



ENDING LONG-TERM HOMELESSNESS IN MINNESOTA

Report and Business Plan of the Working Group on Long- Term Homelessness

Submitted by

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Minnesota Department of Corrections
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ENDING LONG-TERM HOMELESSNESS IN MINNESOTA REPORT SUMMARY

1. Introduction and Purpose of Report

In 2003, the Minnesota legislature, at the request of Governor Tim Pawlenty, directed the state Commissioners of Human Services, Corrections, and Housing Finance to convene a broadly representative working group to address the issue of long-term homelessness in Minnesota¹. In response, a Working Group on Long-Term Homelessness was established in the summer of 2003. As requested by the legislation, this document provides a status report on the efforts of the Working Group. The Working Group, as well as other stakeholders and interested parties, devoted thousands of hours to better understand long-term homelessness and, most importantly, to develop a comprehensive strategy, a business plan, to end it.

The materials that comprise this report, including the appendices and the bibliography, provide a comprehensive set of reference materials on long-term homelessness and set forth the broad and varied perspectives and experiences that Working Group members and other stakeholders, including persons who are currently homeless, contributed. Not all of this information could be included in the report itself, but all of it will be part of the official record of the Working Group so that it can inform implementation of the business plan.

Persons who experience long-term homelessness represent a subset of the overall homeless and near homeless population in Minnesota. As requested by the legislature, the focus of this report and the recommended business plan is on the needs of persons experiencing long-term homelessness. However, as the needs of individuals, youth, and families with children experiencing long-term homelessness are addressed, it is important to not lose focus on the needs of the broader homeless population and those who are at risk of homelessness. This plan is structured, and must be implemented, so that the broader homeless situation is not made worse.

The remainder of this summary, and the full report, is set forth as follows:

- Working Group Process (Section 2);
- Homelessness: An Overview (Section 3);
- Long-Term Homelessness: An Overview (Section 4);
- Supportive Housing (Section 5);
- Response to Questions and Issues Posed to the Working Group (Section 6);
- Seven Year Approximately \$540 Million Business Plan to End Long-Term Homelessness (Section 7); and
- Conclusion: An Opportunity to Succeed (Section 8).

¹ Long-term homelessness is defined as being without permanent shelter for at least 12 months or four times in the last three years. Long-term homelessness is also often referred to as “chronic” homelessness; this report will use the term “long-term homelessness”.

2. Working Group Process

The Working Group consisted of 30 members representing counties, state agencies, the federal government, philanthropic organizations, local housing and redevelopment authorities, nonprofit organizations, faith-based organizations, developers and business interests. The Working Group was chaired by the Commissioners of Human Services (Kevin Goodno and designee Assistant Commissioner Maria Gomez), Corrections (Joan Fabian), and Housing Finance (Tim Marx). Approximately 200 other stakeholders, representing 100 organizations, provided valuable input. In addition, a number of less formal meetings with service providers, local governments, developers, architects, contractors, property owners and landlords, and persons currently experiencing homelessness provided valuable input into the process. Finally, a committed group of knowledgeable state agency and department staff from Human Services, Corrections, Housing Finance, Employment and Economic Development, and Finance met regularly to review data, plan agendas, draft reports, and keep the process moving.

The Working Group conducted six formal meetings beginning in July, 2003 and concluding in February, 2004. Many members contributed many hours of work in addition to the formal meetings to assist this effort. Each meeting was designed to address a particular issue set forth in the legislation. Extensive briefing materials were prepared in advance of each meeting, meeting minutes were prepared, and Working Group members and others offered their perspective on issues with written comments. The appendices to the report contain all of these materials.

Long-term homelessness and strategies to address it are multi-disciplinary (human service, health, corrections, and housing); multi-jurisdictional (federal, state, and local); and multi-sector (government, business, and non-profit). All of these perspectives were represented on the Working Group, and members worked hard to be transparent about their own perspective and understand the perspectives of others. The report and business plan have benefited from this “creative tension”, and the Working Group process has laid the groundwork for continuing to meld the various perspectives into holistic strategies for addressing the needs of persons experiencing long-term homelessness.

3. Homelessness: An Overview

To be homeless is to be without a permanent place to live that is fit for human habitation. According to the United States Interagency Council on Homelessness, there are approximately 2 million homeless Americans during the course of a year. In Minnesota, the Amherst H. Wilder Foundation has conducted a comprehensive survey and analysis of homelessness in Minnesota every three years since 1991.² The most recent survey conducted was in October 2003. Summary information from the 2003 Wilder survey is included in this Report. A comprehensive analysis of the survey will be available in the summer of 2004.

Key points from the 2003 Wilder survey are as follows:

² Funding for the survey is provided by the Housing Finance Agency; the Department of Human Services; the Department of Employment and Economic Development; the Department of Health; the Department of Veterans Affairs; the Veterans Home Board; the Family Housing Fund; the Greater Minnesota Housing Fund; and the Amherst H. Wilder Foundation.

- 20,347 persons were estimated to be homeless or at imminent risk of losing housing,
- 7,854 persons were staying in emergency shelters, transitional housing, detox facilities, or were interviewed while living on the streets or in other unsheltered locations;
- 2,862 children accompanied the persons surveyed;
- 17% reported living in shelter facilities as a child; and
- 13% persons of those surveyed reported that they were employed full-time.

4. Long-Term Homelessness: An Overview

The Working Group defined long-term homelessness as “lacking a permanent place to live continuously for a year or more or at least four times in the last three years.” This definition mirrors the duration and reoccurrence components of the definition of the U.S. Department of Housing and Urban Development (HUD). According to the federal Interagency Council on Homelessness and other research, about 200,000 Americans experience long-term homelessness. According to the year 2003 Wilder survey there are about 3,300 persons experiencing long-term homelessness in Minnesota over the course of a year, in approximately 2,800 households. This includes nearly 500 children.

According to the U.S. Department of Health and Human Services, long-term homelessness is associated with extreme poverty, poor job skills, lack of education, and serious health conditions, mental illness and chemical dependency. A leading researcher in the area, Dennis Culhane from the University of Pennsylvania, determined that persons experiencing long-term homelessness consume 50%-60% of the shelter services available to persons experiencing homelessness and account for only 10%-15% of the homeless population. Persons experiencing long-term homelessness also disproportionately consume other “crisis” services including emergency room and detox services.

5. Supportive Housing: A Proven Strategy for Persons Experiencing Long-Term Homelessness

Addressing the issue of long-term homelessness is a national effort. President Bush has established a goal of ending long-term homelessness in ten years and re-established the federal Interagency Council on Homelessness. The key strategy to address long-term homelessness is a “housing first” strategy, which places a priority on providing persons experiencing homelessness a permanent place to live and then the necessary support services so that they can be successfully housed over the long-term. In its 2003 “Blueprint for Change” report on housing for the chronic homeless who have a mental illness or chemical dependency, the U.S. Department of Health and Human Services stated that “without housing, services and supports cannot be effective.”

There is significant experience nationally and in Minnesota in providing supportive housing to persons experiencing long-term homelessness. In the past this has included community-based housing options, transitional housing, and more recently supportive housing. In Minnesota there are at least 2,000 units of permanent supportive housing for homeless persons and another 1,500 currently under development.

The available evidence demonstrates that supportive housing is effective in reducing crisis service costs; however, the evidence is not sufficient at this time to demonstrate that supportive housing results in net savings that can be used for state and other budgeting purposes. The evidence on reduced crisis service costs includes a study conducted by the University of Pennsylvania of supportive housing developments in New York City which calculated that persons with mental illness experiencing long-term homelessness used an average of \$40,500 per year of shelter, corrections, and health services before being provided supportive housing, and \$12,145 of such services after being in supportive housing. Data from Minnesota also demonstrates savings. According to an April, 2003 report from Hennepin County, one supportive housing development resulted in a reduction of crisis costs of \$6,200 per family and a shift to supportive and preventive services. Another March, 2003 Hennepin County report indicated that 1,032 admissions to detox were prevented as a result of supportive housing and the median cost of health care was reduced from just over \$9,000 per year per resident to just over \$5,000.

Producing and sustaining supportive housing is challenging. Necessary capital, operating, and service funds come from a variety of sources, each of which has its own restrictions and rules. As a result, transaction costs are high, and matching available funding to the needs of persons experiencing long-term homelessness is difficult. Supportive housing is an effective strategy. The challenge is to reform our housing and social service funding and delivery systems to better take advantage of this strategy.

6. Response to Questions and Issues Posed to the Working Group

The 2003 legislation asked the Working Group to address several issues. Three key issues are as follows: characteristics of persons experiencing long-term homelessness, housing and service models, and funding gaps and strategies to address them.

Characteristics of Persons Experiencing Long-Term Homelessness. Based on 2003 Wilder Survey results it is estimated that about 3,300 adults and unaccompanied youth, including nearly 500 children, experience long-term homelessness annually. According to the 2003 Wilder Survey, the following are characteristics of adults and unaccompanied youth experiencing long-term homelessness:

- 52% serious or persistent mental illness
- 33% chemical dependency problem
- 24% dual diagnosis of both mental illness and chemical dependency
- 16% veterans
- 48% chronic health condition
- 24% history of being victimized by domestic violence
- 26% criminal history that affected their housing

This data provides valuable information for determining what types of housing and related support services are needed in the future.

Housing with Support Service Models. The Working Group reviewed extensive information on a variety of models of housing with support services. Among the many models are:

- housing provided on a scattered-site basis where a social service provider will agree with a landlord and tenants to provide tenants necessary services;
- multi-unit single room occupancy developments with efficiency apartments and linkages to support services; and
- multi-unit family apartments where extensive services are available on-site or are coordinated and provided off-site.

The Working Group determined that different housing models would work in different situations, that best practice, evidence-based models should be pursued and consumer choice should be maximized.

Similarly, the types and intensity of services must be responsive to individual needs. Service needs will fluctuate over time for individuals even if the disabilities being treated are similar. Children who have experienced long-term homelessness have different service needs from their parents. As with housing, best practice, evidence-based models should be utilized.

Finally, it is important to recognize that significant and patient efforts to reach out and engage some of the persons experiencing long-term homelessness will be necessary before they will accept permanent housing and related services that will best work for them.

Funding Gaps and Strategies. A comprehensive catalogue of existing and potential funding sources was developed and strategies were discussed for the gaps that were identified. For example, many individuals experiencing long-term homelessness appear to be eligible for Supplemental Security Income (SSI) payments and Medicaid (MA) benefits due to a disability, but have difficulty navigating the process. A special outreach effort is planned to address this issue.

A key challenge is obtaining resources for service funding for the residents of a specific housing development. Housing resources can more easily be targeted to a particular housing development, while human service and corrections funds are based on individual eligibility. This makes it very difficult to assure adequate service funding over the long-term to particular housing developments. A successful strategy for obtaining long-term flexible service funding is critical to an effort to provide more supportive housing opportunities for persons experiencing long-term homeless. Persons experiencing long-term homelessness are often eligible or can become eligible for regularly provided “mainstream” social services (e.g. case management). It will be necessary to maximize the use of “mainstream” services and be able to use the associated funding more flexibility to meet specific housing support needs.

7. A Business Plan to End Long-Term Homelessness in Minnesota by 2010

The leadership of Governor Pawlenty, the energy and commitment of the Working Group and those they represent, and a successful track record of providing housing to persons experiencing long-term homelessness provide Minnesota a break-through opportunity to set and deliver on the goal of ending long-term homelessness. The Working Group recommends that the state seize this opportunity and establish the goal of ending long-term homelessness in the state. The following summarizes a “business plan” to reach this goal by the end of 2010.

The Need: Provide Housing with Support Service Opportunities to 4,000 Additional Households. Based on the 2003 homelessness survey of the Wilder Foundation, Minnesota should plan to provide housing and support services to an additional 4,000 long-term homeless households by 2010. This would accommodate some growth in population of persons experiencing long-term homelessness over the seven-year period.

It will be important, of course, to update the plan and be prepared to pursue other strategies based on the 2006 Wilder survey and other available data. For example, it is anticipated that providing significant additional housing with support opportunities will free up shelter and transitional housing space for those experiencing homelessness on a temporary basis. If this does not occur, and there is a demonstrated shortage of temporary housing opportunities for persons experiencing homelessness, separate strategies to address this issue should be pursued. In addition, it is necessary that existing housing opportunities with support services for persons experiencing homelessness be maintained so that existing units are not lost.

The Strategy: Cost Effective Reforms for Providing Housing and Support Services. The evidence reviewed by the Working Group demonstrates that permanent supportive housing works. Outcomes for persons experiencing long-term homelessness are enhanced, and the costs of crisis services are reduced. Providing housing with adequate supports to 4,000 households is a major challenge financially and to the capacity of our housing and social service delivery systems. To maximize the amount of supportive housing available, the Working Group reviewed strategies to provide supportive housing more cost-effectively by utilizing strategies including:

- controlling development costs by using innovative designs, alternative materials, and limiting transaction costs;
- maximizing the use of the private, competitive rental market to avoid the costs of new construction;
- carefully scrutinizing support service levels to focus on those that relate directly to being successfully housed over the long-term; and
- requiring tenants to pay a portion of their rent from available sources and use financial incentives to minimize the amount of state support necessary.

The Financing Plan: Initial State Leadership to Leverage other Resources.

The following table summarizes the financing plan, which estimates a total approximate cost of \$540 million over seven years. It is important to note that this financing plan is a unique effort to estimate over time the costs and potential sources for providing housing and support services from multiple funding sources each of which have different allowable uses and eligibility criteria. As a result, the plan provides an estimated order of magnitude, not precision, for the costs and potential sources. This plan will require continued updating as implementation proceeds.

**Financing Plan Estimate (2004 - 2010)
(in millions)**

<u>Sources</u>		<u>Costs/Uses</u>	
<u>Identified Sources</u>			
State General Obligation Bonds (\$16.2 million in 2002; \$20 million in 2004; remainder in 2006 and 2008)	\$ 90	New Construction (500 units)	\$ 85
		Acquisition and Rehabilitation (1,500 units)	\$125
Minnesota Housing Finance Agency State Appropriated Programs and Agency Resources	\$ 90	New Units Integrated into Mixed-Income Developments (400 units)	\$ 50
Private Tax Credit Equity (MHFA allocation)	\$ 60	Rental/Operating Assistance (1,600 units for available units in the rental market -\$40 million; remainder to support other new units identified above - \$60 million)	\$100
Department of Human Services	\$120		
<u>Remaining Sources:</u>	\$180		
Federal Government		Housing Support/Community Living Services/Income Supplements	\$180
Local Government			
Philanthropic/Non-Profit			
State (Departments of Human Services, Corrections, and MHFA)			
Total	\$ 540	Total	\$ 540

Key points related to the financing plan include:

- *Phase-in.* The dollar figures represent the additional resources necessary to house and serve an estimated 4,000 long-term homeless households based on an estimated schedule for providing the housing and support services over the seven-year period.
- *Identified Sources.* The “identified” sources represent those that can be reasonably anticipated based on existing funding levels and with minor changes to some

programs. They are, however, not guaranteed. The identified sources are general obligation bonds, funds from the state appropriated housing trust fund, MHFA resources from the Agency's bond funds, and service funds allocated by the Department of Human Services. Department of Human Service funding is not available in a "lump sum" or "pool" as individual determinations of eligibility must be made. However, approximately \$10 million has been initially identified for use as part of a flexible service fund.

- *Remaining Sources.* By identifying and attempting to quantify the "remaining sources", it is clear that state government cannot finance this plan alone. Filling the gaps requires at least two strategies. First, leveraging state resources to obtain federal, local, and philanthropic resources. These sectors have contributed to past and on-going efforts for persons experiencing long-term homelessness and there is reason to believe they may continue and enhance their efforts, particularly if the state provides continued leadership. Second, addressing the identified service funding gaps requires exploring opportunities to increase the use of "mainstream" services as defined earlier, and targeting resources to the needs of persons experiencing long-term homelessness. To the extent additional state resources are necessary but unavailable, the ability to achieve the goal, or the timetable within which it can be achieved, will be affected.
- *On-Going Costs.* After 2010 there will be ongoing costs for rental assistance and for support services. Reducing or eliminating these costs to the state would require successful "mainstreaming" of most support service costs and for the federal government to fulfill its role of providing rental assistance. A very imprecise estimate of these costs by 2010 is \$88 million annually. To the extent such funding is necessary and unavailable in 2010, the housing would become part of the affordable housing supply primarily for those other than persons experiencing long-term homelessness.
- *Savings and Benefits.* These figures do not include an estimate of the reduced costs to counties, other local units, and the state of reduced use of "crisis" services by persons experiencing long-term homelessness. Nor do they account for the benefits associated with the better outcomes that should be achieved by persons experiencing long-term homelessness such as increased employability.

The Implementation Plan: Establish Accountability and be Proactive.

The Working Group process has resulted in a wealth of knowledge and a committed group of stakeholders. An essential element of implementing the business plan will be to take advantage of and build on this knowledge and to continue to involve stakeholders. The business plan should be implemented, in general, as follows:

- *Continued Interagency Cooperation.* The Departments of Human Services and Corrections and the Housing Finance Agency should enhance and institutionalize their joint efforts to proactively solicit and fund supportive housing for persons experiencing long-term homelessness. Proposals that serve families with children experiencing long-term homelessness should be prioritized.

- *Develop the System for Supportive Housing.* The state agencies should also continue their work to develop creative funding strategies that allow a more natural “system” to develop to provide for the development of supportive housing. It will be critical to involve the federal government, counties and other local governments, and non-profit funders as partners in addressing funding and funding system issues.
- *Evaluation.* Rigorous evaluation, tracking of data on homelessness, and search for best practices should be integrated into the implementation process.
- *Stakeholder Participation and Capacity Building.* A broadly representative advisory body like the Working Group should be established to assist in implementation of the business plan and track progress. Persons who have or are experiencing homelessness should be involved. In addition, it will be necessary to work with local governments, developers, and service providers to develop and maintain the capacity to implement the plan and assist in addressing siting and similar issues.
- *A long-term homeless director without new bureaucracy.* A director for ending long-term homelessness should be engaged, using existing resources, to coordinate implementation of the business plan. The director should report to the commissioners of Human Service, Housing Finance, and Corrections.

8. Conclusion: An Opportunity to Succeed

The Working Group has sought to develop a plan that addresses a complex social issue in a business-like way. Proceeding to implement the plan offers significant benefits and few risks. The benefits will accrue to persons experiencing long-term homelessness in increased productivity and quality of life, and to the rest of Minnesota in reduced crisis service costs and in knowing that the needs of some of our most vulnerable citizens are being addressed. The risk of proceeding is confronting obstacles that we fail to overcome, not achieving the goal, and being held publicly accountable. Even if this occurs, a bold, ambitious effort would have been undertaken that will create affordable housing that can be made available to others, and services would have been provided to those who need them.

Establishing goals that improve quality of life, developing implementation plans, aligning resources, and being held accountable—for success or failure—are essential principles of good public governance. The Working Group on long-term homelessness advocates putting these principles to work for persons experiencing long-term homelessness, and calls on the “many hands” that are necessary to pursue success.