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Permanent Supportive Housing as a Solution to Homelessness:

The Critical Role of Long-Term Operating Subsidies

AUTHOR:
Carolina Reid, Terner Center

TERNER CENTER PROJECT TEAM:
Katie Lan
Tessa Napoles

ROOM40 PROJECT TEAM:
Benjamin Mahnke
Rachel Gordon Vivas

POSSIBILITY LAB PROJECT TEAM:
Peter Dixon
Naomi Levy

Introduction

As of 2022, California had the highest rate of homelessness in the country, with over 171,500 people experiencing homelessness on a given night.[1] To respond to this humanitarian crisis, the state has expanded funding for the development of permanent supportive housing (PSH)—deeply affordable housing units that are targeted to people at risk of or experiencing homelessness, and that include the provision of mental health and other supportive services. The state now prioritizes PSH development in its mainstream affordable housing programs, such as the Low-Income Housing Tax Credit (LIHTC) and Multifamily Housing Programs (MHP). In addition, state investments in programs such as No Place Like Home (NPLH) and the Veterans Housing and Homelessness Prevention Program (VHHP), as well as local bond measures such as Los Angeles's Measure HHH, have all increased the ability of developers to add PSH units to their projects. Between 2014 and 2022, California added over 26,500 units of PSH, a 60 percent increase in the total number of units in just 8 years.[2]

Expanding the supply of PSH is a critical step toward addressing California's homelessness crisis. Evaluations of PSH have found that the model helps to promote housing stability and reduces the costs associated with hospital and institutional care.[3] The PSH model, which provides people with housing first, and then offers supportive services—including for mental health and substance use issues, as well as to support their personal development and financial well-being[4]—has seen remarkable success in ending chronic homelessness, even among people facing significant barriers to housing security.[5]

However, research has also shown that how PSH is managed influences the success of the model; the "supportive" component of PSH is critical to keeping people stably housed. In Los Angeles, research found that Black residents were more likely to return to homelessness after moving into PSH, due in part to insufficient case management and lack of culturally competent services.[6] Recent news stories have also highlighted how the lack of sufficient financial resources for long-term operating expenses and supportive services at PSH properties threatens their financial viability and can lead to unhealthy living conditions and poor resident outcomes.[7]

Sustained investments in the day-to-day costs of operating PSH properties and providing high-quality supportive services are critical to the long-term success of the PSH model. Yet funding for long-term operations is often limited. Even as the state has prioritized the development of PSH units, affordable housing providers are confronting the rising costs of operating these properties. Pressures to reduce the costs of affordable housing and increase supply are coming up against the need for more funding for operations and supportive services to meet the increasing complexity of needs of populations experiencing homelessness, as well as to recruit and retain qualified staff.[8] The lack of sufficient funding to effectively operate PSH and provide residents with the level of supportive services they need has implications for California's efforts to address homelessness, and may work to undermine the state's goal to expand the supply of PSH over the long-term.

In this report, we present research findings from a study that sought to quantify the costs of operating PSH—including

both the costs of managing the property and providing supportive services—and examine what the implications of insufficient funding are for properties, staff, and residents. Despite the importance of funding and sustaining PSH over time, there is remarkably little research that looks at the costs of operating high quality PSH. Working with a collaborative of seven affordable housing developers in the Bay Area—hereafter referred to as the PSH Cost Study Working group[9]—we analyzed data on operating and supportive services expenses to understand what influences the costs for 26 properties that include PSH units. We then explored how resident outcomes, including participation in resident services, on-time rent payments, and move outs, were associated with costs. We also conducted interviews and focus groups with 53 staff at the various organizations and properties, and held 8 focus groups with 76 residents at different buildings to understand their experiences with property management and resident services provision, and the ways in which the availability and structuring of resources impacts their day-to-day lives. This report focuses specifically on the role of operating subsidies in managing PSH properties: future reports coming from this research study will explore other factors that influence the success of PSH.

We find that buildings that include PSH units are more expensive to operate than those that focus primarily on low-income resident populations (for example, units serving low-income families or seniors), and that funding streams often constrain how much is allocated for operations. **Between 2019 and 2022, the average annual per-unit cost for the sample of properties with PSH units was $17,000.**[10] While it is not possible to get exactly an apples-to-apples comparison, data for LIHTC projects in the Bay Area over roughly this same time period show annual operating costs at $13,748 per unit, approximately 25 percent lower.

These higher costs are the result of the more extensive and higher trained staff required to provide supportive services, as well as higher maintenance costs. However, we also find that average costs vary significantly across buildings that include PSH. Eight out of the 26 properties in the sample had total direct operating costs exceeding $20,000 per unit in 2022, revealing that cost drivers vary across properties that include PSH units. **Properties located in urban areas, as well as those who serve multiple distinct homeless populations (for example, properties that serve transitional age youth, veterans, and survivors of domestic violence at one site), have higher costs than those who are focused on one population, or that are located in more suburban places.**

Interviews with staff at these organizations highlight that the current level of resources are insufficient for providing the staffing and supports that are needed to manage these properties effectively and meet residents' needs. Staff feel particularly ill-equipped to provide the necessary care and support to a population with greater needs (often referred to as higher levels of acuity), especially as referral systems increasingly prioritize people with significant health challenges and/or other barriers to sustaining housing.[11] The COVID-19 pandemic and rising inflation have also proven challenging, increasing staff turnover and requiring higher wages to attract and/or retain workers. In some cases, services provided before the pandemic—such as in-person case

management, in-home supportive services (IHSS), transportation and food assistance, and community-building events—have yet to return or have returned at diminished capacity, leading residents to feel more socially isolated as well as not having their basic needs met.

The failure to adequately fund PSH properties has a number of negative implications for efforts to address homelessness in California. **We find that properties with lower resources have higher rates of rent arrears and move-outs, increasing the risk of returns to homelessness.** After accounting for differences in location and population served, the lowest resourced properties in the sample had nearly double the rate of rental delinquencies than the highest resourced, as well as higher rates of exits from housing among PSH residents in the first six months after being placed in housing. The lack of sufficient resources further reduces the ability of properties to provide high quality resident and supportive services, leading to less uptake of voluntary supports to improve mental health or substance use conditions. Interviews show that fewer on-site staff and the lack of availability of trained mental health professionals can increase resident conflict within PSH buildings, as well as limit opportunities to build community and stability. The lack of funding to support operations further constrains the ability of affordable housing developers to expand PSH at the scale needed.[12]

These findings have implications for policies that support the development and operations of PSH. Under AB2483, the Department of Housing and Community Development (HCD) has been tasked to evaluate the limits they place on the amount that PSH operators can spend on services in projects funded by some state programs.[13] The data in this brief suggest that HCD should consider giving developers of PSH more flexibility to direct additional funding to supportive services, and to expand the limits for properties that require higher operating resources to be successful.

The state should also take a more proactive role in helping housing providers access health care funding (for example, by billing Medi-Cal[14] through the new California Advancing and Innovating Medi-Cal (CalAIM) waivers). The costs of providing PSH and high quality services cannot fall exclusively on the housing sector (given the need to direct more housing funding towards additional supply). Tapping into health care funding holds significant promise for strengthening the provision of supportive services, but there are significant barriers to coordination and implementation. In the longer-term, opportunities to reduce the fragmentation in the housing finance system, as well as expanding access to a greater pool of project-based vouchers, could help to reduce costs and the time it takes to develop new PSH housing.

This report proceeds as follows. The next section provides background on the PSH model, reviewing the literature on its effectiveness and explaining how it is financed. In the third section, we explain the data and methods used in the analysis. We then turn to research findings, highlighting the factors that impact the costs of operating PSH and describing how the lack of sufficient funding is associated with negative outcomes. We conclude with policy recommendations as well as opportunities for future research.

Background

Expanding the supply of affordable housing is critical to addressing California's homelessness crisis. For many people experiencing homelessness, the key driver is economic insecurity, and the inability to afford housing.[15] Strategies such as homelessness prevention, rapid re-housing (which provides people with a temporary subsidy), or providing a housing voucher or subsidized unit are all necessary strategies to stabilize households and provide them with the financial resources they need to be able to afford the high cost of housing in California.[16] However, for people with serious mental illness and/or substance use disorders, maintaining residential stability without greater assistance can be difficult. Most of these individuals and families are challenged by health conditions, social isolation, and deep poverty, and face significant barriers to both work and housing.[17]

PSH, which provides deeply affordable, independent living housing within a framework of supportive services, has emerged as one of the most promising strategies to address the needs of this population. For example, a randomized trial conducted in Santa Clara County found that even among those with serious medical issues or disabilities, the majority (86 percent) of people placed into PSH remained stably housed over the long-term.[18] In addition, people experiencing chronic homelessness who move to PSH experience marked reductions in shelter use, hospitalizations, length of stay per hospitalization, and time incarcerated, resulting in a significant reduction in the cost of public services. [19] Some studies also show improvement in health status and quality of life.[20]

Recognizing the need to address its homelessness crisis, California has worked to expand its supply of PSH units by prioritizing its funding streams to build units for people experiencing homelessness. There is no single funding source for PSH. Instead, providers braid together funding from multiple federal, state, and local sources to develop properties that include PSH units. California has prioritized PSH units in its Low Income Housing Tax Credit (LIHTC) and other affordable housing programs, and has initiated additional housing programs that are specifically focused on developing more PSH units, including Homekey, NPLH, VHHPP, and the Supportive Multifamily Housing Program. Between 2018 and 2021, the state directed over $5.5 billion in funding for the development of new affordable housing, including PSH. Recent research estimates that this will produce or preserve 58,714 units of affordable housing in the coming years, including 10,451 units set aside for people experiencing homelessness or those most at risk of becoming unhoused.[21]

While the high cost of building new affordable housing in California has received significant attention, a developer has to consider more than just how much it will cost to build the property; they also need to ensure that the housing can pay its debt service (loans) as well as pay for the building's operating costs over the long-term. Operating expenses at a building—which can include everything from fixing a broken washer/dryer to paying for janitorial staff to providing resident services—vary based on the population being served, the local labor market, and the characteristics of the building. For example, hiring security guards, janitors, and property staff will all cost more in an area with a tight labor market and higher cost of living, while

older buildings may cost more in terms of things like electricity (due to older systems and insufficient insulation) and maintenance needs.

For most LIHTC developments, residents' rents are generally sufficient to cover these costs, particularly if the debt service on the loans is low. In contrast, the very low incomes of the majority of households that move into a PSH unit are insufficient to cover operating costs. The difference between the monthly rent that a PSH household can afford, and the monthly expenses of operating a LIHTC property, means that there needs to be another source of subsidy that fills the gap. PSH providers typically address this gap by layering in additional federal rental housing assistance, primarily in the form of project-based vouchers (PBVs). However, under federal regulations, a public housing authority may only provide PBV rental assistance for up to 20 percent of its Housing Choice Voucher Program (HCVP) allocation, with an additional 10 percent of units that can be used to provide housing for people experiencing homelessness. [22] Many public housing authorities (PHAs) in California are close to their cap, limiting their ability to apply PBVs to new projects. In addition, PHAs are independent agencies that often have long waiting lists of households with worst-case housing needs, creating an environment of funding scarcity and leading some PHAs to prioritize resources for these households rather than for new units targeted to people experiencing homelessness.

PSH units also incur expenses for the associated supportive services that are provided to residents living in those units. California has adopted a Housing First approach in its programs, meaning that residents are not required to participate in services to receive housing.[23] Nevertheless, the "S" in PSH is a critical component of the model's success, and access to services is critical to residents' well-being, from getting help acquiring the furniture for their unit to counseling and direct care that meet their physical and mental health needs. Supportive services look different at every property, and are often tailored to meet the needs of individual clients. Because many nonprofit housing developers do not have the necessary expertise to meet all of the service needs of persons experiencing homelessness, organizations often partner with a third-party service provider that has trained clinicians and/or social workers on staff. Funding for supportive services comes from numerous sources, including county Mental Health Services Act (MHSA) allocations, federal grants managed by local Continuums of Care, as well as philanthropic sources.

Research has found that PSH outcomes are stronger when the model is responsive to residents' needs,[24] and when the housing provides opportunities for residents to build community and cultivate a sense of belonging.[25] Differences in the quality of housing as well as supportive services can influence the likelihood that a person stays housed, with some studies suggesting that Black and Hispanic people are most likely to exit PSH back into homelessness and experience worse health outcomes due to differences in how PSH and supportive services are provided.[26] However, there have been very few studies that have explored how the resources available to support operations and supportive services are connected to PSH outcomes. It is this gap in the literature that this research is trying to address.

Methods

The research relies on a unique dataset consisting of detailed operating and resident services expenditures for a sample of 26 properties owned and operated by seven nonprofit affordable housing developers, all located in the Bay Area in Northern California. The dataset comprises a total of 2,281 units of affordable housing, of which 1,079 units were set aside as PSH. The properties were chosen to represent a diversity of contexts in which PSH is provided, including based on building size, the percent of units within a building set aside as PSH, and location. A requirement was that all properties had been in operation for at least three years.[27] As Table 1 shows, the majority of properties were between 51 and 100 units, and most properties included both units set aside for PSH as well as general LIHTC-funded units designed to provide affordable housing to low-income seniors and family households with incomes at 50 to 60 percent of AMI.

The properties in the sample also serve a diversity of households within those units set aside as PSH, all of whom have experienced homelessness but who may have very different needs. For example, PSH units can serve individual adults, seniors, families with minor children, domestic violence survivors, or transitional age youth (young adults age 18-25 who have aged out of eligibility for the foster care programs). PSH units can also be set aside

Table 1: Descriptive Characteristics of Property Sample

		Number of Properties	Number of Units	Number PSH Units
Total Sample Size		26	2,281	1,079
Building Size	50 units or less	3	126	39
	51–100 units	15	1,126	674
	More than 100 units	8	1,029	366
Percent PSH	Less than 30% PSH	9	862	153
	30–60% PSH	9	738	287
	60–90% PSH	2	124	84
	100% PSH	6	557	555
Location	Urban	16	1,532	801
	Suburban and Rural	10	749	278
Building Age	Less than 10	20	1,841	685
	10–15 years	3	227	211
	More than 15 years	3	213	183
Number of PSH Set Aside Populations	1	11	1,132	480
	2–3	10	729	452
	4 or more	5	420	147

Source: PSH Cost Study Working Group data.

Notes: Only one property in the sample is Rural; it was combined with Suburban properties to maintain anonymity. Manager units were not included in the calculation of the share of PSH units.

for veterans—efforts to end homelessness among veterans have led to dedicated funds to meet the needs of that population. Within the sample, 11 properties focus on one target PSH population, with five properties serving four or more target populations in the same building.[28]

Room40, a consulting group based out of Boston, Massachusetts, collected detailed cost data for each of the properties for the 2019–2022 time period, and calculated a per-unit annual cost.[29] There are two important aspects to this cost analysis to bear in mind. First, per-unit costs are averaged across both PSH and non-PSH units at a property. In other words, the per-unit costs of a 100-unit building with 30 percent PSH units are calculated for all 100 units, not just the 30 PSH units. This is because, in practice, a building's property manager or resident services coordinator does not only focus on the 30 units, nor are the costs of flooding or fire damage resulting from an incident with a PSH resident restricted to just their unit.

Second, the analysis combines operating costs and the costs of providing services into one total cost number. Operating costs or expenditures include administrative costs (e.g., bookkeeping, office expenses), staffing (including property management, janitorial/maintenance, and resident services staff), repairs and maintenance, utilities, and taxes and insurance.[30] Services can include everything from providing moving costs, case management, outpatient health services, to assistance with food, childcare, and transportation as well as community building and educational activities.[31] Many affordable housing developers rely on third-party organizations for at least some of these services; these costs are often paid for by the county. For this analysis, the cost of any services provided by a third party were included in the full cost of these properties.

Often, policies and funding streams make a distinction between operating costs and supportive services costs. But in practice, it is not straightforward to disentangle the two. Resident services coordinators often support both PSH and non-PSH residents, and services such as childcare, employment and transportation assistance generally support all residents of a building, even if some of the funding comes from the county or federal grants[32] and some comes from rental income. In addition, if a third-party case manager doesn't adequately support a PSH resident's transition into housing, the effects are felt by all the staff and residents at the property.

The goal of this project was therefore to assess the full costs of managing properties that include PSH units—rather than solely the sources of that funding—so cost data in this report reflect the complete costs of staff and associated expenses at each property. Where possible, data on costs for third-party providers were obtained by looking at service contracts and/or obtaining the actual costs from the external partner. Where that was not possible, Room40 estimated costs using the number of full-time equivalent (FTE) staff assigned to the property, and multiplying that by the median expenses for that position based on educational and licensing level.

In addition to the cost data, the organizations provided researchers at the Terner Center with resident-level data for the same set of 26 properties. These data included general resident demographic and socio-economic characteristics (e.g., age, race/ethnicity, income, and household composition), whether or not the

resident was living in a PSH set-aside unit, monthly rent payments, and participation in resident service activities. These data were provided for both the PSH residents and the general LIHTC population within the building, allowing for comparisons in outcomes across the different populations.

Terner Center researchers also conducted interviews and focus groups with 53 staff members at the various organizations and properties involved in developing and operating PSH. Interviews represented a broad cross-section of organization staff: we interviewed staff in leadership positions at each of the organizations in property development, asset management, and resident services; property-level staff, such as property managers, maintenance and janitorial staff, and resident services coordinators; as well as individuals who work for third-party service providers as case managers. In addition, we held eight focus groups with 76 residents at different sites to understand their experiences with property management and resident services provision.[33,34]

Room40 and the Terner Center met regularly with the participating organizations to discuss early findings from the research and data analysis. This participatory research process was critical in informing the data analysis process, and in particular, allowed researchers to understand the context of providing PSH as well as the idiosyncrasies associated with the various data. The expertise of the nonprofit practitioners engaged in these regular meetings was critical to the validity of the findings emerging from this project, but the analysis of the linkages between the cost data and resident outcomes was conducted independently.

As far as we know, this research is the first study to look specifically at factors that influence the costs of managing properties that include PSH units, and the implications for resident outcomes. However, there are two important caveats to the analysis that limit the generalizability of these findings. First, the data collection and analysis timeframe spans the COVID-19 pandemic, which led to significant disruptions to the everyday work of providing housing and services. The lockdowns and isolation had a significant impact not only on operations (including the ability to provide resident services and community building activities), but also on the mental health of both frontline workers and residents. Federal and local eviction moratoria, coupled with greater rental assistance support, may have also impacted the rent and move-out data presented below. Second, the sample is limited to the Bay Area, and to properties managed by mission-driven nonprofits. The majority of the buildings in the sample were developed using LIHTC, meaning that we also did not consider the specific case of single room occupancy (SRO) properties operating under master lease agreements or scattered site models, which are other common approaches to providing PSH.[35] As a result, the findings may vary for other regions of the state, and costs and outcomes may also look different among for-profit property owners or those who are operating scattered site or lease-based PSH models.

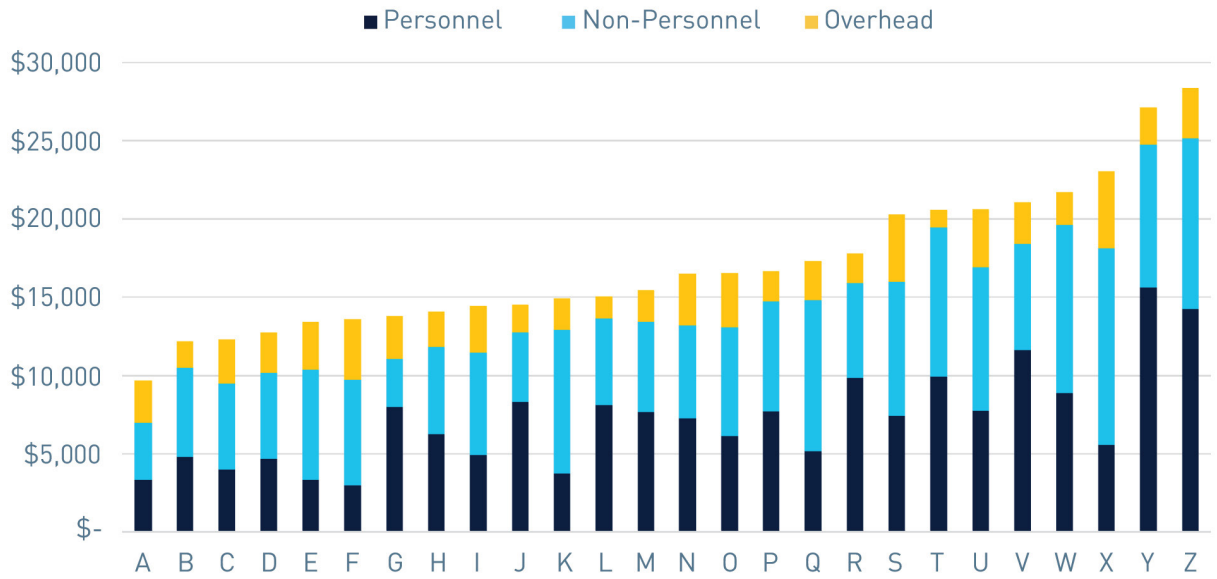
Findings

Overall, the PSH properties studied in this research are providing high-quality housing, and residents who have moved into PSH units are successfully exiting homelessness and staying housed over the long-term. Across the 27 properties, only four percent of total PSH residents were recorded as exiting housing, and less than 0.5 percent were evicted for cause (such as presenting a risk to staff or other residents).[36] Residents consistently shared that they felt that they "had won the lottery" in receiving a permanent housing unit, and highlighted the importance of being housed in improving their well-being and sense of self-efficacy.[37] One resident, a Black male who had served in the military, shared that "I'm just grateful to be here because I have to say if you have a place to put down roots, you can grow." He subsequently shared that having stable housing allowed him to regain custody of his daughters, and that his eldest was able to excel in school and earn her BA in History.[38] Another, a woman who was living with her partner who has a disability, shared that "we were homeless for 25 years in a tent out in the canyon, and you don't know what's gonna happen when you're homeless like that. Day to day you don't know if the cops are gonna show up or if someone was going to steal your stuff. This housing means peace of mind, security, and a sense of well-being."[39]

At many of the properties, there was also evidence of strong social ties between PSH and non-PSH residents and a sense of community (especially as COVID-era restrictions were lifted), which contributed to residents' sense of belonging. At one property, PSH and non-PSH residents alike highlighted how one of the seniors living in the building supported their well-being: "She's kind of like an informal social worker. Even when she has not yet eaten her dinner, she is willing to help us. My daughter-in-law describes her 'as like having a cane, when you are not steady, walking not steady, she's your cane.'"[40] Residents also highlighted the importance of having well-trained staff on-site, to support everything from everyday questions (one resident described a staff member in this way: "She knows what's going on. She knows how to get you your food stamps. She knows how to get you all your county benefits."[41]) to de-escalating conflicts between residents. Staff also pointed to the importance of sustained engagement with residents, particularly for those with higher acuity levels. One property manager shared: "It doesn't take one solution. There's not one golden ticket. Soon as you start to kind of neglect someone or look away, or the program for one person stops doing the job, everything kind of falls apart. So it takes a lot of resources and a lot of energy to be honest, it takes a lot of your heart, because otherwise the resident is just going to fail."[42]

The higher staffing needs in buildings that include PSH—to cover both operations and supportive services—drives up costs. Figure 1 provides the distribution of annual operating and supportive services costs for the properties in the sample in 2022. Across all the properties, the average annual per-unit cost was $17,063, although there was considerable variation across the sample. These costs are higher than what is captured in data provided to the California Tax Credit Allocation Committee (TCAC) for comparable LIHTC buildings.[43] While it is not possible to get exactly an apples-to-apples comparison, placed-in-service data for LIHTC projects in the Bay Area over roughly this same time period show annual operating costs at $13,748 per unit,

Figure 1: Distribution of Operating Costs for the 26 Properties, 2022



Source: Room40 analysis of 26 properties provided by PSH Cost Study Working Group members.

Notes: 'Personnel' costs include both W2 employees, positions contracted by the property operator, and the value of positions associated with third-party providers serving residents at that property. Both 'Personnel' and 'Non-personnel' costs include those associated with resident services and property management.

approximately 25 percent lower than the $17,063 for the sample in the study.

Pinpointing the exact configuration of staffing for PSH units is complicated by the fact that there is not one definition of supportive services or a standardized approach to providing services across organizations.[44] Table 2 provides an overview of typical supportive resources that are offered at the buildings across the sample, although the mix of services and how they are provided varies substantially across sites and are shaped by the service contracts associated with different sources of funding. For example, at one of the properties in the sample, there is a full-time resident services coordinator on-site (a licensed social worker), as well as a second resident services staff who is there part-time and a mental health therapist who comes to the property four hours a week. Even though these roles are all contracted to a third-party provider, property management staff noted that "We have a phenomenal support system, and they're always present, always available," and that this allowed them to meet residents' needs effectively.[45]

Other organizations split property management and/or resident service staff across multiple properties, or rely entirely on off-site third-party service providers to do case management and provide for residents' health needs. These organizations can include Veteran Affairs Supportive Housing (VASH) (which is responsible for coordinating services for veterans) or nonprofits that are contracted and paid for by the county. While interviews often pointed to lack of funding as the key driver of service gaps, others also noted the need to improve

coordination and accountability, clarify roles and responsibilities across the different organizations and staff involved in supporting a resident, and to increase training throughout the system to overcome discrimination and stigma towards people experiencing homelessness.[46]

Resident and supportive services are not the only factors that drive up PSH operating costs. **Staff-to-resident ratios at properties that include PSH also tend to be higher as properties may require front desk clerk, security, and/or additional janitorial or maintenance support to respond to unit and property damage.** One property manager shared that "we have experienced an increase in real hard costs due to property damage by folks who are actively experiencing mental health symptoms. Some folks have set fire in their units causing considerable property damage."[47] Staff also pointed to costs associated, for example, with the need to address hoarding and bedbugs. One property management staff explained, "I know bedbugs aren't really something we talk about, but those treatments are extremely expensive, common, and recurring. That should be put into the budget, every unit needs to be treated once a month, it's really hard to find resources for that…I also think that all the supportive housing properties should have security after hours…that would decrease some of the damage the that we see around the property."[48]

The need to reduce costs to make affordable housing projects financially viable[49] means that on average, properties under-budget resources for services at the

Table 2: Typical Supportive Services Provided as Part of PSH

Generally Provided by Housing Provider	Generally Provided by Third-Party Organization	Significant Variation Across Properties in Delivery Method
• Community building • Information (e.g., help signing up for benefits or information about transportation options) • Referral services	• Nursing services • Peer support and advocacy • Psychiatric services • 24/7 crisis services • Substance use services • Transportation • Mental health care	• Aging in place • Case management • Housing stabilization services (e.g., rent repayment plans) • Economic empowerment • Health education programing • Food assistance • Benefit counseling and advocacy • Life skills training • Youth & afterschool services

Source: PSH Cost Study Working Group Survey.

time of closing on state-funded programs, and either plan to make up the difference through philanthropic or other sources (such as the organization's own reserves) or operate with less resources than they consider ideal. Insufficient funding to support operations and supportive services has been exacerbated by the fact that costs have increased significantly since 2018. Between 2018 and 2022, average costs increased by 14 percent per unit, largely due to the need to increase wages in order to retain staff and recruit for open positions.[50] These rising costs have not been matched by comparable increases in HCD service caps, which allow for an increase in supportive services costs of only 2.5 percent per year.[51] As a result of both underfunding and the inability to cover rising costs in the context of inflation and worker shortages, PSH providers are concerned about the long-term viability of their properties.[52]

The analysis also reveals that there is not a "one size fits all" approach to managing properties with PSH units, and that actual per-unit costs vary widely across properties in the sample. At the lower end, four properties in the sample had annual costs of under $13,000 a unit. At the higher end, eight properties had annual costs of over $20,000 a unit. Differences in these costs across properties are influenced by a number of factors. **The most expensive properties are located in the Bay Area's urban centers, while lower-cost properties were more likely to be in suburban neighborhoods.** On average, the 16 properties located in urban areas had annual costs of $15,076 per unit, compared to $13,086 for the 10 properties located in more suburban locales.

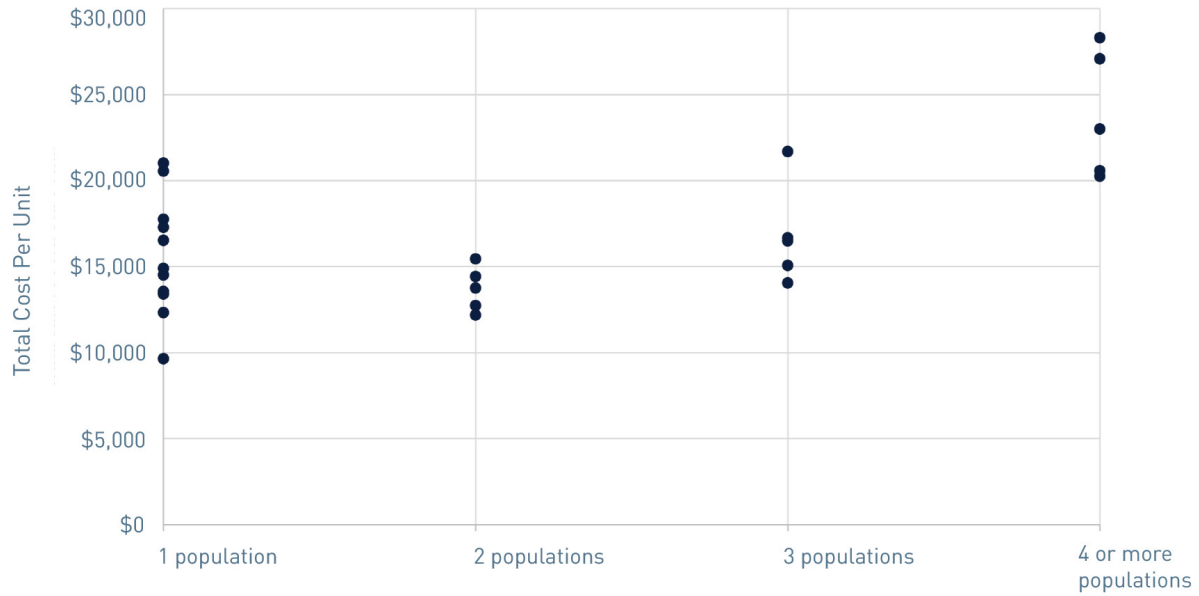
Interviews pointed to a number of reasons why urban properties cost more, including higher labor and maintenance costs (in part due to the fact that the urban properties included a higher share of older buildings). The density of urban locations, where there is generally more foot traffic and flow of people in and out of buildings as well as closer proximity to homeless encampments, can also increase staffing and security costs. While there were mixed views about how best to provide security (including concerns about over-policing and/or surveillance of residents), there was broad consensus across interviews and focus groups that not having 24-hour front desk staff or lack of staff on site in the evenings and on weekends undermined feelings of public safety, and made it harder to respond appropriately when there was a crisis. [53] While this was true primarily for buildings with a larger share of PSH units, it was also raised as an issue for properties with fewer PSH units but that were located near more urban corridors and/or encampments. A staff person who works in San Francisco shared that properties in neighborhoods like the Tenderloin also tend to serve people who have experienced homelessness longer, and who may have greater mental and physical health needs: "The longer someone's been out on the streets, the more likely it is that they're going to have all sorts of, you know, mental health, substance use, and medical issues, more trauma. In terms of the mystery of why we're spending more money to do this in SF, it's really pretty simple—it costs more to address those levels of trauma."[54]

While properties with more PSH units tend to cost more, larger buildings also have cost efficiencies. Taken independently, the number of PSH units in a building increases costs slightly, but when considered in tandem with total units, this effect disappears. This is largely a function of economies of scale: larger properties distribute fixed costs like the salary of the property manager or resident services coordinator over more units.

The number of distinct PSH set aside populations at a property drives costs meaningfully upwards. As Figure 2 shows, the properties with the highest costs per unit—over $20,000 per unit per year—all served four or more distinct PSH populations. Even after accounting for building size and location, each additional population layered into a property was associated with an increase of around $1,500 per unit per year in direct operating costs. Serving a greater range of populations at a single property influences costs on both the property management and resident services side. On the property management side, working with and reporting to multiple different funding agencies increases regulatory compliance and coordination costs. As one interview respondent explained, each funding stream may be associated with its own partner agency and case managers that on-site staff need to coordinate with: "There are potentially nine different case managers from nine different agencies that are supporting nine different residents. There is no possible way that at any given time that can all be dialed in so it's efficient or effective for the resident or for the staff in the mix.[55]

On the resident services side, increased costs are a function of needing more specialized staff who are trained to meet the unique needs of different populations, such as veterans and transitional age youth. While all of these populations may be grouped together as "experiencing

Figure 2: Relationship between Number of Targeted Populations Served and Operating Costs



Source: Room40 analysis of 26 properties provided by PSH Cost Study Working Group members.

Notes: Groups include homeless with Special Needs, Chronic Homelessness, Families with Minor Children, Seniors, Transitional Age Youth (TAY), Veterans, and Homeless – General.

or at risk of homelessness," the reality is that each group has very specific needs: one interviewee noted that "the needs for a developmentally disabled unit are very different than one with Mental Health Services Act (MHSA) funding that's chronically homeless with chronic mental illness. And it requires a different set of skills… we don't have just one type of special needs. "[56]

Funding programs for affordable housing dictate which populations will be served by that housing; in recent years, the state has prioritized PSH in its broader funding programs, which means that decisions about the share of PSH units and target populations are often driven by funding availabilty and are determined in the development phase. One property development staff member shared, "I would be disingenuous if I didn't say that funding has something to do with going after certain types of housing. Right? You almost can't get anything built without serving acute populations."[57] As funding streams have become more fragmented—with each funding source specifying who needs to be served by those units—the complexity increases.

Many of the organizations in the study were trying to improve coordination between their property development and resident services teams, but interviewees said that ultimately, funding availability for development remains the primary driver in the system. One respondent shared, "Right now, the system says, we're going to pay to build a building. So we say we need $50 million. But actually you need to bump that up to about $65 million, because we're going to need to serve these people in the long run. And right now, that doesn't happen. Instead, we get $50 million to build the building. And then we fight about services later…we're still in a model where people assume the asset and rents will pay for the staffing and all the services. But that asset model is really a financial model created decades ago and that doesn't work so well anymore when we're serving higher acuity populations."[58]

The reliance on coordinated entry systems to lease up units was identified as a major challenge in successfully placing residents in buildings suited to their needs, and has the effect of lowering resources when units sit vacant for several months. The majority of referrals for PSH units come from local Coordinated Entry Systems (CES); the goal of CES is to increase coordination of service and housing delivery, and it is intended to ensure equitable and efficient housing placements. In brief, each local CES adopts a standardized approach to measuring the level of need of people experiencing homelessness. The system prioritizes people with higher scores—which signify a greater level of need or acuity (for example, more severe physical or mental health challenges)—for housing and services throughout the region, rather than requiring people to apply to multiple organizations to obtain assistance.[59] Where CES works well, people experiencing homelessness are assessed and prioritized for housing that meets their needs; CES staff also collect all the required documentation, making it easier to confirm eligibility for an available unit and to expedite the leasing/occupancy process.

However, the capacity of CES organizations varies across the state, and in some places, these organizations are also underfunded and understaffed, making it difficult for the system to work as intended. Interviewees shared that often the system is backlogged.[60] Interviews also highlighted that the pressure on CES to get people into housing leads them to place people with very high needs into buildings not well suited to their needs, for example,

referring a client to a building with no front desk staffing or a part-time on-site resident services coordinator rather than the building that has clinical services or nurses on site.[61] A staff interviewee noted: "Every one of our buildings isn't meant to meet the demands and needs of everyone experiencing homelessness. Allowing every vacancy to be an opportunity versus allowing every vacancy to be vetted to ensure the highest probability of success, I think that's where we're really struggling. The costs of that incongruence are service gaps that undermine success."[62] Staff raised concerns that CES is increasingly referring people who are not prepared to live independently to PSH (in part due to lack of other options), and that this was undermining the success of the model.

Developers are also concerned that the lack of responsiveness of some CES organizations means that units stand empty. One property manager shared, "we run into the challenge where we have an opening, we have an open apartment, and we can't get CES to give us somebody. We're calling weekly, every other day and no, crickets. And here we have thousands of homeless people. Well, we have an apartment. Send us a few."[63] Strict eligibility and definitional requirements for who can be moved into a unit increases the time it takes to successfully place a person, especially given rigorous documentation requirements. One interviewee shared, "They also got to meet the criteria. Not just homeless, but chronically. Or the chronically homeless with a domestic violence background. I understand they need time." Several interview respondents raised the question of whether this approach to prioritizing housing was making the problem worse, as they spend months trying to fill one unit rather than allowing them to house someone who was ready and eligible to move in more quickly. Others suggested opportunities to establish time limits for how long the referral process can take (for example, allowing providers to accept referrals from other sources after 30 days)[64], to adopt a set of best practices for CES, and to share lessons from strong CES organizations more broadly across counties.

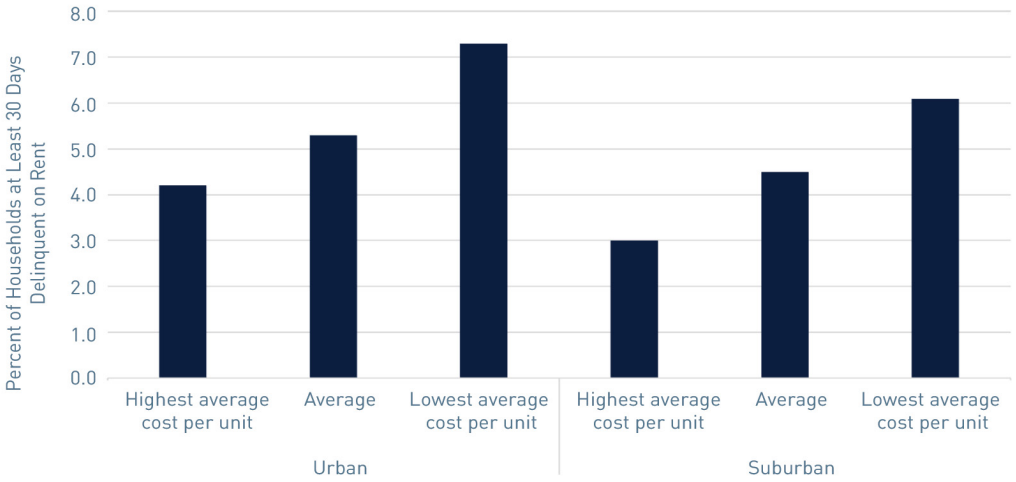
Implications of Insufficient Funding

The complexity of operating properties that include PSH units, coupled with differences in not only property staffing and budgeting but also data collection across organizations, makes it difficult to draw out detailed analyses of how costs impact property, staff, and resident outcomes. One of the key lessons from the research is that each property is unique, and has a different constellation of challenges (resulting from location, building type and age, staffing model, and network of local providers) and resident needs. Properties' needs can also change over time: at one of the sites of the resident focus groups, participants said that there had been a lot of conflict among residents five years ago, as more people experiencing homelessness were moving in, but that now there was a strong sense of community and engagement, including among PSH and non-PSH residents.[65]

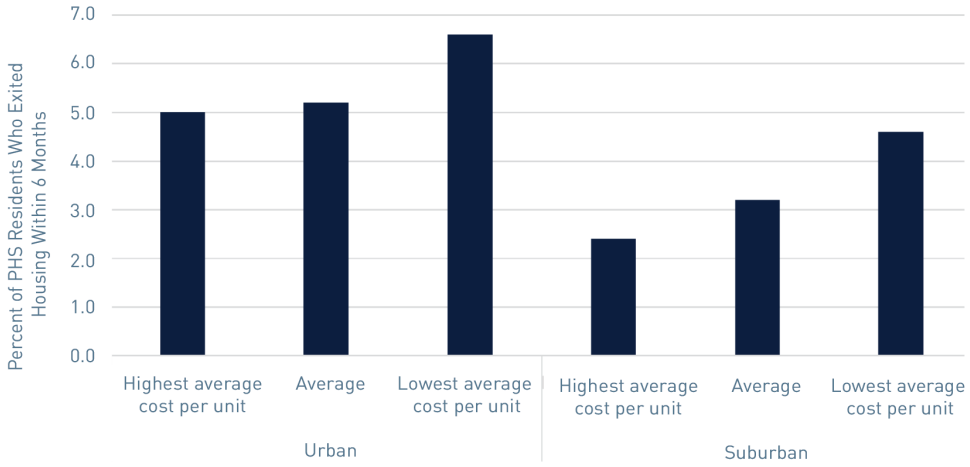
Despite these unique characteristics, the study did point to some important initial findings about the links between the resources available to support a property and resident outcomes. First, we found that **properties with lower budgeted resources had higher rates of rent arrears and move-outs, increasing the risk of PSH residents returning to homelessness, after accounting for the properties' locations.**

Figure 3: Relationship between Costs and Resident Outcomes

Rent Delinquencies



Exits from PSH



Source: Terner analysis of PSH Cost Study Working Group property data.

Notes: Rental delinquency data are calculated for all residents, not just PSH units. Where possible, exit percentages exclude residents who moved to other facilities (e.g. a skilled nursing facility) or residents who passed away while at the property. Highest category includes the three properties with highest costs; lowest includes the three properties with lowest costs.

Figure 3 shows the share of all households in each building that experienced at least a 30-day rental delinquency between 2019 and 2022. Although differences across properties are small, properties with the lowest costs per unit had higher rates of rental delinquency than those with higher costs per unit. Although these delinquency rates likely reflect the influence of the COVID-19 pandemic and the associated labor market impacts, the differences between properties are statistically significant.[66] The second graph in Figure 3 shows move-out rates among PSH residents within the first six months are higher in properties that have lower per unit operating costs: these move-outs are related both to evictions for dangerous behaviors as well as cases where people moved out voluntarily. Overall, the number of evictions at the sample properties were extremely low (less than one percent of all units); the COVID-19 eviction moratoria likely played a role in the low eviction rate, but many of the organizations said that they would evict someone from a PSH unit only if there was a real public safety concern and not for non-payment of rent.

Interviews across the properties pointed to the importance of the first six months to a year in stabilizing new residents who had experienced homelessness. Coordination between property management staff, resident service coordinators, housing navigators, and/or case managers is critical in ensuring long-term housing stability. While the responsibilities of these roles can vary across properties, case managers often provide more support and help residents with mental illness pay their rent on time, or help residents with chronic illnesses manage their medicine properly.[67] When the system works well, third-party case managers provide a "warm hand-off" when residents move into a unit, and on-site resident service coordinators work closely with case managers to ensure consistent and reliable care after move-in.[68] As one resident services supervisor shared: "One of the most beneficial tools is establishing the care team, getting all those stakeholders together as early as possible. Ideally a month before moving in, 'what are some of the things that are needed? Do they need furniture? Do they need to know about transportation? Do they need to know how to get a rent check?' Some of those basic simple needs that we take for granted can be a challenge."[69]

However, the lack of sufficient resources and capacity in the system means that these services are sometimes not provided, provided intermittently, or are time-limited, and coordination is often lacking. Resident services staff noted that some residents are "dropped off" without sufficient case management support which creates additional work for on-site staff: "When there's no handoff, we become the case manager, we become the one responsible for creating that pathway through to more stability. And we're just not set up capacity wise to provide that level of support."[70] Another property manager shared the story of a new resident who was referred to the property from a shelter: "[The assigned case manager] got her moved in, she still hasn't gotten her deposit paid, doesn't have any furniture, doesn't have anything. They completely dropped the ball on her."[71] Interviewees further raised the concern that when new residents lack the appropriate support during their move in period, they may not adapt well to the new environment and that this can impact community cohesion in the building.[72] In addition, some programs, such as VASH, offer time-limited case management (e.g., one year after move-in) which disrupts long-term continuity of care and burdens on-site staff when residents are "gradu-

ated" from third-party case management yet continue to require support.[73]

Developers are also limited in how many on-site staff they can afford, meaning that essential staff are split across properties. One interviewee shared "I've got a building with PSH, and even though it's only 20 units that are formerly homeless, it's a higher needs population. But my service coordinator is only there two days a week because that's what the funding allows. A lot happens in between that. The property manager is responsible for three buildings. I'm seeing this more and more."[74] At other properties, lack of funding has led to staffing cutbacks, or trade-offs in what services are provided. One interview with a case manager said that her caseload was doubling due to funding constraints. She explained, "I have to serve every PSH resident. I have to do an individual service plan with them. Find out what their goals are, what are the next steps and help them attain those goals, and check in with them. I connect them to everything they need, and I am asked to do things resident services can't. I'm being asked to double the number of households, to do it by myself."[75] Another community manager shared, "So I think [staff] presence is a huge part of it. But I've noticed at other sites it's a budgetary constraint, and it's the balancing, 'well, do we offer after school care or do we offer more resident services?'... and unfortunately, they're both equally important."[76]

Property staff also said that third-party service providers varied in their capacity to be responsive, and that because many of these contracts were managed by the county, they had little ability to hold case managers accountable to those contracts, or to select providers with the expertise needed to respond to residents' needs. The lack of resources and system capacity to address high need residents also leads to a mismatch between staff's training and residents' needs. Staff said that 911 or mobile crisis teams often don't respond unless the situation is "life threatening", which means that a property manager or resident services coordinator needs to de-escalate the situation. One staff member said that this adds to the stress of their job, "because you never know the next step or next minute what will happen because the resident is really hyper and aggressive. If we had a clinician or mental health professional in-house, I think they could help de-escalate, get the resident calmed down."[77]

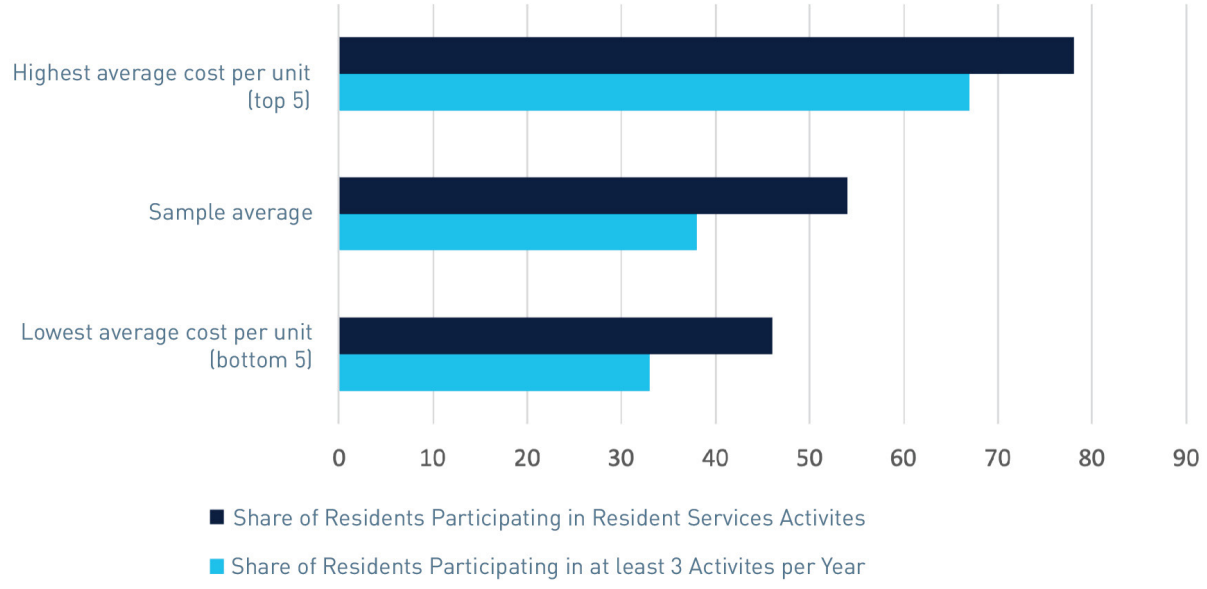
One key challenge has been retaining and recruiting staff, especially given the combination of often stressful work and low pay. Several respondents highlighted that they lost staff during the pandemic, and that both their organizations and their partners were struggling with high rates of vacancy and turnover. As one interviewee said, "We have a system that has probably a 30 to 35 percent vacancy in staff positions across its operational platform. We're talking janitors, clinicians, all of it, and what concerns me is that folks are going to stop believing in the solution if the solution isn't supported and functioning."[78] Residents also highlighted that staff turnover and vacancies undermined their sense of well-being, and that it eroded their trust in the organization's commitment to supporting them. One Black resident living in a PSH set-aside unit said that high rates of staff turnover "show me that either they don't care or they're not being trained well enough to address our concerns. And so they would rather move on to another assignment and not deal with us. Because they have something else better to do. And that really,

really makes me angry."[79] Other residents said that the property management and resident services staff on-site had a significant impact on the overall "feeling" of the building and sense of community. [80]

The data suggest that residents engage more with services in buildings with more resources and a greater presence of on-site staff. Services in PSH are voluntary; residents will not lose their housing simply because they do not participate in services. But providers often offer supportive services proactively, which means that they will continue to show up and check on someone even if residents do not request help.[81] The quality and tenure of the staff, as well as cultural and linguistic concordance that results in better communication bewteen staff and residents, influences the likelihood that a resident will be responsive to seeking out supportive services and participating in resident activities. Participation in resident activities includes meeting with a case manager to develop an individual service plan, get financial or other forms of individualized support, or participate in a group activity like a health information session or resume workshop.

Figure 4 provides descriptive evidence for the association between higher-resourced properties and resident engagement with supportive services. At the five properties with the highest direct costs per unit, nearly 80 percent of residents participated in some form of supportive services, and 66 percent participated in at least three activities per year between 2019 and 2022. In contrast, in lower-resourced properties, less than half of all residents were recorded as participating in resident services, and only one in three engaged in three or more activities over the course of a year. Residents reported that the level of effort and capacity of the resident services coordinator made a big difference in what

Figure 4: Relationship between Costs and Participation in Supportive Services



Source: Terner analysis of PSH Cost Study Working Group property data.

services were provided. At one site, residents shared how staff turnover led to a dramatic reduction in access to healthy food: "Before, every other Wednesday, we'd get food if you joined a list. And [the resident services coordinator] bagged it up and you could come and get it. And if you didn't come to get it, he would put it all on the cart and go floor to floor. But when [the new coordinator] got here, she didn't do that, she'd say 'You didn't come down here, you don't get it.' And then it became once a month, because it's less work for her."[82]

The lack of sustainable sources of operating funds also raises concerns over the viability of developing and financing buildings with PSH. Interviews consistently raised concerns about PSH projects going "sideways" as a result of an expanding focus on PSH without sufficient capacity and resources in the system to provide PSH effectively.[83] Property maintenance costs are often higher than anticipated, including damage as the result of flooding, fire, and needing to replace appliances more frequently in PSH units. Vacancies resulting from challenges filling PSH units reduce monthly revenues, which can place further pressure on operating reserves. These challenges are leading to hesitancy to take on the development of more properties that include PSH, including applying for Homekey funds. A staff interviewee noted: "We're seeing some [affordable housing developers] now stepping back. They don't necessarily see the long term viability to make things work. If the Public Housing Authority (PHA) can't provide vouchers, and other funding sources are year to year, then how do you make these properties work?"[84] Affordable housing developers are increasingly confronting the prospect of subsidizing operating deficits with their own financial resources, which creates a significant financial risk for the organization. Recent high-profile news stories of PSH properties and operators that have struggled financially and with providing high-quality housing have heightened anxiety that the underfunding of operations may work to undermine the PSH model and have negative effects on people's perceptions of affordable housing more broadly.[85]

Recommendations

Expanding the number of PSH units in California must be part of the state's response to the homelessness crisis. Properly resourced, PSH is a proven model for addressing homelessness and can lead to long-term reductions in institutional costs associated with homelessness such as emergency room hospitalizations and incarceration. While research has shown that PSH results in cost offsets to the public health care, public works, and criminal justice systems, meaningful resources to address people's needs are critical. As a recent meta-analysis of PSH concluded, the extent to which PSH can be regarded as providing a strong return on investment is dependent on there being sufficient resources to support the long-term housing stability and well-being of residents.[86] The research presented in this report shows that the strengths of PSH are at risk of being undermined as the result of insufficient resources to sustain long-term operating costs.

Solving the problem of insufficient operating dollars is far from easy: it requires a commitment to an ongoing source of funding. One critical piece of the puzzle is to expand funding for federal project-based vouchers, which are the single most effective way to finance PSH operations. The Biden Administration's 2023

budget proposal signals a commitment to expanding resources for deeply subsidized housing, including a proposed $7.5 billion in funding for new project-based rental assistance contracts, as well as expanded funding for housing vouchers for extremely low-income veterans and transitional age youth.[87] However, Congress has been reluctant to expand funding for affordable housing as part of earlier proposals (such as Build Back Better), so it is unclear whether these resources will be unlocked in the foreseeable future.

There are some tangible steps that the state of California can take to improve outcomes for PSH residents and properties. As per AB 2483, HCD is currently assessing the spending caps on services as specified in the Uniform Multifamily Regulations (UMR). In 2017, the UMRs limited service costs to $4,080 per unit per year for units restricted to individuals and families experiencing chronic homelessness. [88] One concern is that these caps are too low, and that the allowed cost increases over time do not reflect current inflationary pressures. **The data in this brief suggests that at some properties, boosting resources for supportive services could help to improve resident outcomes, especially at properties serving multiple targeted PSH populations.** HCD should consider giving property owners more flexibility to use project-level funding to tailor their services and contracts to the needs of their residents, and adjust those resources as properties stabilize or as the mix of needs changes. One important finding from the interviews is that property needs can shift over time, depending on the composition of residents. It is also clear that not all PSH properties cost the same to operate: location, size, and the number of target populations all influence the true costs of providing PSH. The existing service caps make it difficult to respond to these diverse and often changing needs, especially in an era of rising costs. HCD should work with PSH providers across the state to better understand these dynamics as part of their analysis under AB 2483.

It is equally critical to expand affordable housing developers' ability to better utilize health care funding for supportive services. If more state housing dollars are spent on covering long-term operating costs, it will come at the expense of building more PSH units. **The state should be more proactive in helping PSH providers access health care funding, such as the Medicaid waivers allowed under CalAIM.** CalAIM provides a significant opportunity to expand funding for supportive services for residents of PSH, by allowing managed health care plans to fund housing-focused needs, and then be reimbursed by Medi-Cal.[89] However, there are a lot of misunderstandings about how the waivers work, and the program is complicated and administered through managed care organizations that vary by county. Most housing developers and operators of PSH do not have experience working with either health systems or Medi-Cal regulations, and do not have the capacity to make the investments needed to build the billing and other administrative infrastructure to take advantage of the program. As one respondent explained, "We tried doing some portion of Medi-Cal billing, like the medical administration and that was painful and unsuccessful…if we dive into the deep end of doing the CalAIM, it needs to be a whole organizational decision that includes building our capacity beyond just services."[90] A bill introduced in May of 2023, AB 1085: Medi-Cal: housing support services, could further expand the ability of PSH providers to access health care funding for supportive services.[91]

There is also the need to reduce fragmentation and complexity in the housing finance system, as well as to boost resources overall. The next brief coming out of this research project will focus on the multiple ways that fragmentation across various funding streams and organizations contributes to poor outcomes for residents and properties. From coordinated entry to determining eligibility to unit inspections and certifying rent and compliance reporting, the accretion of different funding sources and lack of coordination within the system contributes to empty units, increased regulatory burdens, and indirect costs. It also leads to the layering of target populations in order to qualify for funding, which can come at the expense of identifying what is needed to best support resident outcomes. The second brief will also look at the broader system of organizations that provide support to people living in PSH, and the ways in which systemic factors and capacity constraints make it more difficult for third-party service providers to deliver responsive care. For example, there are opportunities to improve coordination between CES and county behavioral health services and PSH providers, as well as to build stronger pathways between PSH and other forms of housing, including interim and transitional housing and board and care facilities. PSH is an evidence-based intervention that has been shown to be effective at addressing homelessness, but it is embedded within a larger system that influences how people experiencing homelessness navigate and get access to the services they need.

Conclusion

This study provides an initial examination into the costs of operating affordable housing that includes PSH units, and explores how the availability of resources shapes operations and resident outcomes. The research reveals significant complexity in how PSH is provided, and finds that a large number of factors shape costs and resident outcomes, including the location of the property, the number of distinct populations a property is serving, the acuity levels of people being referred by CES, and the capacity of third-party service providers in the county. Even within the smaller set of organizations that participated in the PSH Cost Study Working Group, each has a different cost and staffing model, and there is variation in how they deliver supportive services (both in terms of their classification of what supportive services means and the day-to-day implementation of how those services are provided and tracked). Additional research is needed to better understand this variation in how PSH is provided, and the ways in which local contexts and systems shape its effectiveness. Even so, the analysis reveals that resources need to be aligned with population needs, and when those resources are insufficient, the PSH model may not deliver on its potential to stabilize people experiencing homelessness and reduce the number of people who are unhoused in California. Too many PSH properties in California do not have a sustainable long-term subsidy in place to cover ongoing operating costs. Figuring out how to close that subsidy gap—and do it in a way that best supports residents with long-term health and supportive services needs—is critical to the long-term success of PSH in the state.

ENDNOTES

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Corporation was also involved in the first year of the collaboration. The PSH Cost Study Working Group was facilitated by the Non-Profit Housing Association of Northern California (NPH).

10. Costs are calculated for all the units in a property, not just for the PSH units.

11. Leadership interview, PSHS022, December 9, 2022.

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27. When properties are first placed in service, it can take 34-–36 months to stabilize residents and settle into the longer-term staffing model for the building; by selecting buildings that had already been in operation for at least three years, we sought to avoid the additional costs often associated with this stabilization period.

28. Funding streams determine the eligible population for a specific unit: for example, units funded by VHHP must be provided to veterans, while units that include Housing Opportunities for Persons With AIDS (HOPWA) funding must be provided to people living with HIV.

29. Cost data for 2019–2021 reflect actual expenditures; 2022 data reflect budgeted expenditures.

30. Room40 dedicated significant time to reconciling differences in how costs are tracked across organizations; the data presented in this brief represent "apples to apples" comparisons as much as possible across properties.

31. A more complete list can be found here: https://www.hudexchange.info/homelessness-assistance/coc-esg-virtual-binders/coc-eligible-activities/supportive-services/.

32. Federal homelessness funding is often administered by local Continuums of Care.

33. These focus groups were led by Dr. Naomi Levy and Dr. Peter Dixon, both researchers affiliated with UC Berkeley's Possibility Lab, as part of the Everyday Indicators for Policy Innovation research project, which is funded by the California 100 Initiative.

34. Interview and focus group data were edited for clarity, and some parts of sentences were excluded to preserve the anonymity of the respondent and property.

35. Rollings, K. A. & Bollo, C.S. (2021). "Permanent Supportive Housing Design Characteristics Associated with the Mental Health of Formerly Homeless Adults in the U.S. and Canada: An Integrative Review." Int J Environ Res Public Health. Sep 12;18(18):9588. doi: 10.3390/ijerph18189588.

36. No residents were evicted due to rental delinquencies over the time period of the study, in part due to local and federal eviction moratoria that were in place during the COVID-19 pandemic.

37. Resident focus groups, January 10, 2023; January 11, 2023; January 12, 2023.

38. Resident focus group, January 11, 2023.

39. Resident focus group, January 11, 2023.

40. Resident focus group, January 12, 2023.

41. Resident focus group, January 11, 2023.

42. Property manager interview, October 13, 2022.

43. When LIHTC buildings complete construction, they are placed in service, and developers are required to submit a cost accounting to TCAC at that time.

44. Henwood, B. F., et. al. (2018). "Availability of comprehensive services in permanent supportive housing in Los Angeles." Health Soc Care Community. 26: 207– 213. https://doi-org.libproxy.berkeley.edu/10.1111/hsc.12510.

45. Property manager interview, December 19, 2022.

46. Henwood, B. F., et. al. (2018). "Availability of comprehensive services in permanent supportive housing in Los Angeles. " Health Soc Care Community. 26: 207– 213. Retrieved from: https://doi-org.libproxy.berkeley.edu/10.1111/hsc.12510.

47. Interview with property staff, January 5, 2023. Flooding of units also emerged as a common form of damage across some of the properties. For example, one interviewee shared that a PSH resident "flooded the hallway and did damage not only to his floor, but the floors below. So we're looking at several thousands of dollars to fix two different floors and we're responsible for it." Interview with leadership staff, December 9, 2022.

48. Property manager interview, October 13, 2022

49. The lack of sufficient public funding for affordable housing, coupled with the increasing costs of development, means that services are often under-budgeted to ensure that the property has sufficient cash flow to support the debt on the project.

50. The number of staff at the sample properties did not significantly change over time.

51. For more detail on services caps in HCD programs, see: https://www.hcd.ca.gov/grants-funding/already-have-funding/uniform-multifamily-regulations/docs/Uniform-Multifamily-Regulations-2017.pdf.

52. Leadership staff Interview, May 19, 2023.

53. Property manager interviews, October 13, 2022; December 12, 2022; January 5, 2023. Resident focus groups, January 10, 2023 and January 11, 2023.

54. Leadership staff interview, January 5, 2023.

55. Leadership staff interview, December 16, 2022.

56. Property manager interview, December 9, 2022.

57. Leadership staff interview, December 16, 2022.

58. Leadership staff interview, December 16, 2022.

59. In 2012, HUD began requiring communities to use a centralized or coordinated approach to their homeless service systems.

60. Leadership interview, December 16, 2022.

61. Leadership interview, January 5, 2023.

62. Leadership interview, January 5, 2023.

63. Property manager interview, December 12, 2022.

64. This provision is already included in MHP SuperNOFA Guidelines for Special Needs projects. For more, see: https://www.hcd.ca.gov/sites/default/files/2022-06/mhp-guidelines-ab-434-posting-6-10.pdf.

65. Resident focus group, January 10, 2023.

66. These rental delinquency rates are consistent with other research that has looked at the impact of the COVID-19 pandemic on the ability of households in affordable housing to pay their rent. See Kneebone, E., Underriner, Q., &Reid, C. K. (2021). "Paying the Rent in a Pandemic: Recent Trends in Rent Payments among Affordable Housing Tenants in California." Terner Center for Housing Innovation at UC Berkeley. Retrieved from: https://ternercenter.berkeley.edu/wp-content/uploads/2021/06/Rent-Rolls-June-2021.pdf.

67. Dohler, E., et al. (2016)."Supportive Housing Helps Vulnerable People Live and Thrive in the Community."

68. In some cases, case managers can also be located on-site.

69. Services coordinator interview, December 12, 2022.

70. Services coordinator interview, December 12, 2022.

71. Property manager interview, December 12, 2022.

72. Service coordinator interview, December 12, 2022.

73. Property manager interview, December 19, 2022.

74. Resident services interview, December 9, 2022.

75. Services and case manager interview, December 19, 2022.

76. Community manager interview, December 19, 2022

77. Resident services and property management staff interview, December 12, 2022.

78. Leadership staff interview, January 5, 2023.

79. Resident focus group, January 11, 2023.

80. Resident focus groups, January 10, 2023; January 11, 2023; January 12, 2023.

81. Dohler, E., et al. (2016).

82. Resident focus group, January 10, 2023.

83. Leadership staff interview, May 8, 2023.

84. Leadership staff interview, May 8, 2023.

85. Los Angeles Times (2023). "Editorial: Skid Row Housing Trust's Downfall Is a Teachable Moment for L.A., Not a Reason to Give Up." Retrieved from: https://www.latimes.com/opinion/story/2023-02-12/the-failure-of-skid-row-housing-trust-doesnt-mean-housing-homeless-people-wont-work-but-avoid-the-pitfalls; Palomino, J., & Thadani, T. (2022). "Broken Homes." Retrieved from: https://www.sfchronicle.com/projects/2022/san-francisco-sros/.

86. Aubry, T., et al. (2020).

87. See: https://www.whitehouse.gov/omb/briefing-room/2023/03/09/fact-sheet-

president-bidens-budget-lowers-housing-costs-and-expands-access-to-affordable-rent-and-home-ownership/.

88. See: https://www.hcd.ca.gov/grants-and-funding/uniform-multifamily-regulations, Other units, such as those for special needs populations, have lower caps.

89. Although housing construction and/or rents are not covered under CalAIM, other services, such as housing navigation and helping to secure rental assistance and move-in costs as well as ongoing health care and assistance are eligible.

90. Leadership interview, December 9, 2022

91. See: https://legiscan.com/CA/text/AB1085/2023.

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The Terner Center formulates bold strategies to house families from all walks of life in vibrant, sustainable, and affordable homes and communities. Our focus is on generating constructive, practical strategies for public policy makers and innovative tools for private sector partners to achieve better results for families and communities.

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