



DATE: November, 2021
TO: City Council
FROM: Michelle Kennedy, Director
DEPARTMENT: Neighborhood Development
SUBJECT: Permanent Supportive Housing Project

In order to address questions related to costs and cost benefit analysis, here is the most recent data related to PSH.

Supportive Housing Generates Significant Cost Savings to Public Systems

Cost studies in six different states and cities found that supportive housing results in tenants' decreased use of homeless shelters, hospitals, emergency rooms, jails and prisons. While health care costs see the largest savings, shelter costs savings also are significant.

- **Health Care.** In New York, reduced psychiatric hospitalizations resulted in an annual savings of \$8,260 per person. In Denver and Los Angeles, annual reductions in physical health hospitalization saved \$3,423 and \$13,392 per person respectively.
- **Shelter.** Large annual savings were also generated as a result of reductions in shelter use - \$3,799 and \$6,844 per person in New York and Denver, respectively.
- **Incarceration.** Savings from reductions in jail and prison use were smaller, but still significant. In New York, combined annual savings from jail and prison was \$800 per person, \$686 in Denver, and \$1,320 in Los Angeles.

Operational Analysis vs Affordable Housing

Enterprise provided and CSH analyzed financial data for 10 affordable and 10 permanent supportive housing projects that have operated for at least two years (though most of the projects reviewed have been in operation for four or more years). CSH analyzed the annual revenue, expenses and cash flow of each project by line item and the three-year average of revenue, expenses and cash flow for all of the projects.

Locations: New York; Hartford, Conn.; Minneapolis; Chicago; Portland, Ore.; Seattle; Berkeley, Calif.; and Los Angeles

Vacancy loss is generally comparable between the two sets of properties

Cash flow after debt service and replacement reserve deposit is higher for permanent supportive housing. The Net Operating Income (NOI) is 46 percent lower for permanent supportive housing

than for affordable housing. This is offset by the structure of having lower debt service. On average, permanent supportive housing projects had net operating income of \$1,287 less per unit per year, but had cash flow of \$360 more per unit per year than affordable housing.

This survey provides powerful evidence that permanent supportive housing is a safe investment despite somewhat lower revenues and higher operating expenses compared to affordable housing. The primary reason that these projects have strong cash flow is due to significantly lower debt service obligations, which balances the lower revenues and higher operating expenses. A strong service partnership is crucial to maximizing housing stability, which in turn leads to increased rental income, and reduced repair and maintenance expenses.

Cost Savings by Housing Type

The analysis reveals notable differences in total costs per person per year by housing setting, accounting for housing, health care, and criminal justice costs. Individuals who experienced chronic homelessness during the study period incurred the highest average cost per person per year at \$72,969, while those in permanent supportive housing incurred the lowest, at \$51,976; a difference of 28.7%. The average annual costs of individuals who are housed with unknown support services fall in the middle. This data indicates that when individuals have access to housing, especially permanent supportive housing, it results in overall public cost savings.

Supportive Housing vs Housing Alone

A study conducted by the Economic Roundtable in Los Angeles looked at cost savings generated from supportive housing and housing without services. For the general homeless population, temporary or permanent housing (without services) reduces public costs by 50%. But for the chronically homeless, supportive housing reduces public costs by 79% suggesting that adding services gets communities an even greater return for their investment in those that have been homeless the longest.

Supportive Housing saves significant money to many public institutions while using no more and sometimes fewer resources in return for better results. For example, in New York, reductions in service use resulted in an annualized savings of \$16,282 per unit, which amounts to 95% of the cost of providing supportive housing. In Portland, the annual savings per person amounted to \$24,876, whereas the annual cost of housing and services was only \$9,870.

Partnership Homes has supplied attachments that include the current budget versus new construction build estimate along with project summaries of similar developments for cost comparison.