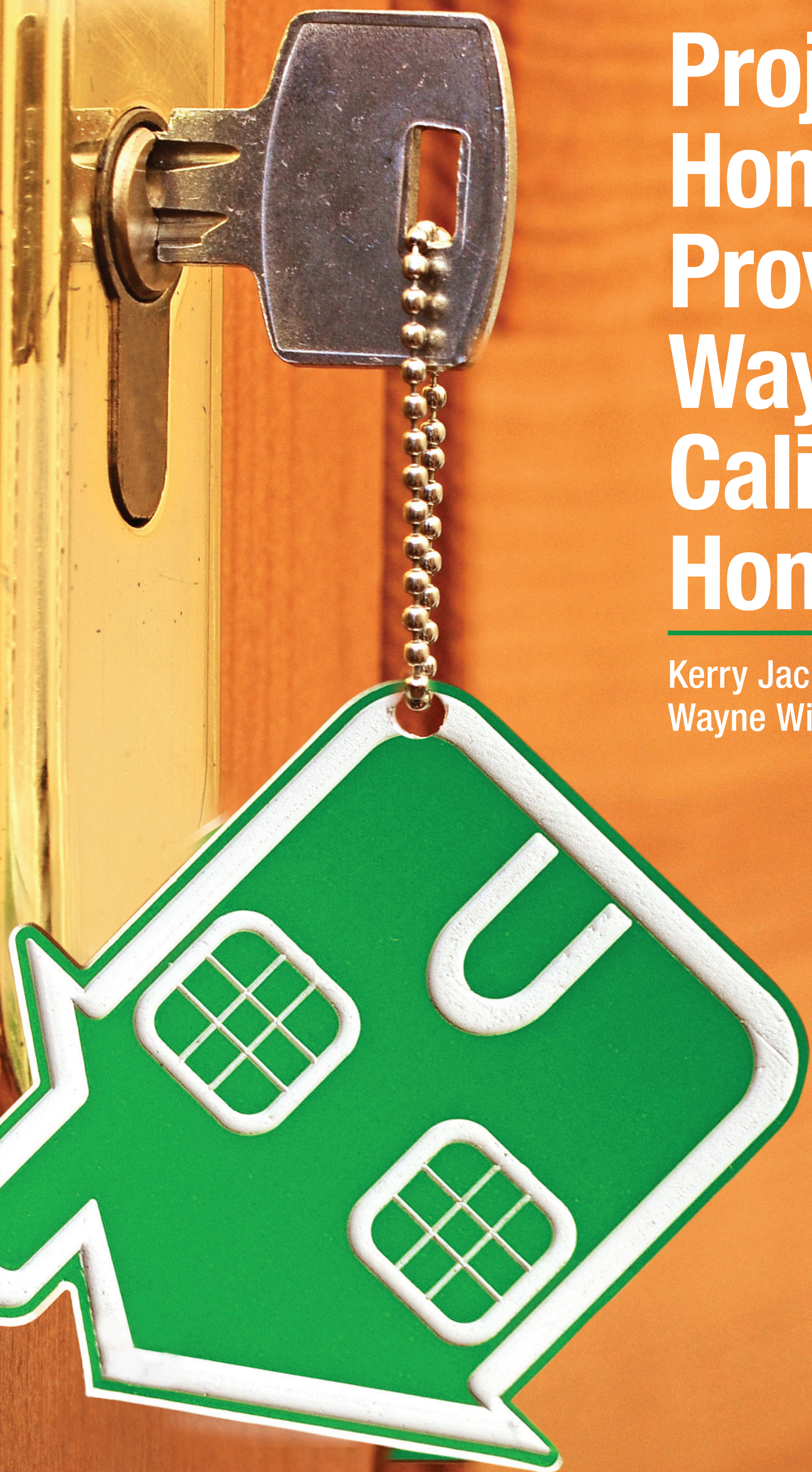

Project Homekey Provides No Way Home for California's Homeless

Kerry Jackson and
Wayne Winegarden

PACIFIC RESEARCH INSTITUTE

JULY 2022

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July 2022

Pacific Research Institute
P.O. Box 60485
Pasadena, CA 91116

www.pacificresearch.org

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Executive Summary

California is spending billions of dollars on Project Homekey, which the governor claims is successfully addressing California's homelessness crisis. The evidence does not support his rosy evaluation.

While California's homelessness crisis had been consistently worsening since 2014, the COVID-19 pandemic was supposed to be a watershed moment. Turning lemons into lemonade, Governor Newsom's plan was to leverage billions of dollars of federal stimulus money and turn unused hotels, motels, and vacant apartment buildings into shelter for the homeless. Despite spending billions, Project Homekey is not helping to alleviate the crisis.

For years, California's homeless crisis has been the worst in the country. While both the sheltered and unsheltered homeless populations were declining for the nation overall, they were increasing in California. Making things worse, whereas most homeless are sheltered for the nation overall, most homeless are unsheltered in California. The consequences of growing tent cities, feces littering the sidewalks, the spread of disease, and used drug needles covering parks and beaches have become dire.

The early evidence from Project Homekey is not encouraging. Based on the homeless counts from the Department of Housing and Urban Development (HUD), the state's homeless problem persists despite the billions of dollars of expenditures. Worse, as reporting from Los Angeles, San Francisco, and the rest of the Bay Area demonstrates, Project Homekey is costly and rife with abuse and inefficiencies. The renovated housing units are plagued with violence and drugs indicating that Project Homekey is failing to address the core problems causing many people to fall into homelessness in the first place.

Instead of relying on Project Homekey's "Housing First" approach, California requires a comprehensive strategy to address the crisis. To start, California should support programs that focus on shelter (often institutional shelter) and effective mental health treatment. Ideally the state would leverage the successful private nonprofit organizations that efficiently address the root causes of homelessness. To help facilitate treatment, California should use services, such as homeless dayrooms, to connect people with the appropriate treatment options. The state should also broadly implement homeless courts that can turn criminal infractions into opportunities to "sentence" mentally ill people experiencing homelessness to treatment rather than incarceration.

Policies should better leverage public resources, such as local law enforcement, to help connect homeless people with the resources and private nonprofits that can help. Law enforcement can also successfully reunite the homeless with their families or those who had previously provided them services, as Santa Monica, Santa Barbara, and Anaheim have demonstrated.

Reforms must also address the policies driving the problem including zoning laws, the California Environmental Quality Act (CEQA), and other regulations to promote greater housing supply and improved housing affordability across the state. The state should also actively discourage homeless encampments, enforce laws against theft that include repealing initiatives such as Proposition 47, and promote a high quality-of-life standard for all neighborhoods that includes eliminating the open-air drug markets and disregard for laws.

California cannot address the homelessness crisis without resolving the social problems that have caused so many people to be on the streets or without resolving the underlying financial and regulatory issues that make housing so expensive. This requires a comprehensive approach that addresses the root causes driving the problem and leverages the private sector to deliver services more efficiently.

Introduction

California's homeless crisis continues to deteriorate despite the billions of dollars that the governor and legislature are throwing at the problem. As a March 2022 *Guardian* article documented,

> in the two years since [the COVID-19 pandemic hit], California's humanitarian catastrophe has worsened: deaths of people on the streets are rising; college students are living in their cars; more elderly residents are becoming unhoused; encampment communities are growing at beaches, parks, highway underpasses, lots, and sidewalks.
>
> California has the fifth largest economy in the world, a budget surplus, the most billionaires in the U.S. and some of the nation's wealthiest neighborhoods. Yet the riches of the Golden State have not yielded solutions that match the scale of the crisis that's been raging for decades.[1]

The reality that the crisis has worsened since the outbreak of COVID-19 is critical. The pandemic was initially viewed as an opportunity to implement programs that would sustainably address the growing homeless problem – the goal, as Rahm Emanuel might say, was to not let the pandemic crisis go to waste. The centerpiece of these efforts was Project Roomkey, which evolved into Project Homekey. Backed with federal financial support, the premise of these programs is to leverage the current unused motel and hotel infrastructure to move people from the streets to housing.

The Roomkey/Homekey programs are predicated on the "Housing First" approach. Housing First programs claim that a permanent and stable home is the best platform to help people overcome the challenges that led to their homelessness, including the problems of mental illness and addiction. The ineffectiveness of Project Homekey (the ongoing program) stands as a stark reminder that Housing First policies, while well intentioned, are incapable of resolving California's ever-worsening homelessness crisis.

"The reality that the crisis has worsened since the outbreak of COVID-19 is critical."

The Evolution of Project Homekey

Project Roomkey was launched in April 2020 in response to the COVID-19 pandemic "to provide non-congregate shelter options for people experiencing homelessness, protect human life, and minimize strain on health care system capacity."[2] It was "a first-in-the-nation effort to leverage Federal Emergency Management Agency (FEMA) funding."[3] By the end of the month, Project Roomkey had across the state "secured 10,974 hotel and motel rooms and 1,133 trailers for extremely vulnerable individuals experiencing homelessness, to help flatten the curve and preserve hospital capacity."[4]

Project Homekey grew out of Project Roomkey. Project Homekey was created by Assembly Bill 83, enacted later in 2020. The law directed state and federal emergency funds to be used to buy hotels and motels, renovate them, and "convert them into permanent, long-term housing for people experiencing homelessness."[5] The initial goal was to secure up to 15,000 rooms.[6]

> "Although Project Homekey has spent large sums, it has failed to reach its goals while, as measured by the numbers of homeless, the problem continues to worsen."

In July 2020, $550 million in federal Coronavirus Relief Funds were made available by California's Department of Housing and Community Development. Another $50 million in state General Fund dollars, and eventually $46 million in philanthropic funds for cities, counties, or other local public entities, including housing authorities or federally recognized Native American governments within California, was released. By October 2020, an additional $200 million was announced, bringing the total to $750 million in federal Coronavirus Relief Funds and $50 million in General Fund dollars.[7]

Funds were dedicated for the purchase and rehabilitation of "housing, including hotels, motels, vacant apartment buildings, and other buildings, and convert them into interim or permanent, long-term housing," according to the California Department of Housing and Community Development.[8]

The bulk of federal dollars were awarded for the renovation of motels, hotels, hostels, and other buildings, making the program, says the Department of Housing and Community Development, "extremely cost-effective and efficient." All federal Coronavirus Relief Funds were initially required to be spent by December 30, 2020, but Congress later extended the deadline one more year.[9, 10]

Gov. Gavin Newsom proposed in September 2021 an additional $200 million from federal relief funds for Project Homekey. The Joint Legislative Budget Committee approved the governor's proposal within days.[11]

In September 2021, Newsom announced a $2.75 billion program expansion "to purchase and rehabilitate buildings – including hotels, motels, vacant apartment buildings, tiny homes and other properties – and convert them into up to 14,000 more permanent, long-term housing units for people experiencing or at risk of homelessness." At that time, the governor's office said, "since its launch in 2020, Homekey has been the fastest, largest, most cost-effective addition of permanent housing in California history, successfully re-engineering the strategy to create more housing for people experiencing homelessness."[12]

The evidence does not support such a glowing review. Although Project Homekey has spent large sums, it has failed to reach its goals while, as measured by the numbers of homeless, the problem continues to worsen.

Project Homekey Has Not Stemmed the Rise in Homelessness

The U.S. Department of Housing and Urban Development (HUD) maintains Point-in-Time (PIT) counts of the homeless population that, according to HUD, "is a count of sheltered and unsheltered people experiencing homelessness on a single night in January" of the respective years. Currently the data for 2022 is in the processing stage and HUD will not release the final data until 2023. Several localities, including eight of the ten counties with the largest homeless populations, have self-reported the preliminary data that will be incorporated into the national database.[13] These data indicate that the total number of homeless continued to grow in 2022 in six of the eight counties (Santa Clara, San Bernardino, San Diego, Riverside, Sacramento, and Alameda).[14] Consequently, it cannot be said that Project Homekey has reduced the total homelessness problem through 2022.

The number of unsheltered homeless has declined in four of the eight counties (Orange, San Francisco, Santa Clara, and Riverside), which could be viewed as signs of progress, but even these results are less than they appear. Both Riverside and Santa Clara saw rises in their overall homeless populations indicating that the problem is not improving in these counties.

> "The PIT data through 2021 ... demonstrate that California has been experiencing a long-term rise in homelessness prior to the implementation of Project Homekey whereas homelessness was declining in the rest of the country."

Further, Sacramento's experience is likely the canary in the coal mine for Project Homekey. Despite spending almost $4,000 per room to house about 1,800 homeless persons under Project Roomkey, which was extended through March 2022,[15] Sacramento County's homeless population increased by two-thirds from 2019 to 2022, from 5,570 to almost 9,300, surpassing San Francisco's total.[16] But that might be an incomplete account, Dustin Luton, president of the board of directors of the American River Parkway Foundation, a non-profit "focused on active conservation of all 23 miles of the American River Parkway," suggested.

"The American River Parkway is ground zero for the homelessness crisis in Sacramento County. … Imagine what the count would have showed if the whole Parkway had been included," Luton said.[17]

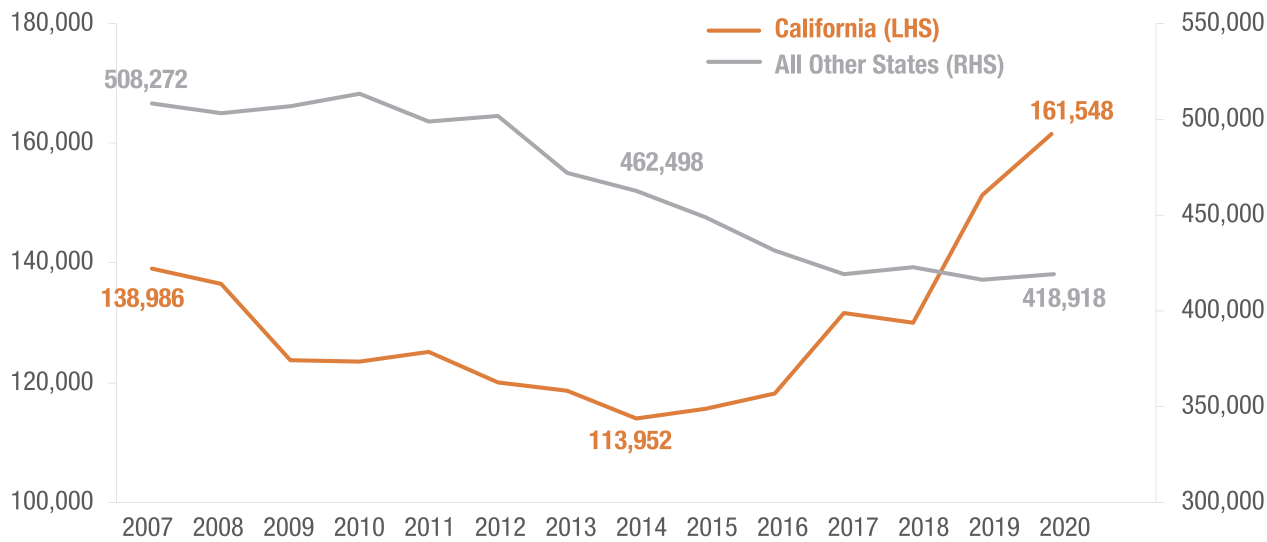
Sacramento County's homeless population was fewer than 2,700 as recently as 2015.[18]

As the reporting on the program summarized below demonstrate, the results thus far provide little indication that the modest improvements that can be gleaned from the preliminary data are sustainable.

The PIT data through 2021 (2020 for the unsheltered homeless because the impacts from the COVID-19 pandemic prevented HUD from measuring the unsheltered homeless in 2021), demonstrate that California has been experiencing a long-term rise in homelessness prior to the implementation of Project Homekey whereas homelessness was declining in the rest of the country. This underperformance was not impacted by the implementation of Project Homekey. In other words, these programs have failed their primary goal of sustainably improving the homelessness crisis in the state. These failures are visualized in Figures 1 through 5.

Figure 1 presents the total number of people experiencing homelessness in California compared to the rest of the country. It illustrates that homelessness in California has been worsening since 2014 even though the problem was improving for the rest of the country.

FIGURE 1. TOTAL HOMELESSNESS: CALIFORNIA COMPARED TO OTHER 49 STATES, 2007–2020



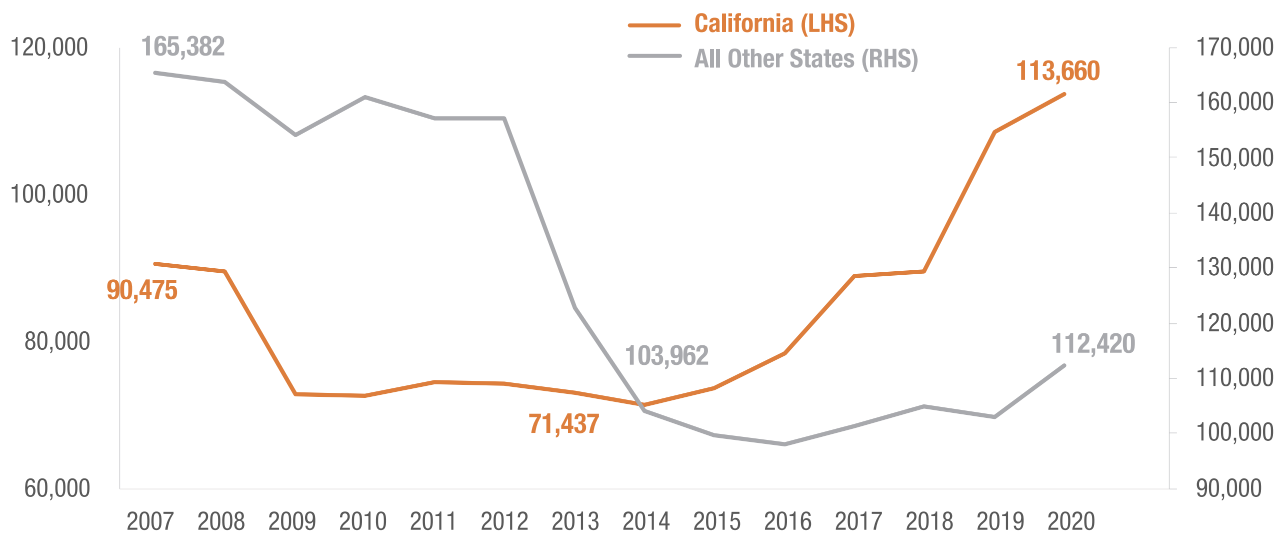
Source: HUD

When viewing these trends, it is important to recognize that Project Homekey essentially takes the same "Housing First" approach as California's previously unsuccessful policies. Housing First became California's official homelessness policy in 2016 with the passage of Senate Bill 1380. With the approval of Proposition HHH, Los Angeles voters gave a thumbs up to Housing First that same year, which authorized the city to issue $1.2 billion in bonds to support the construction of permanent housing for homeless people. As Figure 1 demonstrates, the implementation of the Housing First approach in California did not stem the growth in the state's homelessness crisis.

Figures 2 and 3 break down the homeless population into the unsheltered (Figure 2) and sheltered (Figure 3) populations. Taken together these figures demonstrate several important trends. First, California's crisis is driven by increases in unsheltered homeless and to a lesser extent, and not until 2019, increases in the sheltered homeless population.

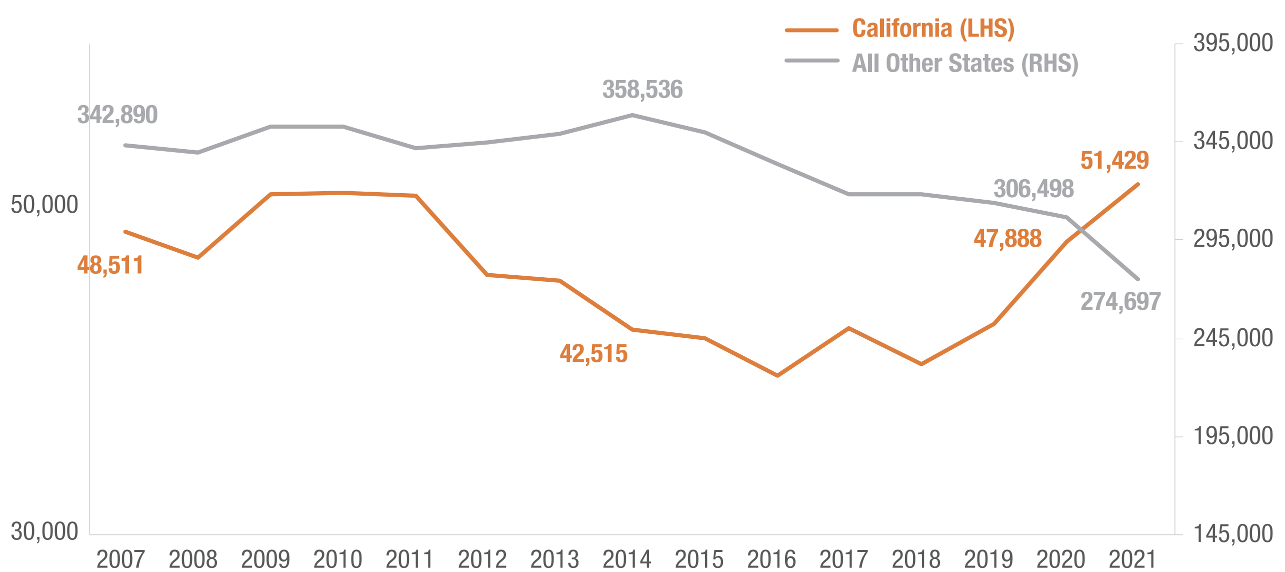
Second, the growth in the sheltered homeless population starting in 2019 did not have any appreciable impact on the trend growth of the unsheltered population. Instead, both types of homelessness – sheltered and unsheltered – continue to worsen through 2020. Importantly, while the COVID-19 pandemic prevented a count of the unsheltered population in 2021, the data from the sheltered population indicates that these troubling trends continued.

FIGURE 2. UNSHELTERED HOMELESSNESS: CALIFORNIA COMPARED TO OTHER 49 STATES, 2007–2020



Source: HUD

FIGURE 3. SHELTERED HOMELESSNESS: CALIFORNIA COMPARED TO OTHER 49 STATES, 2007–2021



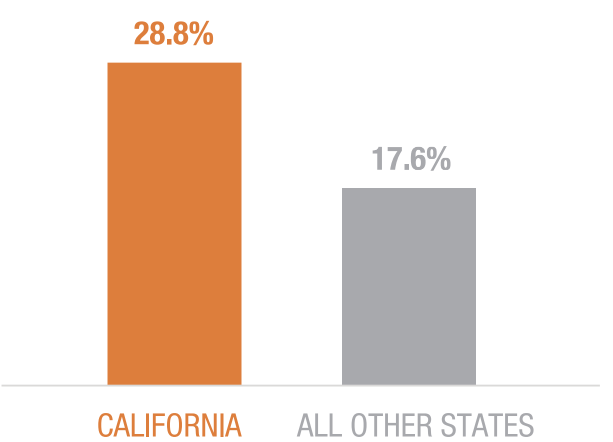
Source: HUD

Third, the unsheltered homelessness crisis is particularly acute in California. Whereas in the rest of the country most people experiencing homelessness are sheltered, in California the majority are unsheltered. In fact, California's sheltered homeless account for 14.5 percent of the total U.S. sheltered homeless population but California's unsheltered homeless account for 50.3 percent of the total U.S. unsheltered population. As the case studies discussed below further demonstrate, there is no evidence that Project Homekey has meaningfully altered these trends.

The failure of California's approach is more apparent once California's relatively stronger rate of economic growth is considered. Unadjusted for inflation, California's economy grew 28.8 percent between 2014 and 2020, which was significantly higher than the growth in the rest of the country, which was 17.6 percent. California's economic outperformance persisted throughout the COVID-19 pandemic as well. In 2020, total economic activity in the rest of the country contracted a more severe 2.4 percent compared to a smaller reduction of 1.5 percent in California. California also bounced back stronger. In 2021, California's economy expanded 11.6 percent compared to a 9.8 percent expansion in nominal GDP - the total value of all goods and services sold in the economy not adjusted for inflation - for the rest of the country.

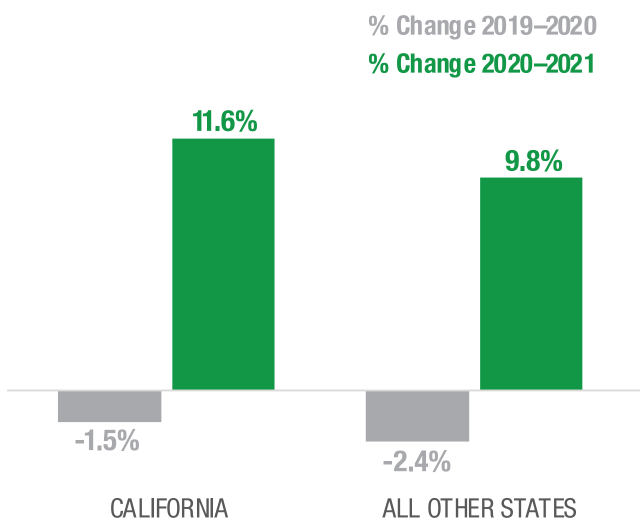
These growth discrepancies are important because a growing economy should reduce the number of homeless people. The growth in the homeless population in California relative to the decline in homelessness in the remaining states raises further questions regarding the efficacy of California's programs, which include Project Homekey.

FIGURE 4. PERCENTAGE CHANGE NOMINAL GDP, 2014–2020



Source: Author calculations based on data from the BEA

FIGURE 5. PERCENTAGE CHANGE NOMINAL GDP



Source: Author calculations based on data from the BEA

The documented performance of Project Roomkey/Homekey provides additional evidence that the program is an expensive disappointment.

Project Homekey Is Failing Los Angeles

Los Angeles, where roughly one-third of the state's more than 161,548 homeless are located, is the epicenter of California's crisis. Not surprisingly, Los Angeles' version of Project Roomkey "was even more ambitious" than the state plan, said KNOCK.LA. "The Los Angeles Homelessness Services Authority (LAHSA), a joint powers authority of L.A. City and L.A. County, set the goal of providing 15,000 rooms in L.A. County alone for vulnerable unhoused individuals," who are defined as those over 65, or those whose chronic health conditions would likely make the novel coronavirus a life-threatening event.[19]

As of late August 2020, those goals had not been met – only 4,177 rooms had been secured countywide, reported KNOCK.LA.[20] That turned out to be the high-water mark. By the end of June 2021, only 1,794 rooms of the 15,000 promised were occupied.[21]

Despite failing to live up to the standard the LAHSA set for the program, in February 2021 Project Roomkey was extended through the end of September of that year. It was extended again, through the end of 2021, as the end of the previous extension was reached. At its conclusion, just 9,118 had gone through the program, and only 2,474 of those were placed into permanent housing; 3,388 made it into interim housing, while about 900 chose to return to their lives on the streets.[22]

> "Even where the program successfully moves people into permanent shelter, Project Homekey's costs are excessive."

An evaluation by the Alameda County Office of Homeless Care and Coordination of the county's program said its success "should be celebrated," but further noted "it also came at a significant financial cost."[23]

"Project Roomkey is estimated to have cost about $260 per participant per night. This is many times higher than congregate shelter and in line with other service-intensive environments such as medical respite centers. Therefore, while the PRK [Project Roomkey] model may be more effective than congregate shelter at addressing homelessness, its cost could make it most viable as a short-term intervention, not a long-term solution for people experiencing homelessness."[24]

Even where the program successfully moves people into permanent shelter, Project Homekey's costs are excessive. When Governor Newsom was announcing an $18 million grant to Los Angeles County as part of Project Homekey, the Los Angeles-based AIDS Healthcare Foundation said the county was paying far too much for Project Homekey units, such as $275,000 each for 20 rooms at one hotel and $330,000 for each per room for 39 rooms in two motels in Lancaster. "By comparison," Business Wire reports, "AHF paid an average of $102,000 per room for over 1,350 rooms in 12 SRO hotels and motels for its Healthy Housing Foundation housing program."[25]

That Project Homekey is financially unsustainable in Los Angeles should be unsurprising. Zoning laws and complex regulations inflate housing costs. Add in the additional regulatory complexity of administering Project Homekey and an excessively costly program is the inevitable result. The failure of Project Homekey to sustainably help a significant share of the homeless population should have been anticipated as well. Far too many of the homeless suffer from addiction and mental health problems and addressing these problems should be the top priority. These problems cannot be resolved efficiently, nor cost effectively, from a hotel room. The unexpected result is a costly program that poorly serves the city's homeless population.

Project Homekey Is Not Helping San Francisco

In its year-long "Broken Homes" investigation of sheltering the homeless, the *San Francisco Chronicle* found the city "spends millions of dollars to shelter its most vulnerable residents in dilapidated hotels," but "with little oversight or support, the results are disastrous." Reporters found "rodent infestation" so severe that one resident in a "run-down, century-old hotel" in the Tenderloin district "pitched a tent inside her room to keep the mice away." At one facility, residents threatening each other with knives, crowbars and guns is so common that sometimes police were called "to the building several times a day." Death has also been frequent, with at least nine people succumbing to drug overdoses through late April 2022.[26]

The *Chronicle* describes a "complex arrangement" in which "the city's Department of Homelessness and Supportive Housing, or HSH, pays nonprofit groups to provide rooms and aid to formerly homeless people in about 70 single-room-occupancy hotels, known as SROs, which the nonprofits generally lease from private landlords." The rooms "are the cornerstone of a $160 million program called permanent supportive housing, which is supposed to help people rebuild their lives after time on the streets."[27]

Over time, the city of San Francisco has been awarded tens of millions of dollars from Project Homekey, including $29.1 million in capital and operating costs to buy a 130-room hotel, $45 million to buy a 232-room hotel,[28] and $54.7 million in state funds that will help the city purchase a 160-room building in the SoMa district to house the homeless.[29] The city, however, has not shown that it is capable of effectively deploying the resources.

Even though San Francisco is slightly smaller than Jacksonville, Florida, the California city's homelessness budget, at $1.1 billion in fiscal year 2021–22, is nearly 80 percent of Jacksonville's entire city budget, UCLA economics professor Lee Ohanian has pointed out. "But despite this enormous spending," he continues, "homelessness and the attendant problems of drug abuse, crime, public health issues, and an overall deterioration in the quality of life, spiral further downwards each year." That $1.1 billion "is just the latest installment in San Francisco's constant failure to sensibly and humanely deal with an issue that it chronically misdiagnoses and mismanages about as much as is humanly possible."[30]

One of the principal reasons why San Francisco policies continue to fail to even make a slight improvement in homelessness "is that there is little or no accountability within the city's government to evaluate the efficacy of its spending," says Ohanian. In fact, some programs are so poorly managed that "some homeless people likely prefer living on the streets to the facilities that are being provided to them at enormously inflated costs to taxpayers."[31]

The city's record in caring for the residents in the 16 hotels housing the homeless is egregious:

- Placing the homeless in the hotels is supposed to be a process in which the residents develop enough stability to enter more independent housing. But of the 515 tracked by government after leaving permanent supportive housing, 21 percent returned to homelessness, 27 percent left for an "unknown destination," and a quarter died while still in the program, leaving "only about a quarter living in stable homes, mostly by moving in with friends or family or into another taxpayer-subsidized building."[32]
- At least 166 residents fatally overdosed in city-funded hotels in 2020 and 2021," the *Chronicle* reports, a total of "14% of all confirmed overdose deaths in San Francisco, though the buildings housed less than 1 percent of the city's population."[33]

- In the years since the Department of Homelessness and Supportive Housing was created in 2016, homelessness in San Francisco has grown by 56 percent, according to data that was exclusively obtained by the *Chronicle.*[34]

- Violence and property damage are widespread. "Residents have threatened to kill staff members, chased them with metal pipes" and started fires inside of rooms. "Much of the instability," says the *Chronicle,* "stems from a small group of tenants who do not receive the support they need."[35]

- Case managers who aid the residents have at times in recent years supported as many as 85 tenants apiece. That's five times higher than federal recommendations.[36]

"It is hard to imagine a more inhumane outcome than watching the train wreck of homelessness evolve in San Francisco," says Ohanian, "as the city spends billions on flawed policies that facilitate drug abuse and on badly designed systems to carry out those policies."[37]

Project Homekey Is Similarly Ineffective in Rest of the Bay Area

In San Jose, "The rejection of the two Project Homekey applications has set the city back," according to media reports. "We have a lot of ambitious goals to try and hit and we need to hit those numbers," said Councilmember Raul Peralez. "But the reality is that getting these projects approved is very difficult."[38]

Using the California Environmental Quality Act (CEQA), a Marin County group, the South Eliseo Neighborhood Alliance, has "filed a legal action" against "plans for an apartment building for homeless people in Larkspur." The project, "vehemently opposed by many neighbors," is intended to "house 43 to 50 chronically homeless people in a former skilled nursing center."[39]

As the *San Jose Mercury News* reported:[40]

- Plans for converting a motel "near the San Jose airport into permanent housing have stopped in their tracks after a state lawmaker accused the city of proposing rents that would displace the very people it's supposed to be helping."

- Alameda County plans for a pair of hotels have "stalled because officials haven't found nonprofit developers and service providers to take on the projects."

- In the North Bay, "a developer is scrambling to come up with money for extensive renovations on the buildings it bought."

"A look at some of the Bay Area's original Homekey projects shows the challenges that came with the innovative model," says the newspaper.[41]

Claiming Success Does Not Make It So

Despite the trends in the HUD homeless data and the reports of Project Homekey's failings reviewed above, Governor Newsom claimed in his 2022 State of the State address that "we've moved a record 58,000 people off the streets since the beginning of the pandemic, we recognize, we have more to do – particularly to address what's happening on our sidewalks, reaching people who need the help the most."[42]

His claim of 58,000 people was directly fact-checked by CalMatters, which found the real number taken off the streets through Homekey was, not surprising, much smaller.[43] According to CalMatters factcheckers, only about one-fifth of those housed by Project Roomkey are now in permanent housing:[44]

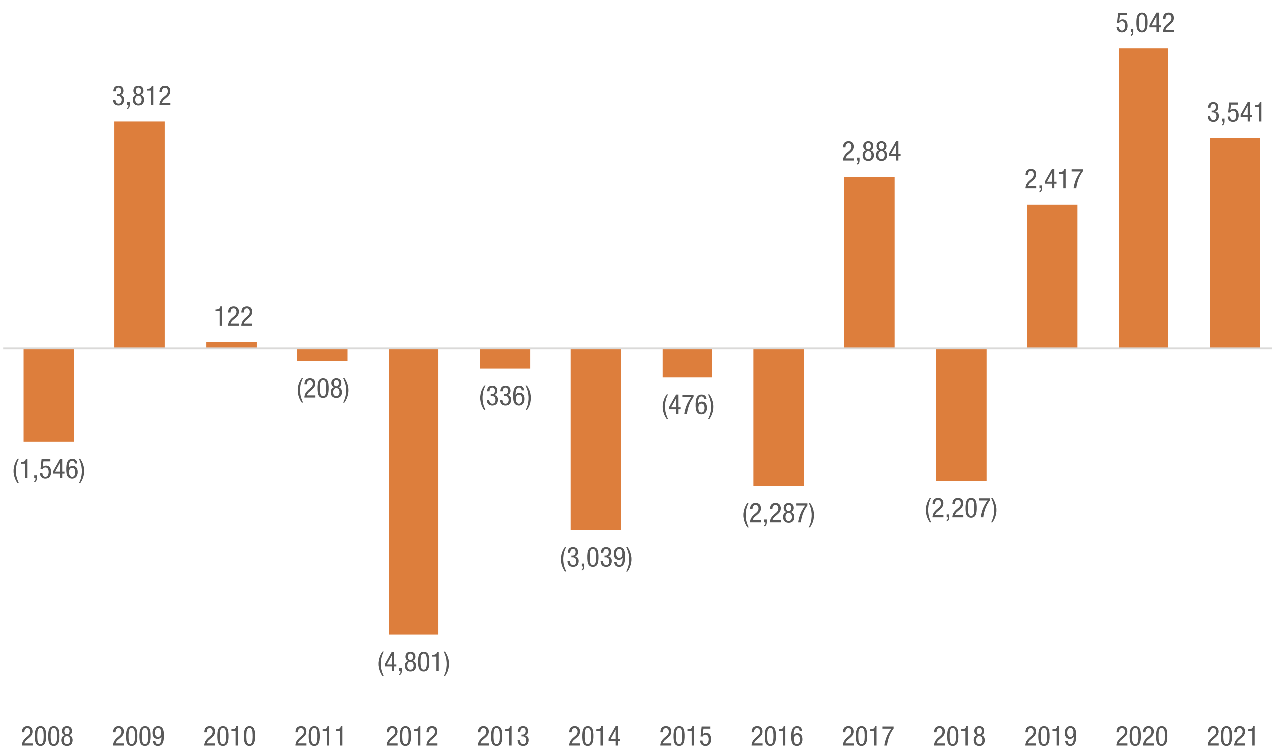
> The actual number of people out of the streets and in housing via the governor's signature Project Homekey thus far is about 8,000, although the program – which turned dilapidated hotels and motels across the state *into permanent ho*using with wraparound services – is expanding to bring on another 12,000 units in the coming years using $2.75 billion in last year's budget.
>
> His emergency Project Roomkey *program, which sheltered another 50,000 people, has mostly wound down. Only about a fifth of them are now in permanent housing.*[45]

The governor's claim also defies the HUD data. Figure 6 presents the change in the number of sheltered homeless people in California between 2008 and 2021. The increase in the number of sheltered homeless in 2021 was 3,541 – a fraction of the governor's claim of 58,000 people.

Further, the claim of 58,000 people moved off the streets defies logic. This figure equals 51 percent of the total unsheltered people in the state as of 2020. Therefore, for the governor's claim to be correct, in addition to the measured increase in the sheltered homeless population, an additional 48 percent of the unsheltered population would have been moved to shelters and then an equivalent number would have been moved from shelters to permanent housing. The 2022 preliminary data from eight of the ten counties with the largest homeless populations indicate that such a scenario is detached from reality. Consequently, the governor's estimates are simply inaccurate.

"According to CalMatters factcheckers, only about one-fifth of those housed by Project Roomkey are now in permanent housing."

FIGURE 6. CHANGE IN CALIFORNIA'S SHELTERED HOMELESS POPULATION, 2008 – 2021



Source: Author calculations based on HUD data

Simply put, the initial results from the Project Homekey program are disappointing. The state is throwing billions of dollars at the problem but with little to show for it.

Los Angeles' Measure HHH Fails to Deliver Results

The ineffective results from Project Homekey should not have been unexpected based on California's results from previous Housing First programs. One glaring example is Measure HHH, approved by more than 77 percent of the voters in the city of Los Angeles during the 2016 General Election. A "yes" vote favored the "issuing $1.2 billion in bonds to fund housing for homeless people and people at risk of becoming homeless and to fund facilities that provide mental health care, addiction treatment, and other services." The goal is "to provide safe, clean affordable housing for the homeless and for those in danger of becoming homeless."[46] Officials have estimated that total debt service cost for the loan, including principal and interest, will reach $1.893 billion. They further "estimated the average property tax rate required to repay these bonds to be $9.64 per $100,000 in assessed property value."[47]

Measure HHH, while not officially part of Project Homekey, uses the same Housing First approach to address the problem. Given that the data on Project Homekey is limited, Measure HHH provides additional evidence that government efforts to solve homelessness based on the Housing First philosophy typically fall short of their objectives. Some have even mocked the measure, calling it "Proposition HaHaHa."[48]

In December 2021, Los Angeles Controller Ron Galperin issued a review of Measure HHH's performance over its first five years. In it, he said that problems overshadow progress.[49]

"Over the past year HHH per-unit costs in the primary pipeline continue to climb to staggering heights," Galperin reported. **"For projects in construction, the average per-unit cost increased from $531,000 in 2020 to $596,846 in 2021. Fourteen percent of the units in construction exceed $700,000 per unit, and one project in pre-development is estimated to cost nearly $837,000 per unit"** (Emphasis Galperin's), $100,000 more per unit than the most expensive project in 2020.[50]

"It is," he continued, "indisputable that higher overall per-unit costs have contributed to project delays, leaving fewer units available in a timely manner. The City must find a way to bring down the overall per-unit cost of developing homeless housing now and in the future."[51]

> "Los Angeles Controller Ron Galperin issued a review of Measure HHH's performance over its first five years. In it, he said that problems overshadow progress."

The review also noted that while the goal is to develop 10,000 units in 10 years, only 1,142 units had been completed in five years. Another 4,205 units were under construction and 1,880 in pre-development. By January 2023, fewer than half will be completed.[52]

Meanwhile, in the years since HHH was passed, the city's homeless population has increased by 45 percent. It "simply isn't working," says PRI fellow M. Nolan Gray, a professional city planner and UCLA housing researcher.[53]

"The fundamental problem that Los Angeles faces in dealing with homelessness is that it continues to address the issue as a housing crisis and not a human one involving drug addiction and mental illness," writes Soledad Ursua, a finance professional who is also a board member of the Venice Neighborhood Council.[54]

Rather than reallocate HHH funds or use remaining dollars "to develop interim housing facilities and emergency-shelter options instead of permanent supportive housing, which is too expensive and takes too long to build," and has been suggested by Galperin, officials have instead continued "to ignore Los Angeles's rampant drug addiction and mental illness." They have failed "to understand that simply providing housing units will never eliminate homelessness, no matter how many emergencies they declare or how many dollars they spend."[55]

CARE Court Proposal Shows Potential

Thankfully, there are some optimistic signs. In March 2022, Gov. Gavin Newsom proposed "a new framework to get people with mental health and substance use disorders the support and care they need." Called CARE (Community Assistance, Recovery, and Empowerment) Court, it "is aimed at helping the thousands of Californians who are suffering from untreated mental health and substance use disorders leading to homelessness, incarceration or worse."[56]

From the administration's fact sheet:

> CARE Court connects a person struggling with untreated mental illness – and often also substance use challenges – with a court-ordered Care Plan for up to 24 months. Each plan is managed by a care team in the community and can include clinically prescribed, individualized interventions with several supportive services, medication, and a housing plan. The client-centered approach also includes a public defender and supporter to help make self-directed care decisions in addition to their full clinical team.[57]

The idea is based "on the evidence that many people can stabilize, begin healing, and exit homelessness in less restrictive, community-based care settings." A date with the court "can be initiated by family, county and community-based social services, behavioral health providers, or first responders."[58]

> "In March 2022, Gov. Gavin Newsom proposed 'a new framework to get people with mental health and substance use disorders the support and care they need.'"

Though it has some opposition because of its involuntary nature and "coerced treatment, enforced by an expanded judicial infrastructure,"[59] the Senate voted 38-0 in May 2022 for Senate Bill 1338, which includes provisions for CARE Court.[60] The court will certainly end up in a court somewhere itself.[61] But as a practical application, the required institutionalization of those suffering from mental illness, substance abuse, and homelessness has merit.

As Christopher Rufo noted, "following the mass closure of state hospitals and the establishment of a legal regime that dramatically restricted involuntary commitments, we have established an 'invisible asylum,'" which is made up of three primary institutions: the street, the jail, and the emergency room. "In slaying the old monster of the state asylums, we created a new monster in its shadow," one that has the appearance of freedom yet condemns a multitude of the mentally ill to "a life of misery" on the street.[62]

Conclusion/Recommendations

It is unsurprising that Project Homekey has underperformed expectations. Based on the Housing First philosophy, it fails to fully diagnose the causal factors driving California's homelessness crisis; therefore, it provides an incomplete approach to addressing the problem. Worsening these results, its implementation has been inefficient and wasteful. As a result, the program's costs per homeless person sustainably housed has been excessively expensive.

Further, while based on early data, the program has not altered the trend of rising homeless in the state. This failure is likely compounded by the likelihood that, as a Cicero Institute study noted, programs based on the Housing First philosophy appear "to attract more people from outside the homeless system, or keeps them in the homelessness system, because they are drawn to the promise of a permanent and usually rent-free room."[63]

Rather than throwing billions of dollars toward the failed Homekey strategy, there are more effective policies that California should consider, many of which we explored in detail in the Pacific Research Institute book *No Way Home* (Encounter Books, 2021). These policies begin with the recognition that California's homelessness crisis requires multi-faceted solutions.

The first facet of a comprehensive strategy would be targeted toward aiding the homeless who struggle with mental health and addiction. Helping this population requires programs that directly address these causal issues. Priority number one is to implement policies that focus on providing shelter and effective mental health treatment. Given the state's poor track record running these programs, ideally the state would leverage the successful private nonprofit organizations that efficiently address the root causes of homelessness. Howard Husock of the Manhattan Institute has suggested a "back-to-the-future approach," in which state mental hospitals are "dedicated to serving this particular population."[64]

"To help facilitate treatment, California should use services, such as homeless dayrooms, to connect people with the appropriate treatment options."

To help facilitate treatment, California should use services, such as homeless dayrooms, to connect people with the appropriate treatment options. The state should also broadly implement homeless courts that can turn criminal infractions into opportunities to "sentence" mentally ill people experiencing homeless to treatment rather than incarceration.

The second facet should better leverage public resources, such as local law enforcement, to help connect homeless people with the resources and private nonprofits that can help. Law enforcement can also successfully reunite the homeless with their families or those who had previously provided them services, as Santa Monica, Santa Barbara, and Anaheim have demonstrated.[65]

The third facet should address the policies helping to drive the problems. These include reforming zoning laws, the California Environmental Quality Act (CEQA), and other regulations to promote greater housing supply and improved housing affordability across the state. The state should also actively discourage homeless encampments (which ought to be replaced with humane bridge shelter in which private organizations and government agencies work together to provide temporary housing, often tents), enforce laws against theft that include repealing initiatives such as Proposition 47, and promote a high quality-of-life standard for all neighborhoods that includes eliminating the open-air drug markets and disregard for laws big and small.

California cannot possibly build enough housing for the homeless – often at costs that exceed $700,000 a unit, and in Los Angeles as much as much as $837,000 – without resolving the social problems that have caused so many people to be on the streets nor without resolving the underlying financial and regulatory issues that make housing so expensive. A comprehensive approach that focuses on the root causes and leverages the private sector to deliver services more efficiently is the best path to alleviate the crisis.

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About the Authors

Wayne Winegarden, Ph.D., is a Sr. Fellow in Business & Economics, Pacific Research Institute, as well as the Director of PRI's Center for Medical Economics and Innovation.

Dr. Winegarden's policy research explores the connection between macroeconomic policies and economic outcomes, with a focus on fiscal policy, the health care industry, and the energy sector. As Director of the Center for Medical Economics and Innovation, Dr. Winegarden spearheads research and advances policies that support the continued viability and vitality of the U.S. biomedical and pharmaceutical industries to the benefit of patients and overall economic growth.

Dr. Winegarden's columns have been published in the *Wall Street Journal, Chicago Tribune, Investor's Business Daily, Forbes.com,* and *USA Today*. He was previously economics faculty at Marymount University, has testified before the U.S. Congress, has been interviewed and quoted in such media as CNN and Bloomberg Radio, and is asked to present his research findings at policy conferences and meetings.

Dr. Winegarden is also the Principal of an economic advisory firm that advises clients on the economic, business, and investment implications from changes in broader macroeconomic trends and government policies. Clients have included Fortune 500 companies, financial organizations, small businesses, and trade associations. Previously, Dr. Winegarden worked as a business economist in Hong Kong and New York City; and a policy economist for policy and trade associations in Washington D.C. Dr. Winegarden received his B.A., M.A., and Ph.D. in Economics from George Mason University.

Kerry Jackson is an independent journalist and opinion writer with extensive experience covering politics and public policy.

Currently a fellow with the Center for California Reform at the Pacific Research Institute (PRI), Kerry writes weekly op-eds and blog posts on statewide issues, and occasional books and policy papers.

He is the author of *Living in Fear in California,* a book that explores well-meaning changes to California's public safety laws enacted in recent years that have undermined safe communities, and offers reforms that strike a balance between the state's obligation to crime victims and the rights of the accused and convicted.

In 2017, he wrote *Unaffordable: How Government Made California's Housing Shortage a Crisis and How Free Market Ideas Can Restore Affordability and Supply*, an issue brief on California's housing crisis which won bipartisan praise.

His 2018 brief on poverty in California, *Good Intentions: How California's Anti-Poverty Programs Aren't Delivering and How the Private Sector Can Lift More People Out of Poverty,* garnered national attention for his *Los Angeles Times* op-ed asking, "Why is liberal California the poverty capital of America?"

Jackson is a leading commentator on California's growing homeless crisis. In 2019, he co-authored (with Dr. Wayne Winegarden) a brief on San Francisco's homeless crisis, which was presented to Mayor London Breed's administration.

His commentaries have been published in the *Los Angeles Times, San Francisco Chronicle, CALmatters, City Journal, the Daily Caller, the New York Observer, Orange County Register, Bakersfield Californian, San Francisco Examiner, Fresno Bee, Ventura County Star, Forbes,* and Fox and Hounds Daily, among others.

He regularly appears on radio and television programs commenting on the problems affecting California. Jackson has been a past guest on National Public Radio, One America News Network, Newsmax TV, and "The Dr. Drew Show," among others.

Before coming to PRI, Jackson spent 18 years writing editorials on domestic and foreign policy for *Investor's Business Daily* (IBD) and three years as the assistant director of public affairs for the American Legislative Exchange Council. He has written for the American Media Institute and Real Clear Investigations and edited "The Growth Manifesto" for the Committee to Unleash Prosperity.

A graduate of Georgia State University, Kerry has also served as a public affairs consultant for the George Mason University School of Law and worked as a reporter and editor for local newspapers in the metro Atlanta and northern Virginia regions.

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PRI PACIFIC RESEARCH INSTITUTE

www.pacificresearch.org

MAILING ADDRESS
PO Box 60485
Pasadena, CA 91116

SAN FRANCISCO HEADQUARTERS
601 California Street, Suite 620
San Francisco, CA 94108
Tel 415-989-0833

SACRAMENTO OFFICE
2110 K Street, Suite 28
Sacramento, CA 95816
Tel 916-389-9774

PASADENA OFFICE
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