New York City’s Doe Fund*, which emphasizes work program participation, or *Community First!*, a “tiny home village” outside Austin, Texas, or *Haven for Hope* in San Antonio, Texas, a large shelter campus that incentivizes the use of services. And if local housing markets were deregulated, rental costs would fall, and entrepreneurs could provide lower cost alternative housing. This would unleash private sector actors to expand the availability and increase the affordability of housing where it is needed most.

# 2

## INTRODUCTION

The growing visibility of the homeless in major American cities has drawn renewed attention to one of the developed world’s most visible social problems. A dramatic rise in federal spending over the past decade increased the population of homeless families and individuals in shelters or long-term housing, but didn’t make much of a dent in the number of people who are unsheltered and chronically homeless.

After falling modestly for a few years, the total number of people counted as homeless in the United States has been static since 2014. In fact, the number of “unsheltered homeless” is estimated to have increased from roughly 175,000 in 2014 to over 211,000 in 2019. This rise in homeless counts has been attributed to various causes, including a lack of affordable housing, the epidemic of opioid addiction, and flawed data collection. However, the causes of homeless are as varied as the people who become homeless. Families and children who experience homelessness briefly, and people in vulnerable populations at-risk for loss of housing, are very different from the chronically homeless—the hardest population to serve and shelter.

A combined federal, state, and local effort to “end homelessness” has failed so far. It is time to reconsider the effectiveness of the government’s approach and examine potential alternatives. This requires understanding and critically evaluating the current centerpiece of federal policy, the Housing First model. For more than a decade, federal policy has pushed Housing First on local social services providers nationwide. This top-down, one-size-fits-all approach has had unintended consequences policymakers should examine before dedicating more resources to a flawed system.

# 3

## THE EVOLUTION OF FEDERAL HOMELESS POLICY

Homelessness has been the object of federal policy-making for several decades. The best available estimates suggest there was a significant increase in homelessness in the United States in the early 1980s. The '80s "homeless epidemic" led to a series of federal laws that effectively put homelessness on the national policy map.<sup>1</sup>

The *McKinney-Vento Homeless Assistance Act*, the nation's principal homelessness legislation, was enacted in 1987. Among other provisions, the Act established the U.S. Interagency Council on Homelessness (USICH) to coordinate federal efforts.<sup>2</sup> Initially, the law's major effect was to fund an explosion of emergency shelters across the country. Social service providers generally adopted a "linear" service approach, in which homeless individuals graduated from the streets to shelter to transitional housing and eventually into permanent subsidized or independent housing. This "graduation" to permanent housing was contingent on behavioral improvements and demonstration of mental stability and freedom from substance abuse.

Although federal funding continued throughout the 1990s, homelessness fell out of the public eye. It was not until the rampant foreclosures of the 2008 financial crisis that homelessness lurched back onto the political center stage. The U.S. Department of Housing and Urban Development (HUD) estimated there were over 664,000 homeless nationwide in 2008, nearly double the agency's 1984 estimate of 250,000 to 350,000.<sup>3</sup> Critics maligned the 20 years of federal involvement that had failed to alleviate homelessness. Policymakers sought to a new approach.

**Housing First.** The Housing First model was developed in the 1990s by psychologist Sam Tsemberis, founder of the Pathways to Housing program, and initially implemented in New York City.<sup>4</sup> Housing First attempts to remove barriers to housing for the homeless by offering short- or long-term subsidized housing to the homeless quickly and without behavioral preconditions, rather than as an eventual step contingent on "housing readiness." Supportive social and medical services are offered along with housing, but they are not required. Housing First is based on the premise "housing is a human right." It has become the preferred public policy in Europe as well as North America.

# The Evolution of Federal Homeless Policy

First adopted as federal policy in the George W. Bush administration, the Housing First approach was widely expanded during the Obama administration. Specifically, the financial crisis proved a critical opportunity for Housing First to become the predominant service model. [See the sidebar, “Principles of Housing First.”]

## Ten-Year Plan to ‘End Homelessness.’

In 2010, the federal government implemented a new large-scale initiative—“Opening Doors, a federal plan to prevent and end homelessness”—under the authority of the *Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009* (HEARTH).<sup>5</sup> The plan marked an unprecedented increase in funding for locally implemented homelessness programs and a dramatic reallocation of resources. Federal targeted homelessness assistance hovered around \$ 2.5 billion per year until the HEARTH Act; by 2014, spending exceeded \$5.4 billion in adjusted 2011 dollars

The Opening Doors plan was amended in 2015, and replaced during the Trump administration by a new plan. In 2018, USICH released an updated strategic plan—“Home, Together”—which put forth a national framework for homeless prevention and housing services. Home, Together established and tracks progress toward population-specific goals: “to end homelessness among veterans, persons with disabilities experiencing chronic homelessness, families with children, unaccompanied youth, and all other individuals.”<sup>6</sup>

## Changing Definition of Homelessness.

Under the definition of homelessness outlined by Congress in the *McKinney-Vento Act* (as amended by the 2009 HEARTH Act), a person or family is considered homeless if they “lack a fixed, regular, and adequate nighttime residence;” sleep in a place not “ordinarily used as a regular sleeping accommodation for human beings;” sleep in emergency shelter, transitional housing, or other temporary service housing; will “imminently lose their housing” and lack the

## Principles of Housing First\*

“Everyone is ‘housing ready,’” states a HUD policy brief. “Housing First is an approach to quickly and successfully connect individuals and families experiencing homelessness to permanent housing without preconditions and barriers to entry,” says HUD. “Permanent housing is defined as housing where tenants have leases that confer the full rights, responsibilities, and legal protections under Federal, state, and local housing laws.”

The core features of Housing First are “no programmatic preconditions such as demonstration of sobriety, completion of alcohol or drug treatment, or agreeing to comply with a treatment regimen upon entry into the program. People are also not required to first enter a transitional housing program in order to enter permanent housing.” As such, admission policies for Housing First programs “are designed to ‘screen-in’ rather than screen-out applicants with the greatest barriers to housing,” HUD states. Programs may “prioritize people who have been homeless the longest or who have the highest service needs as evidenced by vulnerability assessments or the high utilization of crisis services.”

Just as poverty is a lack of money, the problem of homelessness is a lack of housing, according to HUD. And just as poverty can be cured by giving someone money, the homeless problem can be cured by providing housing. In this view, “Homelessness is first and foremost a housing crisis and can be addressed through the provision of safe and affordable housing.”

Many localities have adopted Housing First models—in no small part due to federal funding incentives. However, this diagnosis of homelessness has obvious limitations: it identifies and recommends treatment of symptoms, rather than the behavioral and institutional causes of homelessness.

\* “[Housing First in Permanent Supportive Housing Brief](#),” U.S. Department of Housing and Urban Development, July 2014.

resources to obtain new housing; or are youth or families without independent permanent housing over an extended period. As this comprehensive definition suggests, a wide variety of situations and causes underlie homelessness.<sup>7</sup> [See Appendix, “Definition of Homelessness.”]

The 2009 HEARTH Act expanded the federal definition of who is considered homeless, increasing the number of potential recipients of housing and services.<sup>8</sup> HEARTH added “doubledup” families and identified new “at-risk” groups. For example, people were previously considered at risk if they would “imminently lose their housing” in seven days or less; the HEARTH Act extended this forward-looking period to two weeks.

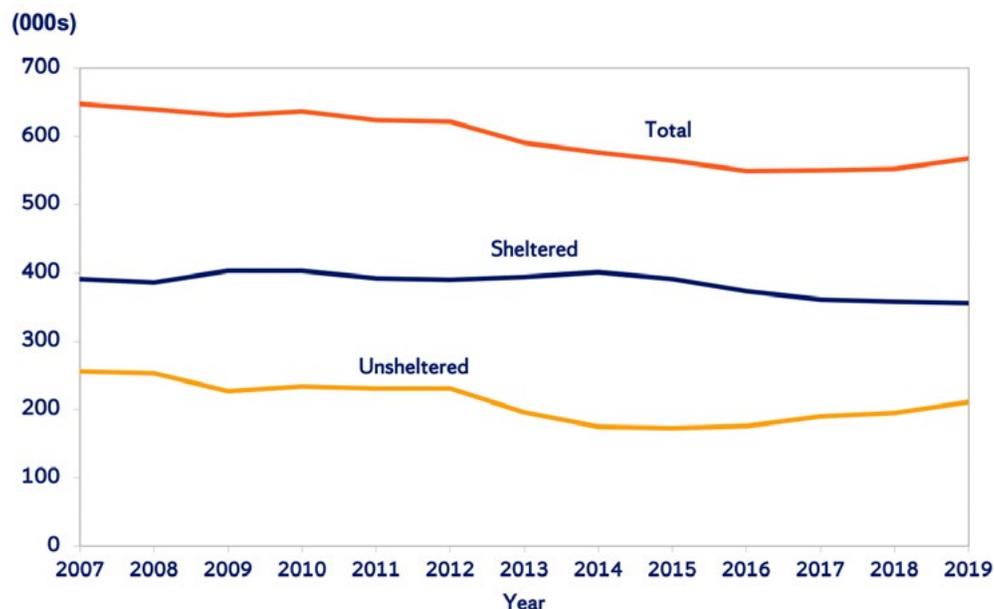
Other developed countries define homelessness more broadly. For example, a definition of homeless widely used in Europe includes individuals in insecure housing situations—such as threatened eviction or domestic violence, and inadequate housing conditions—overcrowded or unsanitary.<sup>9</sup> By this definition, homelessness affects many more people.

**Point-in-Time Census.** Since 2007, an annual point-in-time (PIT) census of the homeless has been conducted nationwide as part of an effort to collect better data on the homeless. On a single night during the last 10 days of January each year, thousands of public officials, nonprofit employees, and volunteers comb the alleyways, parks, and shelters of cities and towns across the country to count the homeless.

The PIT count estimates the number of homeless individuals and families across the country. The count declined by 16 percent from 2007 to 2016, but due to more recent increases, only declined 12 percent over the whole period from 2007 to 2019, from 647,258 to 567,715. [See Figure I.]

The 2019 PIT census found there were about 568,000 homeless people nationwide on a winter’s night in January 2019.<sup>10</sup> Nearly two-thirds of the homeless were in shelters or transitional housing programs. Over one-third were “unsheltered”—sleeping in cars or abandoned buildings, or camping on sidewalks and in parks.

Figure I  
Number of Homeless People, 2007-2019  
(Point-in-Time Estimates)



Source: Meghan Henry et al., The 2019 Annual Homeless Assessment Report to Congress: Part 1, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, January 2020, Exhibit 1.1, “PIT Estimates of People Experiencing Homelessness,” page 8.

Nationally, the trend is troubling: the homeless population increased for the third year in a row, and the 2.7 percent increase in homelessness from 2018 to 2019 is the largest yet.<sup>11</sup> Notably, however, the number of homeless fell in a majority of the states. The increase nationally was due almost entirely to increased unsheltered homelessness in California—which increased by 21 percent, or more than 18,000 people.

Of course, these estimates are far from perfect. It is very difficult to identify all homeless people, and communities often take different approaches to these estimates. Many census-takers are volunteers with little training. Some CoCs, such as San Francisco, have only conducted a PIT count every two years. Still, these PIT data represent a major feat in that they provide the best available picture of regional and national trends in homelessness, both across communities and over time. Before these, no comparable data source existed. This meant programs were being funded with even less clarity on the size and scope of the homeless problem.

**PIT Count versus Flow over a Year.** The PIT count is a snapshot of the homeless population, but despite limitations, is the source of the most accurate data on the homeless. Over the course of a year, many more people experience brief episodes of homelessness than are counted in the PIT census, with some people utilizing homeless programs multiple times during the year. As part of the federal effort to improve data on the homeless and measure program performance, local organizations also use Homelessness Management Information Systems (HMIS) to track and report participation in programs. HMIS data show about 1.1 million people were counted in, or used, homeless programs in 2018.<sup>12</sup> Nearly one-fifth (19.4 percent) of homeless people in the 2018 HMIS data had returned to the system within 24 months.<sup>13</sup> Unfortunately, HMIS reporting is incomplete: some CoCs do not report data, or report inaccurate data.<sup>14</sup>

Other data sources affirm the “flow” of people experiencing homelessness throughout the year is much higher than at any one point in time. For example, an

estimate based on data from local education agencies found 1.5 million U.S. public school students—from pre-kindergarten three-year-old children to 18- and 19-year-old youths in grade 12—experienced homelessness at some point during the 2017-18 school year.<sup>15</sup> (Although this number likely includes doublecounting due to overlapping, inconsistent, and incomplete data.) The estimate also relies on a broader definition of homelessness that encompasses people in “insecure” housing situations—thereby including many people who are unlikely to experience “literal,” “on-the-street” homelessness in a given year.<sup>16</sup> Nearly three-fourths of these students reported living in a doubled-up situation as their usual accommodation, where they or their families lived with other people. More than two-thirds were in a doubled-up situation at the time they were identified as homeless.

**Homeless Housing.** Since the 1980s, the two most predominant forms of homeless programs were Emergency Shelters and Transitional Housing. Emergency Shelters are typically many beds to a room, intended as a “last resort” for those with nowhere else to go—in other words, fitting the layperson’s mental image of a “homeless shelter.” Transitional Housing programs combine medium-term housing (roughly two years, give or take) with case management and supportive services. The goal of Transitional Housing is to facilitate the “exit” from homelessness into independent or subsidized long-term housing.

By contrast, Housing First involves two other housing program types: permanent supportive housing and rapid rehousing. Permanent supportive housing provides an unlimited period of subsidized housing in new or existing units in addition to optional support services. Individuals are permanently eligible for this subsidized housing and cannot be removed due to drug use or mental instability. Rapid rehousing provides temporary subsidized housing to newly homeless individuals and families—also independently of behavioral or economic preconditions. Programmatically, the Housing First programs are designed to “skip” Transitional Housing and position individualized housing units as a “first step” in homeless recovery.

The last decade of federal policy and the shift toward Housing First has produced a curious result: though individuals in Emergency Shelters and Transitional Housing are counted as “sheltered” homeless, individuals in permanent supportive housing and rapid rehousing are not. Thus, despite the fact all of these are “homelessness programs,” those served by the new programs are not counted as homeless. This is particularly odd in the case of Rapid Rehousing, which is quite similar to Transitional Housing in terms of its duration, general structure (most families have their own housing unit), and purpose. The result is that trends in sheltered homeless counts tend to obscure the proliferation of homeless programs—and the people served by them. Emergency shelter was the most common form of homeless assistance for decades, but service providers have increasingly turned to permanent supportive housing under the HEARTH Act. The national bed inventory of permanent supportive housing and rapid rehousing units has risen rapidly over the past decade, totaling 53 percent of all homeless program beds in 2019. That year, there were 291,837 emergency shelter beds and 369,293 permanent supportive housing beds nationwide.<sup>17</sup> [See Figures II and III.]

Meanwhile, the Transitional Housing supply has plummeted, as the federal government has shifted funding away from these programs. So, while the estimated “sheltered homeless” population remains relatively flat, the total number of people across all homeless programs has increased significantly. [See Figure II.]

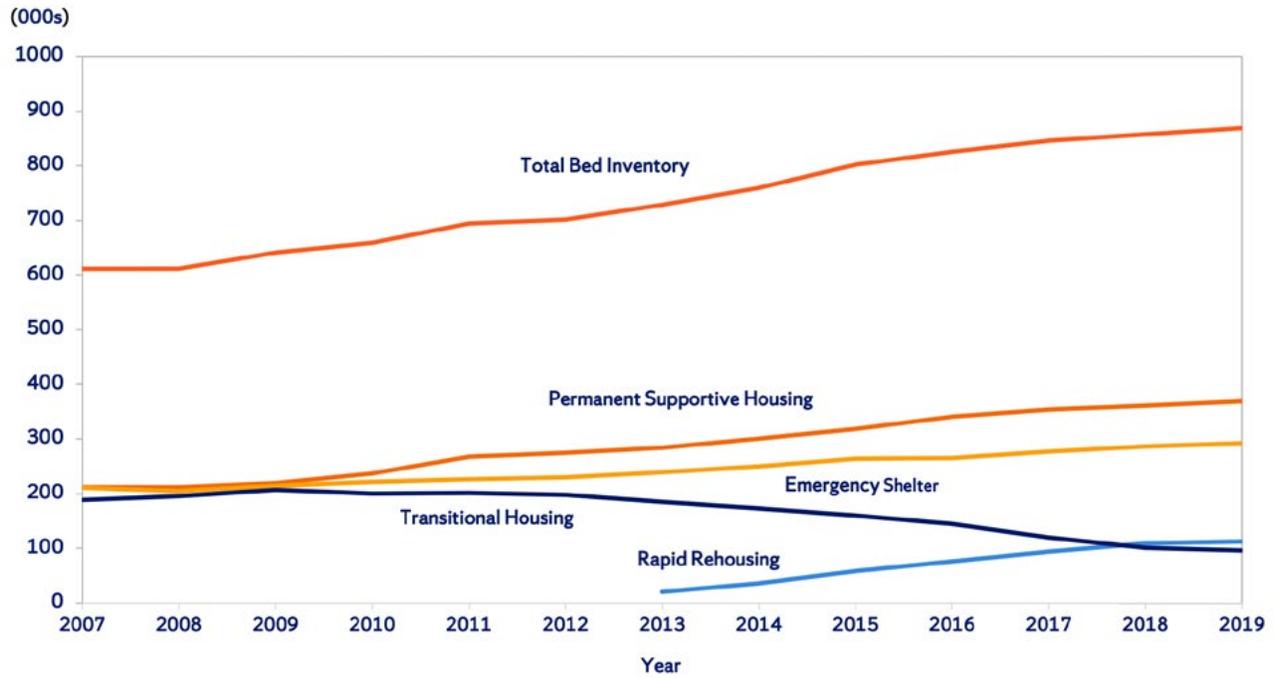
**Federal Spending.** Since 2009, targeted federal homelessness spending has increased dramatically, from around \$2.5 billion to more than \$6 billion a year. Some 19 federal agencies are involved in providing grants and services for the homeless. [See the table.] Their activities are coordinated by USICH, though HUD is the primary agency providing grants to local homeless programs.<sup>18</sup>

Among these programs, for example, Housing Opportunities for Persons with AIDS (HOPWA), Low Income Housing Tax Credit (LIHTC), and

Section 8 Housing Vouchers allocate significant public resources to individuals who are, were, or could become homeless. In addition, there is a special short-term housing program for homeless veterans run jointly by HUD and the U.S. Department of Veterans Affairs (HUD-VASH). As the table shows, funding for programs targeted to homeless veterans more than quadrupled from \$376 million in fiscal year 2009 to more than \$1.788 billion in fiscal year 2018.

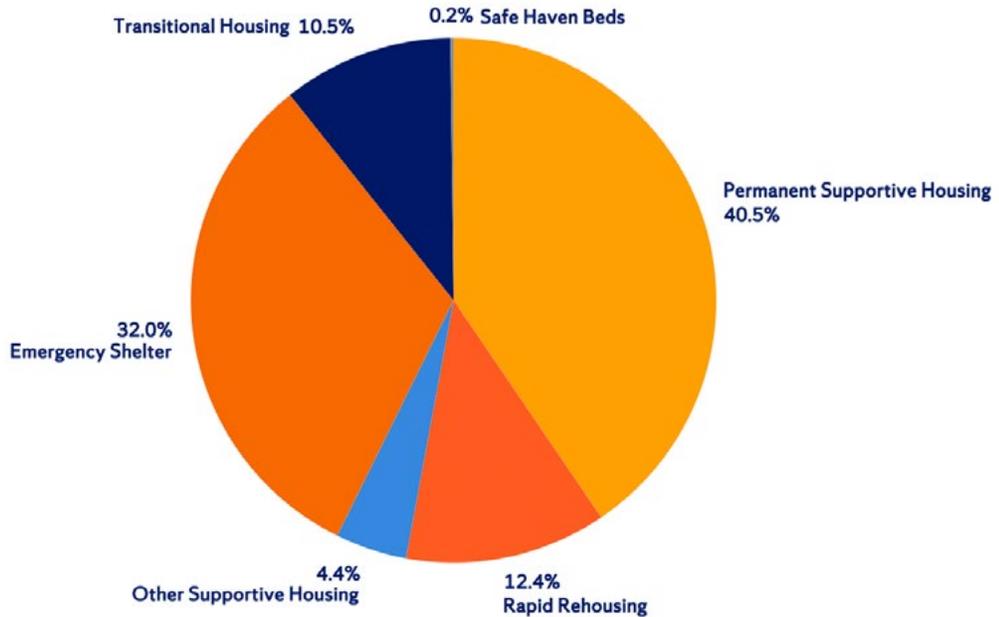
Federal funding has helped to double the amount of subsidized housing for the homeless. Nationwide, Housing First programs added permanent housing units and social services for 142,000 people and rapid rehousing for 100,000 people.

Figure II  
Inventory of Beds for Homeless and Formerly Homeless People



Source: 2007-2019 HIC Data by State, U.S. Department of Housing and Urban Development, January 2020.

Figure III  
Distribution of Bed Inventory by Type, 2019



Source: Meghan Henry et al., The 2019 Annual Homeless Assessment Report to Congress: Part 1, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, January 2020, Exhibit 7.2, "Distribution of Bed Inventory," page 76.

**Grants to Continuums of Care.**<sup>19</sup> In the mid-1990s, the U.S. homeless services infrastructure was divided into communities called Continuums of Care (CoCs). Within these regions, service providers and local government agencies coordinate to count the homeless and plan IES strategic responses. Most federal funding is disbursed through the CoC system.

In 2018, CoC awards and Emergency Solutions Grants (ESG)—the two main programs—allocated more than \$2.4 billion to local communities. The CoC program grant awards funding directly to CoC collaborative applicants; the funds are disbursed across nonprofit and government organizations. The ESG allocates funding directly to city, county, and state governments that use these funds to operate homelessness programs directly or to subgrant to nonprofits. Nearly \$2.2 billion was allocated across CoCs, and \$270 million went to ESG program grants, 89 percent and 11 percent of this total, respectively. Communities receiving this funding have faced strong financial incentives to prioritize the Housing First approach. The largest share of funds (63 percent) was for permanent supportive housing. Transitional housing programs, aimed at moving the homeless from shelters into independent or permanent supportive housing, received only 3 percent of funding. Emergency Shelter (under the ESG program grant) received about 11 percent. The remaining funds were allocated across various supporting programs.

**Allocation of Federal Spending.**<sup>20</sup> Federal funding is poorly matched to the needs of communities. Grants to CoCs are allocated based on a formula used for the Community Development Block Grant (CDBG) program. Begun in the 1970s, the CDBG program was originally intended to facilitate public infrastructure in aging cities. Despite its dubious connection to homelessness, the CDBG formula identifies a community’s eligibility for funding; 75 percent of funding is allocated on this basis. The remaining 25 percent is allocated on the basis of nonentitlement community shares and other considerations.

Among other variables, such as poverty, the CDBG formula includes the share of housing in a community that was built before 1940. The pre-1940 housing share has become less relevant over time, suggesting a misallocation of federal grants.

**The Right to Shelter.**<sup>21</sup> A key normative premise of the Housing First approach is housing is a human right. In addition, several cities and one state have implemented “right to shelter” laws that mandate the public provision of shelter or housing for the homeless. The places that have instituted this policy have seen some of the largest increases in homelessness nationwide.

Massachusetts has a mandated emergency assistance shelter program for low-income households with children, and it boasts the nation’s only statewide right to shelter law. In Massachusetts, the number of sheltered homeless people in families grew from 6,500 in 2007 to over 14,700 in 2015; 96 percent of the state’s homeless population was sheltered as of 2014. This statistic may not truly represent the prevalence of unsheltered homelessness. However, most researchers indicate the PIT counts tend to overstate the number of long-term homeless relative to short-term homeless, the latter of whom are typically sheltered.

Washington DC mandated all those seeking shelter during the winter months would be transported to and housed in shelters (or, when the shelters are full, in hotels) in 2005. This is the Capital’s second attempt at a right to shelter law. A similar enactment in 1984 lasted briefly until it was scaled back in 1991. A U.S. General Accounting Office report indicates the number of families served skyrocketed from 1984-1991, attributing this to increasing awareness “homeless families IES were receiving priority in obtaining housing and rental payment assistance.”<sup>22</sup>

Often, right-to-shelter laws mandate shelter for all, but some particularly emphasize families. From 2007 to 2015, the sheltered homeless family population

in DC more than doubled despite a stable sheltered homeless individual population. The capital reported a greater percentage increase in homelessness than any state in recent years. DC policymakers even acknowledge the likelihood of entry into the shelter system as a result of their right to shelter: “the District... provides for a legal right to shelter when the temperature falls below freezing. This means that we have an obligation to shelter households presenting for assistance, and it also means we are capturing more of those households that would have otherwise been in doubled-up situations.”<sup>23</sup>

Homelessness appears to have increased in each instance where local and state planners have formally legislated a right to shelter. The federal government’s Housing First model asserts a nationwide right to shelter—in the sense of legislated provision of housing for all. The experience of localities that have adopted the right to shelter principle suggests it is not sufficient to address homelessness, nor is it a necessary response. If right-to-housing laws in fact increase homelessness, a government-led right-to-shelter norm in the form of Housing First is incompatible with preventing and ending homelessness.

**U.S. Targeted Homelessness Assistance, 2015-2018**  
(millions of dollars)

Agency	Program	2015 Enacted	2016 Enacted	2017 Enacted	2018 Enacted
DOJ	Transitional Housing Assistance Grants to Victims of Sexual Assault	26	30	30	35
DOJ	BJA: Pay for Success Permanent Supportive Housing Demonstration	5	5	--	Up to 5
DOL	Homeless Veterans’ Reintegration Program	38	38	45	50
ED	Education for Homeless Children and Youths	65	70	77	85
FEMA	Emergency Food and Shelter	120	120	120	120
HHS	HRSA: Health Care for the Homeless	410	440	440	460
HHS	SAMHSA Projects for Assistance in Transition from Homelessness	65	65	65	65
HHS	SAMHSA Mental Health Programs of Regional/National Significance	33	33	33	33
HHS	SAMHSA Substance Abuse Programs of Regional/National Significance	41	41	36	36
HHS	ACF: Runaway and Homeless Youth	114	119	119	127
HHS	ACF: Head Start	358	365	386	474
HUD	Homeless Assistance Grants	2,135	2,250	2,383	2,513
HUD	New HUD-VA Supportive Housing Program Vouchers*	75	60	47	40
USDA	USDA/F&NS: The Emergency Food Assistance Program	376	372	375	354
USICH	United States Interagency Council on Homelessness	3.5	3.6	3.6	3.6
VA	Health Care for Homeless Veterans	158	173	173	189
VA	Domiciliary Care	183	200	199	210
VA	Compensated Work Therapy / Transitional Residence	61	60	60	60
VA	HUD-VA Supportive Housing Program Services	374	462	498	543
VA	Grant and Per Diem Program	250	196	257	257
VA	Justice Outreach Prevention Initiative	38	40	42	49
VA	Supportive Services for Veteran Families	300	304	329	349
VA	Other	81	96	104	91
<b>Total</b>		<b>5,310</b>	<b>5,543</b>	<b>5,822</b>	<b>6,144</b>

\*Note: This reflects new incremental HUD-VASH vouchers only; existing vouchers are renewed in the HUD Tenant-Based Rental Assistance account.

Source: “U.S. Targeted Homeless Assistance: Discretionary Budget Authority in Millions of Dollars,” U.S. Interagency Council on Homelessness, June 2018.

# 4

## MAJOR HOMELESS SUB-POPULATIONS

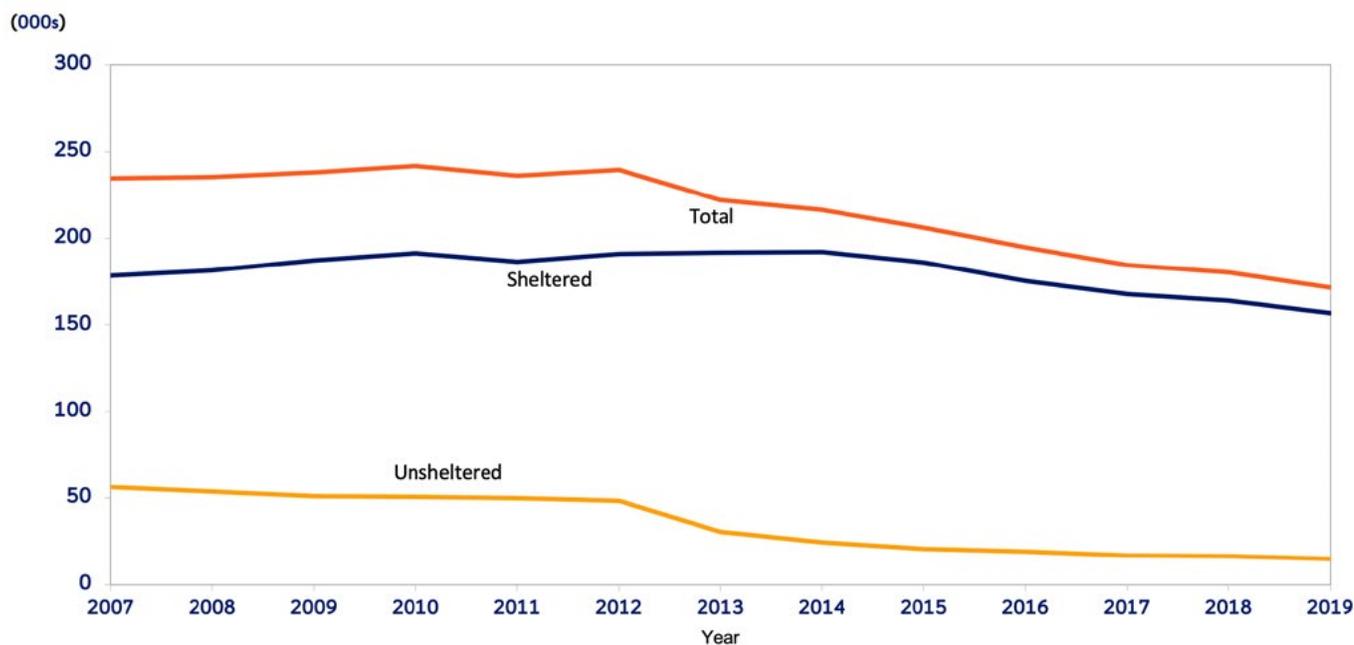
There are many risk factors for homelessness, including mental illness, substance abuse, former incarceration, poverty, and weak social ties, although most people with any of these conditions are not homeless.<sup>24</sup>

Among the homeless, the sheltered population is very different from the unsheltered population; families and individuals who experience homelessness briefly, or who are at-risk for homelessness, are very different from the chronically homeless; the people who move from shelters to permanent supportive housing—or exit the system by obtaining work and housing independently—are different from those who stay in the system.

The composition of the homeless population has also changed over time. The demographic makeup of the homeless population, which had been predominately male, and mostly white, individuals in the 1980s, has changed. Today, the homeless include more women, minorities, children, and youth. Racial minorities are disproportionately represented.

The data show distinct differences in the typical homeless experience of families with children, chronically homeless individuals, and veterans, as discussed below.

Figure IV  
 Number of Homeless People in Families with Children, 2007-2019  
 (Point-in-Time Estimates)



Source: Meghan Henry et al., The 2019 Annual Homeless Assessment Report to Congress: Part 1, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, January 2020, Exhibit 3.1, "PIT Estimates of Homeless People in Families with Children," page 32.

**Families and Children.**<sup>25</sup> People homeless as part of a family were 30 percent of the total homeless population in the January 2019 PIT count. Overall, homelessness among families with children declined 27 percent over the 2007-2019 period. (A considerable part of this decrease was due to the movement of families from Transitional Housing, where they are counted as sheltered homeless, to Rapid Rehousing and Permanent Supportive Housing programs, where they are no longer counted as homeless.) Over the 2007-2019 period, the number of people in unsheltered families declined by nearly three-fourths. In the January 2019 PIT count, 91 percent of people in families with children were in sheltered situations. [See Figure IV.] In contrast to children in families, most unaccompanied youth (89 percent) are individuals 18 to 24 years of age—and nearly half of them were unsheltered.

**Chronically Homeless.**<sup>26</sup> In contrast to families, chronically homeless individuals are one of the most difficult groups to shelter or to successfully make a transition to independence. The chronically homeless are defined as individuals with one or more disabilities who have been homeless for the past year, or had four or more incidences of homelessness within the past three years. These individuals are more likely than others to have multiple encounters with social service providers, medical emergency rooms, and police. By definition, they have one or more recognized disabilities—such as drug or alcohol addiction, or severe mental illness—that automatically qualify them as disabled. Thus, for example, about three-fourths of unsheltered individuals in Los Angeles in January 2019 were “affected by mental illness, substance abuse, poor health or a physical disability,” according to an analysis of homeless survey data by the Los Angeles Times.<sup>27</sup>

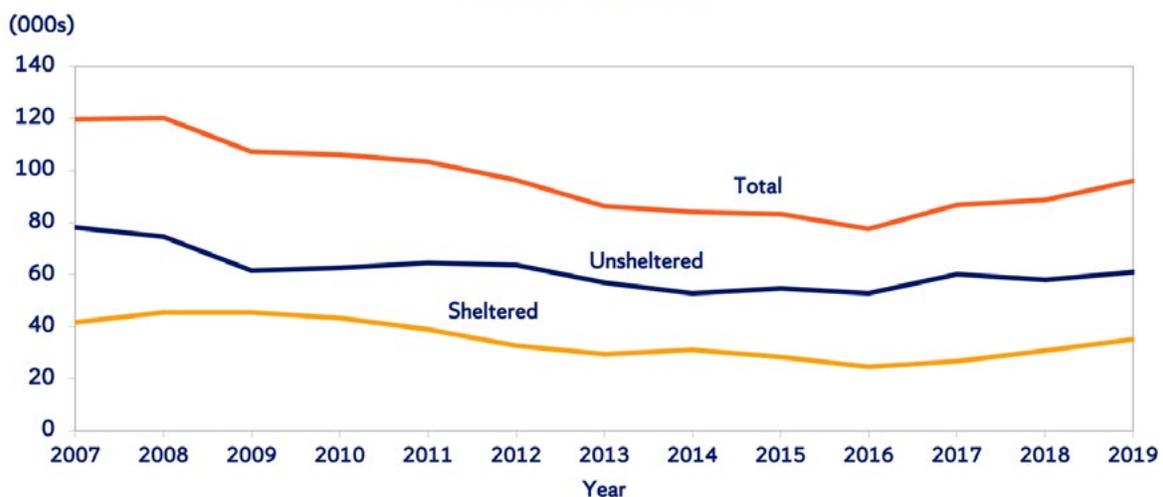
On paper, the chronic homeless are a priority group for housing and services under Housing First policies. In practice, it is not clear whether this group—individuals in desperate need—has been prioritized after all. The PIT count of chronically homeless fell from 2007 to 2016, but has rebounded over the past three years, for a net 20 percent reduction in the number of chronically homeless people over the 2007-2019 period. [See Figure V.] The chronically homeless are overwhelmingly individuals, rather than families, and they are 17 percent of the total homeless population.

The chronically homeless are geographically concentrated in a few states with warmer climates—but not in other, similar states: California accounted for about 40 percent (39,275 people) of the total chronically homeless population (96,141) and 41 percent of the unsheltered chronically homeless. In fact, just three states accounted for two-thirds of all chronically homeless unsheltered individuals: California (54 percent), Florida (6 percent), and Oregon (6 percent). In six states, more than two-thirds of chronically homeless individuals were unsheltered: Hawaii (86

percent), California (84 percent), Oregon (80 percent), Mississippi (72 percent), Florida (70 percent), and Arkansas (67 percent).

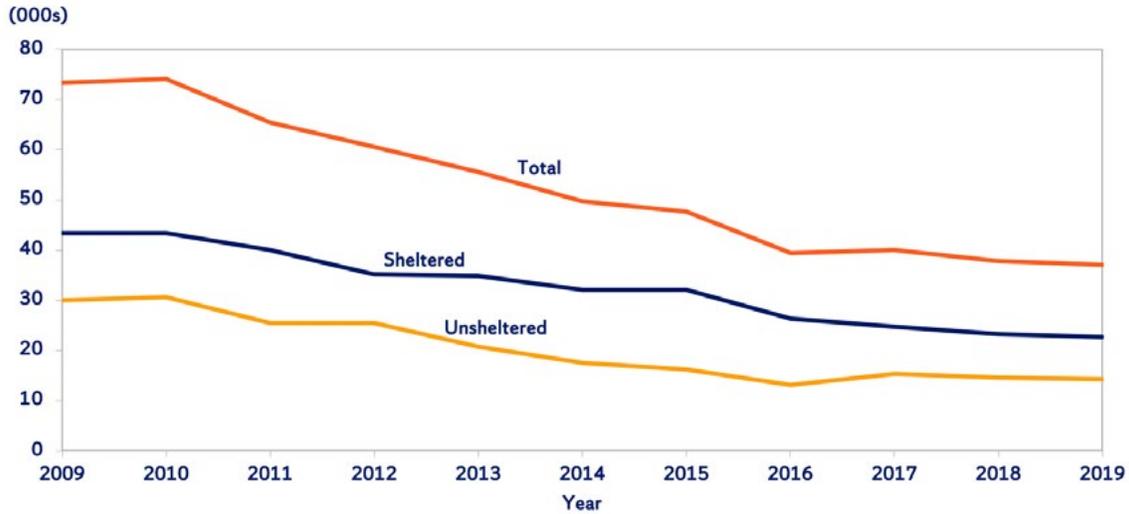
One explanation for the limited results is the chronic homeless are generally acknowledged to be “harder to house.” Nearly two-thirds (63 percent) of the chronically homeless in the 2019 PIT count were living unsheltered. By definition, chronic homeless individuals have experienced longer-term or repeated bouts of homelessness and have a disability. These individuals have endured very difficult experiences and often face significant barriers to housing stability. Some of these individuals are resistant to offers of emergency shelter or permanent supportive housing. Furthermore, a related issue is that families with children are often given priority for rapid rehousing units. Overall, the lack of success at ending chronic homelessness is particularly troubling, since the “evidence base” supporting the rise of Housing First has focused on the benefits to this group of individuals.

Figure V  
Number of Chronically Homeless People, 2007-2019  
(Point-in-Time Estimates)



Source: Meghan Henry et al., The 2019 Annual Homeless Assessment Report to Congress: Part 1, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, January 2020, Exhibit 6.1, "PIT Estimates of Chronically Homeless Individuals," page 66.

Figure VI  
 Number of Homeless Veterans, 2009-2019  
 (Point-in-Time Estimates)



Source: Meghan Henry et al., The 2019 Annual Homeless Assessment Report to Congress: Part 1, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, January 2020, Exhibit 6.1, "PIT Estimates of Homeless Veterans," page 54.

**Homeless Veterans.**<sup>28</sup> The greatest progress in reducing homelessness has been among veterans. Over the 2007-2019 period, the number of veterans experiencing homelessness was cut in half (50.5 percent), from 73,367 to 37,085. [See Figure VI.] Veterans experience homelessness almost entirely as individuals, rather than in families. Veterans accounted for just 7 percent of the 2019 PIT homeless population, and a substantial majority (61 percent) of homeless veterans were living in sheltered situations.

Notably, homeless vets are also geographically concentrated: California accounted for just under 30 percent of all veterans experiencing homelessness and more than half of all unsheltered veterans (54 percent), in the 2019 PIT count. There were just four states where more than half of all veterans experiencing

homelessness were unsheltered: California (70 percent), Hawaii (58 percent), Oregon (58 percent), and New Mexico (54 percent).

Many attribute the reduction in veteran homelessness to Housing First.<sup>29</sup> Proponents point to the decline in veteran homelessness as a reason to increase support for a Housing First approach to the rest of the homeless population. To be sure, the significant decline in veteran homelessness is a welcome trend. However, there are several reasons why these successes are not likely to translate to a “general” solution to homelessness.

First, veteran-homelessness programs have received considerably more resource per-person than other homeless programs—meaning the costs of extending the same level of support are incredibly large. HUD

has awarded more than 97,500 HUD-VASH vouchers to public housing agencies since 2008—more than the total number of homeless vets in any PIT count. The special supportive housing program for homeless veterans run jointly by HUD and the VA (HUD-VASH) features Housing Choice Voucher (HCV) rental assistance combined with case management and clinical services provided by the VA.<sup>30</sup> This is a much more resource-intensive program than is typical in Housing First programs: Federal spending on targeted programs for homeless veterans amounts to more than \$40,000 per individual annually. To apply this level of funding to the homeless population generally would cost more than \$22 billion—roughly the total amount HUD spends each year on low-income housing overall.

Second, even if policymakers opted to increase homelessness funding to this level, this would only address those who are currently homeless, and not those who may become homeless. Veterans are a well-defined group, limited in number. The potential size of the veteran homeless population is bounded by the size of the overall veteran population. By contrast, the potential number of people in the general population who might become homeless has a much higher “upper-bound.” This means the potential costs of the programs can be magnitudes larger over time.

“Veteran-homelessness programs have received considerably more resources per-person than other homeless programs.”

Third, scholars debate how much impact policy has had in the decline of veteran homelessness. Economist Brendan O’Flaherty writes, “whether this well-planned and well-directed activity had a large effect [on veteran homeless] is unclear.”<sup>31</sup> Part of this is because the total number of veterans age 18 to 64—the age cohort with the highest risk of homelessness—declined considerably over the period; O’Flaherty suggests that this trend in veteran population size may explain the majority of the decline in veteran homelessness. Finally, despite resource-rich programs, there were still 37,000 homeless veterans as of 2019. It may be much more expensive and difficult to permanently house and support the remaining homeless vets if their disabilities are more profound. In summary, the decline in veteran homelessness is very laudable, but it does not justify federal policy focus on a Housing First approach for homelessness overall.

# 5

## THE CONSEQUENCES OF HOUSING FIRST POLICIES

“The problem with services for the poor is not, as some cynics claim, that they never help,” wrote the social scientist Christopher Jencks. “The problem is that we seldom know which ones are helping.”<sup>32</sup> This is a particularly acute problem with homeless housing programs.

Experts in the social services industry claim the Housing First model is more effective than alternative approaches at eliminating homelessness, but this claim is not obviously supported by rigorous analysis. Specifically, the evidence suggests additional permanent supportive housing has little effect on homeless populations, the costs of these programs are much higher than anticipated, individuals respond to the incentives created by these programs, and resources are misallocated in the process.

**Effectiveness of Housing First.**<sup>33</sup> Research supporting the effectiveness of Housing First consists of studies that track outcomes for homeless individuals served by the programs. Such studies are often limited to a single city or sub-population of homeless clients. For example, HUD cites a study of a permanent supportive housing program in a single city targeting homeless individuals with severe psychiatric disorders that found “... Housing First permanent supportive housing models result in long-term housing stability, improved physical and behavioral health outcomes, and reduced use of crisis services such as emergency departments, hospitals, and jails.”<sup>34</sup>

Critically, these outcomes are at the individual level. They compare individuals who participated in a program to those participating in other programs (or no program). This is certainly an important line of research. However, it does not answer the policy question of whether adding more of these programs will reduce homeless populations (either in total or in the “incidence” of homelessness).

The policy question might be answered by studying the effect of adding more federal funding or funded-programs on the extent of homelessness in a community. Studies taking this approach often find little positive effect (and sometimes negative ones) at the aggregate level of the changes wrought by federal policy in recent years.

Economist Kevin Corinth found an additional permanent supportive housing bed reduces homelessness in a community by less than one person. In the short-term, Corinth found that after one year, “each additional PSH bed was associated with between 0.04 and 0.12 fewer homeless people,” with a preferred estimate of 0.10. Based on this, it takes 10 additional permanent supportive beds to reduce homelessness in a community by one person.<sup>35</sup> This implies the need for nearly 5.7 million additional beds to house the 568,000 people who are currently homeless—not including those who may become homeless in the future. And if those who are hardest to house remain homeless longest, the effects may be even smaller (and the costs higher) as the homeless population falls.

**Effect of Federal Spending.**<sup>36</sup> Another study on the aggregate effects of spending on the homeless found an additional \$1,000 in funding per 10,000 individuals in a community corresponds to a 0.309 person increase in the rate of homelessness. This point estimate suggests an additional \$3,236 of federal funding per 10,000 people corresponds to one additional homeless person per 10,000 people in a CoC. This is because funding increases the supply of shelter beds that can be filled.

Other studies have estimated the effectiveness of federal spending on the homeless population. For example:

- One study estimated a permanent supportive housing unit cost of \$17,277 for previously homeless persons with mental illness in New York City.
- More broadly targeted permanent supportive housing programs in Denver and Portland involved direct costs of between \$13,000 and \$14,000 per person.
- Overall, a \$13,000 per-year cost for a single permanent supportive housing bed that reduces the homeless population in a community by 0.72 people (Corinth’s “very best-case” estimate) suggests a minimum cost of around \$18,000 for a one-person reduction in homelessness via permanent supportive housing. If

the reduction is closer to his 0.10 estimate, the cost could be as high as \$130,000 per person per year.

- Another study estimated a first-year cost of about \$55,000 to move one chronichomeless individual out of homelessness.

If shelter, transitional housing, and other supportive services are more stabilizing in the long-term, causing reductions in homelessness, funding could be more effective than current estimates suggest. However, these expenditures might also increase overall homelessness in a community. Corinth notes permanent supportive housing may actually be less effective in the long run, and his empirical results suggest emergency shelter and transitional housing increase homeless counts in the long run. While the short-run effect of permanent supportive housing allocated to a homeless individual is a one-person reduction in the homeless population, if that individual’s exit rate from permanent supportive housing is slower than it would be without permanent supportive housing, the long-run effect on the homeless counts will be less than one-for-one—and approaches zero if people who would have otherwise exited homelessness another way—for example, into “market” housing—never leave these permanent units.<sup>37</sup>

Note these calculations account for direct expenditures only. Scholars have offered fuller cost-benefit analyses of permanent supportive housing and other programs, accounting for reductions in hospital, policing, and other social service costs. Such costs are much higher overall, and they are likely higher still in communities with less extensive social welfare infrastructure.<sup>38</sup> Housing First was first introduced and evaluated in cities with far more extensive social welfare programs than average: the cost of building the infrastructure to implement Housing First, such as more public housing and additional hospital beds, could be much higher in average cities.

### **Behavioral Responses of the Homeless.**<sup>39</sup>

The homeless are not geographically distributed evenly across the country. While the majority of homelessness is found in urban areas, even they

reveal significant variation. Specifically, New York City and Los Angeles have outsized shares of the homeless population. Nearly one-fourth of all people experiencing homelessness in the United States (24 percent) were located in either New York City (78,604 people) or Los Angeles (56,257 people) in the 2019 PIT count. Research suggests homeless families migrate to cities that provide more housing and social services.<sup>40</sup> NYC locally funds an extensive shelter system, and this could help explain why it has such a large share of the homeless population.

“Government planners allocate resources based on political considerations.”

LA’s large unsheltered population of individuals may also be migratory. Unsheltered homeless people congregate in cities with warmer climates—95 percent of NYC’s homeless population is sheltered, whereas half of LA’s homeless are unsheltered. Among U.S. cities with warmer climates there is a wide variation in unsheltered homeless rates, indicating the importance of local public policies—such as the effect of zoning and land use regulations on the cost of housing, and policing policies regarding the behavior of the homeless. Targeted homeless resources, such as permanent public housing units, are distributed across the country. But the homeless are free to move to other communities. While migration of the homeless is not well understood, this suggests current approaches might not be well-targeted to the homeless and their needs.

**Resource Misallocation Due to the Knowledge Problem.**<sup>41</sup> Government programs have inherent challenges in determining how to allocate resources. These issues differ from those entrepreneurs face in the marketplace. While private firms use price signals to decide where to invest and to gage the success of their efforts, government planners allocate resources based on political considerations. This can lead to resource misallocation. Further, bureaucrats and social workers do not have access to the requisite local knowledge to achieve economic efficiency. This is true with respect to homelessness policy.

In the case of homelessness policy, however, the

planner’s goal may not be economic efficiency per se. Instead, the aim may be to “help those most in need.” The knowledge problem still applies because there is no clear way to identify how much a given individual needs housing, dental care, counseling, and so forth, relative to other potential recipients. In private markets, there is a clear mechanism by which individuals can express the relative strength of their “need”: willingness to pay. Willingness to pay allows for an objective ranking of individuals’ subjective valuations. These valuations are local knowledge that is necessarily dispersed and cannot be aggregated into one centralized hub. Rather than by aggregation, this local knowledge is conveyed through the price system. Markets convey and utilize local knowledge through prices; consequently, resources tend to be allocated to their highest valued uses.

There is no analogous mechanism to willingness to pay for homelessness resources allocated through the political process. In the absence of the price system, practitioners lack an observable indicator of need that is comparable across individuals. They cannot neatly identify who “needs” housing most. Instead, the information criterion to determine “who gets what, when, and how much” is determined through the political process. Federal funds are targeted to groups determined through competition in the political sphere.

One reason why federal homelessness policy is not robust is because coercive tax and transfer programs cannot access the local knowledge and feedback mechanisms to identify those most in need. Lacking access to the economic knowledge to allocate homelessness resources to their highest valued uses, policymakers must rely on predetermined measurements. One plausible strategy would be to allocate housing and services to regions where homelessness is worse. Alternatively, more funds might be awarded to communities that have been successful at reducing homelessness over time. Both strategies are problematic because homelessness has been extremely hard to measure. Instead, as previously noted, much of HUD funding for homelessness is based on an outdated CDBG formula that uses pre-1940 housing shares to allocate spending, rather than measures of current need or program success.

# 6

## THE AFFECT OF LOCAL HOUSING REGULATIONS ON HOMELESSNESS

Homelessness is concentrated and rising in some areas, but falling in others. To the extent homelessness is a problem of housing affordability, it is often the product of local regulation of housing market. It is not a coincidence affordability is a “crisis” in those cities and states with the most extensive controls on building and land use. The crisis is occurring because low- and middleincome families are priced out of housing. In some markets, rents have risen much faster than other consumer prices over the past decade or more—in some years at twice the rate of increase in the consumer Price Index.

These local policies not only raise the market cost of housing, but raise the cost to public housing agencies of building additional units for the homeless. Indeed, higher average rental costs in a housing market are associated with higher rates of homelessness.

Housing costs vary widely across the United States, indicating local policies are responsible for housing affordability problems. Lower income households generally spend a greater percentage of their incomes on housing than do higher income households, and they are more vulnerable to increases in rental prices.

Specifically, there are a host of local public policies affecting housing that contribute to the homelessness problem by limiting the supply of housing, raising construction costs, and encouraging the conversion of rental properties to condominiums. These policies include growth boundaries, zoning regulations, building codes, and other land-use allocation policies, such as building heightlimits and minimum lot sizes that reduce the allowed density of housing or other construction.<sup>42</sup>

Economists John M. Quigley and Steven Raphael have

noted “to the extent that cities make it difficult to build new housing, any type of new housing, the availability of low-cost housing will be reduced and the affordability of all housing will decline. [emphasis in original]”<sup>43</sup> By contrast, entrepreneurs can and do supply more affordable housing in markets with less restrictions on the supply of housing.

California is known for its housing affordability crisis. “[T]he growing affordability gap between California (ranked 49th in homeownership) and other states is due to severe restrictions and regulations on housing development, which drive land prices up just as gasoline prices rise when OPEC tightens supply,” wrote economist Wendell Cox, who produces an annual international housing affordability index.<sup>44</sup> In 2010, Cox wrote, “More restrictive land use regulation is estimated to have added from nearly \$30,000 (in Minneapolis-St. Paul) to more than \$220,000 (in San Diego) to the price of a new home.”<sup>45</sup> Contemporary estimates would likely be higher. Adding to new residential construction costs, California now mandates all new housing include roof-top solar panels, which will raise the estimated cost of construction by an average of \$10,000 to \$30,000 per home.<sup>46</sup>

One public policy response to the increasing unaffordability of housing in California, New York, and Oregon has been to adopt or expand state rent control laws.<sup>47</sup> The consequence of price controls on rental housing markets is well-documented: Rent control reduces private investment in new construction or renovation of existing units; reduces the supply of rental housing due to conversion of residential property to condominiums or nonresidential uses; and exacerbates rent-price increases as landlords raise rents in anticipation of price controls and, after their imposition, at the maximum allowable rate.<sup>48</sup>

# 7

## ENTREPRENEURIAL SOLUTIONS TO HOMELESSNESS

**L**ike market entrepreneurs, local homeless service providers have access to local knowledge that could inform opportunities for non-market entrepreneurship in the form of innovative service approaches. However, bureaucrats and social workers are rewarded for expanding the scope of “best practices” rather than for entrepreneurial discovery. Because unique or innovative practices fall outside the mainstream “evidence-base,” these solutions are deemed illegitimate and are discouraged.

HUD acknowledges policy solutions need to be tailored to individual needs, but the tailoring is limited to variants of the Housing First approach under federal grant programs. Further, these grants come with restrictions that prevent experimentation. For example, federal regulations forbid individuals placed in long-term housing from sharing their apartment with a relative or roommate—even though such cost-sharing could provide more financial stability and provide more social support.<sup>49</sup>

A different approach to homelessness is needed. Existing resources could be put toward novel solutions that emphasize innovation based on local needs.<sup>50</sup> For example:

- *The Doe Fund* in New York City serves the formerly incarcerated, addicts, and the homeless, emphasizing participation in a paid work program called Ready, Willing, and Able that begins with street-cleaning and paths into trade work.<sup>51</sup>
- *Community First!*, a “tiny home village” and farm outside Austin, Texas for long-term homeless people, requires participation in community activities.<sup>52</sup>
- *Haven for Hope* in San Antonio, Texas, operates a large “transformational campus” with housing and multiple service providers, and a safe courtyard where the homeless can sleep outdoors and access basic services.<sup>53</sup>

We haven’t evaluated these programs yet to rigorously assess their impact, but they illustrate the kinds of things we can and should fund, experiment with, and evaluate.

**Prevention Programs.** More resources could be devoted to prevention programs that offer temporary emergency financial assistance to families and individuals facing eviction. Though most U.S. cities have some type of cash grant program, the availability of funds, and eligibility criteria, varies widely. Diverting at-risk people with this type of grant before they enter a housing program is less expensive than intervention afterward, especially for people who would otherwise experience a brief, nonrecurring period of homelessness. Based on an analysis of a Chicago emergency grant program, one study found people who applied for and received such assistance were 76 percent less likely to enter a homeless shelter. The estimated cost of preventing one person from becoming homeless was \$10,300 in the Chicago program, and could be reduced substantially by better targeting of benefits to low-income applicants.<sup>54</sup> Preventing homelessness among people who are just “down on their luck,” such as those facing a job loss or illness, would also free rapidrehousing and permanent housing beds for the chronically homeless.

**Pay for Performance.** Future funding for local service providers depends in part on their success, as measured by numbers of people placed in rapid-rehousing units or permanent housing. However, this gives them incentives to allocate the limited supply of beds to the easiest cases, rather than the chronically homeless. HUD began publishing national homeless system performance indicators in 2015 based on the HMIS data collected from CoCs.<sup>55</sup> The data include average length of stay, return to homeless status, and income improvement of clients. This is a good

start. Corinth suggests HUD develop performance measures that give greater weight to successfully housing the chronically homeless and tie funding to performance, but otherwise allow providers to design their own programs.<sup>56</sup>

Better data collection and analysis is needed for accountability in existing government programs—to determine whether and which approaches have achieved better results than others. “Service providers should be offered substantial flexibility in their service models, but they should be held accountable for their performance in helping their clients achieve desired outcomes,” states Corinth. “Performance measures should take into account the vulnerability of clients served so as not to punish service providers for accepting hard-to-serve individuals. This approach requires a renewed commitment to collecting high-quality data so individual outcomes can be reliably tracked.”<sup>57</sup>

# 8

## CONCLUSION

**H**omelessness is a complex and challenging social problem. Despite policymakers' best efforts, the end of homelessness still appears out of reach. Yet, there are meaningful paths forward that would make the response to homelessness more innovative, effective, and truly compassionate. If local homeless service providers were given the flexibility to use the federal grants they receive on novel, creative solutions, they could tailor their programs, support their successes, and learn from their mistakes. Improved data infrastructure can facilitate this effort. And rather than looking solely to homeless programs to provide long-term housing, policymakers should look to unleash private sector entrepreneurs to address the crisis of housing affordability. If local housing markets were deregulated, rental costs would fall, and entrepreneurs could provide lower cost alternative housing.

# 9

## END NOTES

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