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A Policy Agenda for Addressing the Homeless Problem

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A POLICY AGENDA FOR ADDRESSING THE HOMELESS PROBLEM

David A. Johnson*

ABSTRACT

While the past 40 years has ushered in a period of improved urban real estate development and values, it has also been a time of decreased housing affordability and increased homelessness. The Agenda for Building a Changing World Responsibly needs to include improved housing assistance and affordability policies. This article outlines an agenda for housing assistance and affordability policies at both the federal and local urban jurisdiction levels. Their implementation will collectively help build a changing world responsibly.

ADDRESSING THE FAILURE OF FEDERAL POLICY TO PROVIDE ADEQUATE SUSTAINABLE ASSISTANCES FOR PREVENTING AND REDUCING HOMELESSNESS

As the Executive Director of anti-poverty Community Action Agencies,¹ I spent 30 years developing and implementing programs to address the homeless or houseless problem. Beginning in the early 1980s, agencies that I directed provided a number of services aimed at reducing the incidence of homelessness. These programs included Emergency Shelter, Transitional Housing, Eviction Prevention, Affordable Housing Development, Community Land Trusts, and Self-Help Housing Construction. All of these programs helped hundreds of persons obtain stable housing. However, as these programs moved hundreds of homeless individuals and families into stable housing, hundreds more became homeless, and the houseless problem persisted and increased. The persistence and increase in homelessness is the result of the failure of policies to address changing socio-economic conditions that have, and continue to, create the problem of homelessness.

Federal housing assistance policy dramatically reduced housing assistance funding in the early 1980s. Federal housing assistance for low-income persons was significantly reduced during the Reagan Administration. The anti-tax, anti-government welfare policy platform of Ronald Reagan led to steep cuts in federal

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¹ Community Action Agencies or Programs, also referred to as CAPs, were created by the Federal Economic Opportunity Act of 1964. Their purpose was/is to develop and implement community-based programs to alleviate the causes and conditions of poverty in a given geographic area.

funding of housing subsidies for low-income Americans. During the late 1970s, the federal Department of Housing and Urban Development (HUD) provided over \$70 billion in subsidized housing assistance in its annual budget, as measured in 2001 constant dollars.² This annual funding level was slashed to \$15.5 billion by 1983, the third year of the Reagan Administration.³ At \$42.9 billion, current HUD housing subsidy funding levels remain significantly below levels in the 1970s.⁴ To just maintain late 1970s funding levels for housing assistance, HUD would have to provide \$100 billion in its annual budget compared to the \$43 billion it currently spends on housing subsidies.⁵

The federal policy of reducing funding for low-income housing assistance was implemented during a period of significant increases in the number of persons living below the federal poverty level and significant reductions in minimum wage value. Persons struggling to rise above poverty often receive minimum wages which are insufficient to pay for housing costs. Between 1978 and 2019 while federal housing assistance was significantly reduced, the number of persons living in poverty increased from 24 to 34 million, a 41 percent increase.⁶ During this same period the federal minimum hourly wage in constant dollars declined from \$6.38 to \$4.80.⁷ This combination of increasing poverty and decline in wages resulted in more Americans being unable to afford housing costs and contributed to significant increases in the homeless population.

The number of homeless persons in the United States increased in the 1980s. Jencks' analysis of available data on homeless persons indicated that the number of houseless persons increased by 300 percent in the 1980s, from 100,000 in 1980 to

² Dolbeare, Cushing N, *Changing Priorities: The Federal Budget and Housing Assistance, 1976-2002*, Budget Authority for Subsidized Housing in Millions of Constant 2001 Dollars, National Low Income Housing Coalition, Wash. D.C., May, 2001.

³ *Ibid.*

⁴ U.S. Department of Housing and Urban Development, *Fiscal Year 2020 In Brief Summary Table*, Retrieved at www.hud.gov on 10-11-2020.

⁵ Federal Reserve Bank of Minneapolis, *Consumer Price Index, 1913-2019*, Retrieved at www.minneapolisfed.org on 10-14-2020. This dollar amount is based on multiplying the HUD budget authority for subsidized housing in 1977 as measured in millions of constant 2001 dollars by the cumulative inflation rate since 2001 or 37 percent.

⁶ U.S. Census Bureau, *Poverty Status of People by Family Relationship, Race, and Hispanic Origin 1959-2019*. Retrieved at www2.census.gov on 10-8-20.

⁷ U.S. Department of Labor, *Annual Federal Minimum Wage Rate Adjusted for Inflation, 1955-2015*. Retrieved at www.infoplease.com on 10-11-2020.

400,000 in 1988.⁸ The data used to calculate these numbers were one night, “point in time” counts of sheltered homeless persons. Homeless advocacy groups argued that these numbers were very conservative in that they did not include many unsheltered homeless people and point in time counts don’t reflect the number of persons moving in and out of homelessness during a given year.⁹ Groups advocating for more government homeless assistance have maintained that the number of persons experiencing homelessness was as high as 3 million in the 1990s.

Beginning in 2005, HUD began a standardized one-night homeless count reported by agencies receiving HUD funds to serve the homeless population. HUD reported a one-night shelter count of 415,000 persons in 2005.¹⁰ More recently, HUD has recorded a one-night shelter count of 567,715 in 2019.¹¹ Again, homeless advocates argue that this number is an undercount given that all unsheltered homeless persons are not counted and the use of a “point in time” methodology undercounts all persons experiencing homelessness in a given year.

These homeless count data suggest that at a minimum, the incidence of homelessness increased from 100,000 in 1980 to over 550,000 in 2019. This 450 percent increase in homelessness occurred as federal housing policy was reducing annual housing assistance funding by over 100 percent. The relationship of federal policy that reduced funding for housing assistance and the increase in the incidence of homelessness is clear. This suggests that increased federal funding of housing subsidies would be successful at reducing the current number of houseless persons.

The major housing assistance policy administered by the Department of Housing and Urban Development is the Section 8 Rental Assistance Program. This program provides tenant based and rental unit-based rent payments for qualified renters. HUD budget outlays totaled \$31.8 billion for the Section 8 Rental Assistance Program in 2018.¹² Two different types of rental assistance are provided.

⁸ Jencks, Christopher, *The Homeless*, Harvard University Press, 1995, page 2.

⁹ U.S. Department of Housing and Urban Development, Office of Community Planning and Development, *The Annual Homeless Assessment Report to Congress, Executive Summary*, page iii. Retrieved at www.huduser.gov on 10-17-2020.

¹⁰ U.S. Department of Housing and Urban Development, Office of Community Planning and Development, *The Annual Homeless Assessment Report to Congress*, Feb. 2007. Retrieved at www.huduser.gov on 10-17-2020.

¹¹ U.S. Department of Housing and Urban Development, HUD Press Release, Secretary Carson Certifies Annual Data: Homelessness Ticked Up in 2019, Retrieved at www.hud.gov on 10-17-2020.

¹² U.S. Department of Housing and Urban Development, HUD Previous Fiscal Year Budgets, Retrieved at www.hud.gov on 10-20-2020.

Tenant-based rental assistance is given to income qualified persons who can find a rental housing unit that meets HUD standards. Project-based rental assistance is provided to income qualified persons who occupy units in an approved HUD rental housing project. Most of the rental assistance funding (64 percent) goes to the tenant-based component.¹³

In order to qualify for Section 8 rental assistance, applicants must have incomes of less than 80 percent of the median income in their area. Most of the assistance goes to renters with incomes of less than 50 percent of the median income in their community. The Section 8 Rental Assistance Program provides a monthly benefit equal to the difference between 30 percent of the renter's income and the approved market rate rent cost of their housing unit. This formula limits the tenant's housing cost to 30 percent of their income, a percentage HUD has determined is the highest amount households should pay for housing in order to have enough income to meet their other basic needs and avoid becoming homeless.

The federal policy of reducing funding for rental housing assistance has contributed to the increasing number of homeless persons. The national average waiting time for receiving Section 8 rental assistance is two years and half of all local housing authorities administering the program have closed their waiting list to new applicants.¹⁴ Consequently, qualified applicants are unable to access the rental assistance program or must wait a long period of time before receiving housing assistance. Returning federal rental assistance funding amounts equal to late 1970 levels could eliminate the waiting time for Section 8 rental assistance and significantly reduce the number of homeless persons.

HUD Section 8 rental assistance is provided to three different classifications of low-income households. Applicants with incomes below 80 percent of their area median income are classified as "low-income" and can qualify for rent subsidies. Households with incomes below 50 percent of their area's median income are classified as "very low-income" and qualify for rental assistance. Finally, households with persons making less than 30 percent of their community's median income are classified as "extremely low income" and are prioritized for rent subsidies.¹⁵ Seventy-five percent of all tenant-based Section 8 assistance is targeted to extremely low-income households.¹⁶ Project-based Section 8 benefits are not as

¹³ U.S. Department of Housing and Urban Development, *Renewal of Section 8 Project-Based Rental Assistance*, Retrieved at www.hud.gov on 10-20-2020.

¹⁴ Walter, Alexander, *A Look at the Alarming Long Wait Times for Section 8 Housing in U.S. Cities*, Archinect News, Jan. 4, 2018. Retrieved at www.archinect.com on 10-20 2020.

¹⁵ Every CRS Report.Com, *Income Eligibility and Rent in HUD Rental Assistance Programs: Frequently Asked Questions*, Retrieved at everycrsreport.com on 10-22-2020.

¹⁶ Eberlin, Erin, *You Must Meet These Requirements to Receive Section 8, the balance small*

restricted to extremely low-income households. As cited above, HUD allocates more funding to tenant-based

project-based housing assistance. This policy should be continued, and the federal government should focus on dramatically increasing funding for the tenant-based Section 8 Rental Assistance Program.

The tenant-based Section 8 Rental Assistance Program should be targeted for expansion because it has the potential to contribute to socio-economic residential integration and reduce the negative impacts of residential socio-economic segregation. Given the portability of a Section 8 tenant-based housing voucher or grant, low-income households can locate in different areas of their city or community. This creates the potential to distribute low-income and racial minority households' residences across a broader geographic representation of a given town or city. Tenant-based Section 8 rental assistance is also a more sustainable form of housing assistance. Project-based Section 8 rental assistance can terminate with the conversion of rental complexes into non-HUD housing. A number of project-based Section 8 rental complexes in the counties where I was the executive director of agencies providing housing assistance programs had project-based Section 8 rental housing complexes converted to market housing. In these cases, HUD had time-bound agreements with project-based Section 8 housing owners to keep them as rent assistance units. Once, this period expired, usually 30 years, rental unit owners could withdraw their housing units from the HUD Section 8 housing program. This has resulted in the loss of thousands of affordable housing units over the past twenty years.

Tenant-based Section 8 rental assistance should be focused on households with 30 percent or less of area median income. Homeless persons are most likely to have incomes that are less than 30 percent of the median incomes where they reside. Persons making 50 or 80 percent of median income can feasibility afford low-cost housing. For example, in Portland, Oregon, the average rent for a studio apartment is \$973 a month.¹⁷ The minimum wage in Portland is \$13.25. For someone making minimum wage, the studio apartment rent is equivalent to 42 percent of their income, and they would likely need rental assistance to obtain and maintain housing. On the other hand, households making 50 percent (\$36,500) or 80 percent (\$58,400) of Portland's median income could afford to obtain and maintain a low-cost apartment where the rent would comprise 32 percent and 19 percent of their incomes respectively.¹⁸ Thus, it seems that if the federal tenant-

business, April, 2020. Retrieved at www.thebalancesmb.com on 10-22-2020.

¹⁷ Apartments.Com, Portland, Oregon, Retrieved at www.apartments.com on 10-25-2020.

¹⁸ Fitz, Maurice, Portland Housing Affordability Rate, 2020 Update, expRealty, Portland, Oregon,

based Section 8 Rental Assistance Program was exclusively focused on persons making 30 percent or less of median income, the incidence of homelessness would be reduced.

Figure 1 illustrates the rise of the homeless problem in the United States over the period 1979/1980 to 2009/2020. It includes these five elements:

Homeless Population—In 1980, there were 100,000 homeless people in America on any given night¹⁹ but by one night in January 2019, they numbered nearly 570,000.²⁰

Housing Costs—Between 1979 and 2020, U.S. housing costs increased by 287 percent in constant 2020 dollars.²¹ A share of the increase in homeless persons can be associated with rising housing costs.

Persons in Poverty—Between 1979 and 2019, the number of persons living below the federal poverty level increased from 26.1 million to 34 million persons or 30 percent.²²

Federal Housing Assistance—Even as housing costs have increased there has been a 58 percent decrease in federal low-income housing assistance in real dollar terms.²³ Fewer resources available to meeting growing needs is also clearly associated with the rising number of homeless persons.

Retrieved at www.realestateagentpdx.com on 10-22-2020.

¹⁹ Jencks, Christopher, *The Homeless*, Harvard University Press, 1995, p. 16.

²⁰ This figure is based on a U.S. Department of Housing and Urban Development's single night homeless count gathered by local housing assistance agencies across the country in January 2019 which totaled 567,715 people. See U.S. Housing and Urban Development Public Affairs Press Release No. 20-003, Jan. 7, 2020, HUD Releases 2019 Annual Homeless Assessment Report, Retrieved at www.hud.gov on 11-30-2020.

²¹ Official Data Foundation, Raw Consumer Price Index Data from U.S. Bureau of Labor Statistics for Housing, Retrieved at www.in2013dollars.com on 12-5-20.

²² U.S. Census Bureau, Table 2. Poverty Status of People by Family Relationship, Race, and Hispanic Origin: 1959 to 2019, page 1 of 6, Retrieved at www2.census.gov on 12-3-2020.

²³ This is calculated by using the HUD budget for subsidized housing calculated in 2001 constant dollars in 1979 (see Cushing N. Dolbeare, *The Federal Budget and Housing Assistance, 1976-2002*, Budget Authority for Subsidized Housing in Millions of Constant 2001 Dollars, National Low Income Housing Coalition, Wash. D.C., May 2001) and increasing the amount by the cumulative CPI inflation rate from 2001 to 2019. This results in a budget amount of 89.2 billion dollars for low-income housing assistance. The current fiscal year (2020) HUD budget for low income housing assistance which is 37.9 billion dollars (see Benjamin S. Carson, *Fiscal Year 2020 Budget in Brief*, p.6, U.S. Department of Housing and Urban Development, Retrieved at www.hud.gov on 11-30-20) is then used to calculate the percent decrease in housing assistance for persons struggling to obtain or maintain housing.

Minimum Wage—The federal minimum wage adjusted for inflation fell from \$9.07 to \$4.45 or 51 percent between 1980 and 2019.²⁴ Inasmuch as homeless persons are often those depending on minimum wage jobs, the inability of the minimum wage to adjust with the cost of living reduces the ability of those earning the minimum wage to afford housing thus increasing the number of homeless persons.

The largest federal housing assistance program is the Home Mortgage Interest Deduction. This tax policy provides 70 billion dollars a year in tax reductions to homeowners paying interest on their mortgages.²⁵ This policy fosters the ability of millions of Americans to maintain and improve their housing. The Tenant-based Section 8 Rental Assistance Program could be improved by providing a similar benefit to low-income renters. Low-income renters could be given a housing tax credit based on a percent of the rent they pay. For example, a household with a minimum wage income in Portland receiving Section 8 tenant-based assistance would pay \$8,266 a year on their housing. An annual tax credit benefit of 5 percent on this amount would give such a tenant over \$400 annually that could be used to save for a future housing down payment or other essential needs. This policy change would reduce the likelihood of becoming homeless in the future.

In summary, the agenda for building a better federal housing policy and reducing homelessness should include the following:

- 1) Significantly increase federal funding of the tenant-based Section 8 Rental Housing Assistance Program from 22 to 50 billion dollars. This could eliminate the waiting time to access housing assistance and significantly reduce the homeless population;

²⁴ See Craik K. Elwell, *Inflation and the Real Minimum Wage: A Fact Sheet*, Congressional Research Service, Washington D.C., January 8, 2014. For current 2020 dollars, see U.S. Inflation Calculator, *Consumer Price Index Data From 1913 to 2020*, Retrieved at www.inflationcalculator.com on 12-5-2020.

²⁵ Fisher, Will and Huang, Chye-Chung, *Mortgage Interest Deduction is Ripe for Reform*, Center on Budget and Policy Priorities, June, 2013, Retrieved at www.cbpp.org on 10-25-2020.

- 2) Focus the increase of federal funding on persons making less than 30 percent of their area's median income; and
- 3) Establish a Renters Tax Credit Program for low-income renters that allows them to receive a refundable tax credit equal to 5 percent of the rent they pay.

If implemented, this policy agenda would significantly reduce the number of houseless persons.

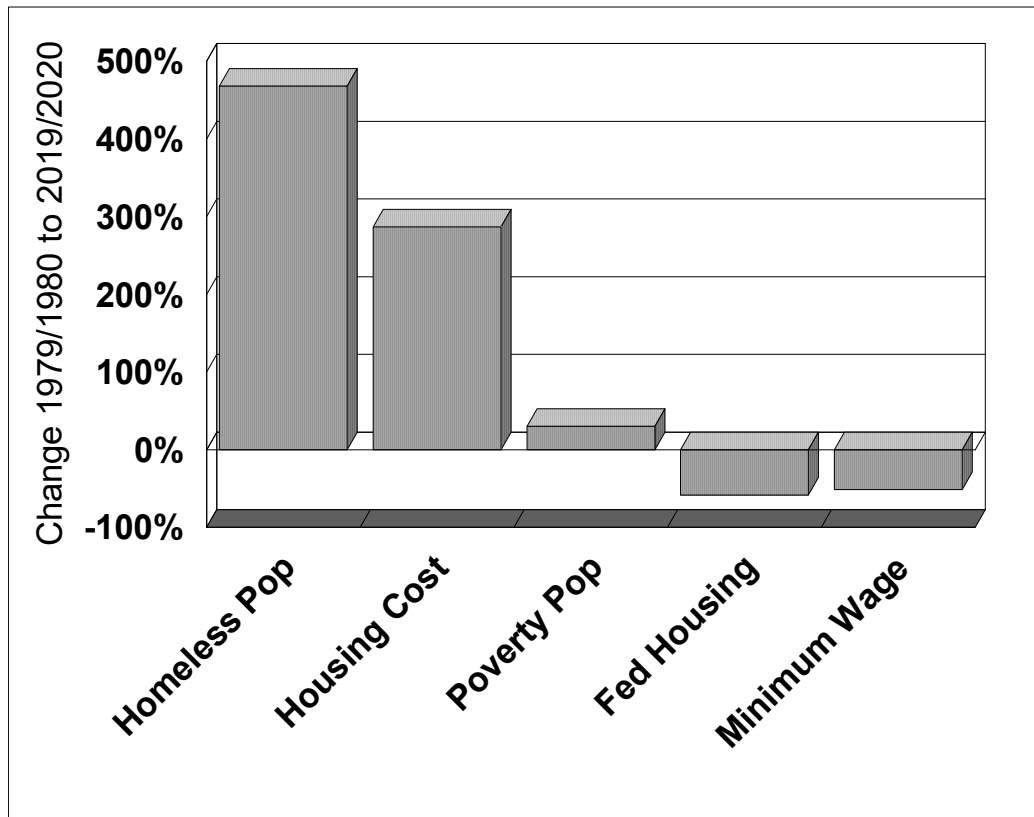


Figure 1
The rise of homeless persons in the context of rising housing costs, increasing persons in poverty, decreasing federal housing assistance, and decreasing minimum wage purchasing power from 1979/1980 to 2019/2020

ADDRESSING THE BEHAVIORAL ATTRIBUTES OF HOMELESS PERSONS

In order to effectively reduce the incidence of homelessness, policies related to the behavioral characteristics of homelessness persons need to be addressed. Various studies have identified significant behavioral patterns among homeless persons that need to be addressed in order to help them transition into stable housing. These behavioral issues include addiction disorders, severe and persistent mental illness, criminal behavior, and domestic violence victimization.

The National Coalition for the Homeless reports that 30 percent of homeless persons have substance addiction disorders.²⁶ Consequently, effective substance abuse treatment policies are needed to reduce the incidence of homelessness. Cities and counties with homeless problems need to have drug treatment programs that are available to homeless persons. According to the National Institute on Drug Abuse, in order to be effective, substance abuse treatment programs need to include three essential elements.²⁷ First, treatment services need to be readily available to the homeless population. Homeless persons need to be given information on how to request treatment and when they do, treatment should be immediately available. Second, treatment needs to be available over a period of time, at minimum three months, and a longer-term support strategy established to reduce the incidence of substance abuse relapse. Finally, treatment programs need to be holistic and include access to other support services such as legal, vocational, and medical. Medical services need to include alternative drug treatments like methadone.

The relationship between homelessness and mental illness has been well established. Studies indicate that roughly 20 percent of the homeless population have severe mental illnesses.²⁸ Studies have also shown that the deinstitutionalization of mental health treatment has contributed to the increase in homelessness. As many as 35 percent of persons released from state mental hospitals become homeless within three months.²⁹ Local governments need to have policies that establish and foster the availability of effective mental health services to homeless persons and those transitioning out of institutional housing.

²⁶ National Coalition for the Homeless, *Who is Homeless?* August, 2007, Retrieved at www.nationalhomeless.org on 10-28-20.

²⁷ National Institute on Drug Abuse, *Principals of Drug Addiction Treatment: A Researched Based Guide*, Third Edition, Retrieved at www.drugabuse.gov on 11-2-20.

²⁸ Best Masters In Social Programs, *Madness in the Streets: Mental Illness, Homelessness and Criminal Behavior*, 2016-2020, Retrieved at www.bestmswprograms.com on 10-28-20.

²⁹ Belcher, John and Toomey, Beverly, *Relationship Between the Deinstitutionalization Model, Psychiatric Disability and Homelessness*, *Health and Social Work*, vol. 13, Issue 2, Spring, 1988.

Effective mental health services have two components.³⁰ Psychotherapy needs to be provided along with medications to treat severe conditions such as schizophrenia and depression. In addition, ongoing case management needs to be available along with support groups to effectively address mental illnesses that lead to homelessness. Mental health services may also need to include a housing component. Community support housing should be available as an alternative to mental hospitals and institutions.

Some mental health conditions are not conducive to structured housing living. Homeless persons with post-traumatic stress disorders may have difficulty living in a structured shelter facility. In these cases, a government approved park or living area where a person can live in a tent or vehicle should be available along with sanitation and storage facilities. For example, Portland, Oregon has recently set up portable aluminum shelter pods in public areas at a cost of \$5,000 per pod. Homeless people who do not want to use group shelter facilities can be housed and significantly improve their ability to transition into permanent housing. In this latter situation, homeless persons can be employed to provide clean up and area maintenance labor for such designated living areas which can help them eventually obtain permanent housing.

A significant percentage of the homeless population have engaged in criminal behavior. Studies have shown that 20 percent or more of homeless persons have engaged in unlawful behavior, mostly minor crimes such as drug possession and disorderly conduct.³¹ Criminal behavior results in high local government expenditures on law enforcement. For example, in Portland, Oregon, homeless persons comprised over 50 percent of all arrests in 2019.³² Oregon jail costs average \$120 per day and \$3,668 per month.³³ High arrest rates among the homeless population result in very high public expenditures on law enforcement. Consequently, local government policies that reduce incarceration rates for minor crimes committed by homeless persons would free up public resources that could be used to provide housing and reduce the incidence of homelessness.

³⁰ Mental Health America, *Mental Health Treatments*, Alexandria Va. Retrieved at www.mhanational.org on 11-3-20.

³¹ *Ibid.*, *Best Masters In Social Work*.

³² Sand, Kaia, *Demand that City Hall Keeps its Eye on Justice*, *Street Roots*, Portland, Oregon, Oct. 28- Nov. 3, 2020.

³³ Vera, *The Price of Prisons*, Vera, Brooklyn, N.Y., 2020. Retrieved at www.vera.org on 11-3-2020.

If homeless persons committing minor crimes were diverted to alternative housing with substance abuse and mental health services, the incidence of homelessness could be reduced. City policies that seek to have paramedics and mental health workers respond to homeless persons using drugs or engaging in disorderly conduct, instead of law enforcement personnel, could reduce the incidence of homeless incarceration and improve the permanent housing placement rates of homeless persons struggling with substance abuse and mental health problems. Such policies could also reduce law enforcement expenditures making more funding available for mental health and substance abuse treatment. In November 2020, Oregon voters passed Ballot Measure 110 that decriminalizes possession of small amounts of illegal drugs. Minor drug offenses will be punished with a \$100 fine that can be waived if the offender agrees to substance abuse screening. This policy has the potential to significantly reduce incarceration expenditures and increase the number of homeless persons engaged in substance abuse treatment.

It is also the case that any criminal record creates a barrier to obtaining rental housing. Thus, the decriminalization or record expungement of minor offenses would improve the ability of homeless persons to obtain permanent housing.

Research has shown that up to 25 percent of homeless women are fleeing domestic violence.³⁴ City policies that make domestic violence shelter services easily available to homeless women and children can reduce the incidence of homelessness. Such urban policies could include promoting and funding domestic violence shelters in a given jurisdiction. Such shelters could then be linked to Section 8 tenant-based rental assistance and affordable housing units to effectively reduce the number of homeless women and children.

In summary, the agenda for effectively addressing the behavioral causes of homelessness should include the following:

- 1) Implement policies to ensure that effective substance abuse treatment is readily available to homeless persons;
- 2) Implement policies that decriminalize small amounts of drug possession using any incarceration cost savings to provide substance abuse treatment and evaluate the increase in substance abuse treatment involvement of homeless persons;

³⁴ Ibid. National Coalition for the Homeless.

- 3) Implement policies that reduce incarceration time for disorderly conduct and use the incarceration cost savings for mental health services;
- 4) Implement policies that increase funding for mental health services and make them readily available to homeless persons;
- 5) Enact policies that allow for the expungement of minor criminal offenses committed by homeless persons to assist them in obtaining permanent housing;
- 6) Enact policies that ensure sustainable funding for domestic violence shelters and make them easily available to homeless women and their children; and
- 7) Provide public spaces where homeless persons who do not want to use group shelter facilities can live in their own independent living spaces and have access to sanitation facilities and protected personal storage.

ADDRESSING INCOME SUPPRESSION POLICIES

For the first decade of this century, median- and low-income household income declined. Between 2000 and 2012 real median annual income declined from \$57,843 to \$52,605.³⁵ This income decline was greater in areas experiencing increased homelessness. In Oregon, the real median income declined from \$62,144 in 2000 to \$52,905 in 2013, a 15 percent reduction.³⁶ These declines in income were occurring as housing costs were increasing contributing to a decrease in housing affordability and increase in homelessness.

Studies show that approximately 25 percent of homeless persons are employed.³⁷ As mentioned earlier, federal policy reduced the real value of the federal hourly minimum wage from \$6.38 in 1978 to \$4.80 in 2019, a period of major reductions in federal housing assistance for low-income households. Homeless persons working for minimum wage have seen their ability to afford housing diminish over time, making it more difficult for them to obtain housing. The average housing cost in the United States has increased 780 percent since 1967.³⁸ During this same period, the federal hourly minimum wage increased 418 percent from \$1.40 to \$7.25. In order for the federal minimum wage to keep pace

³⁵ Manuel, Dave, Median Income in the United States, U.S. Census Bureau, Retrieved at www.davemanuel.com/median-household-income.php on 1-31-2020.

³⁶ Real Median Household Income in Oregon, Federal Reserve Bank of St. Louis, Retrieved at www.fred.stlouisfed.org.

³⁷ *Ibid.* National Coalition for the Homeless.

³⁸ U.S. Bureau of Labor Statistics, Price Inflation for Housing Since 1967. Retrieved at www.in2013dollars.com on 11-5-2020.

with increased housing costs it would need to be \$11 per hour. Federal minimum wage policy has significantly suppressed the ability of low wage earners to afford housing, contributing to the nation's homeless problem.

The current federal minimum wage policy provides a monthly income of \$1,256. National median rent for a one-bedroom apartment is \$1,078.³⁹ This amount constitutes almost the total income of a federal minimum wage worker. Thus, current federal minimum wage policy makes it impossible for low-wage workers to afford housing. The relationship between raising the minimum wage and job loss has not been consistently substantiated. Recent research on increasing the minimum wage to \$10 an hour concludes no significant negative employment effects.⁴⁰ Consequently, raising the federal minimum wage to a level equivalent with inflation would help homeless persons afford housing while not diminishing their employment opportunities.

Federal income tax policy also suppresses the incomes of low-wage earners making it difficult for them to afford housing. For example, the payroll income tax rate is higher for low-wage earners. The Social Security earned income tax rate is 6.2 percent for amounts up to \$137,000.⁴¹ Every dollar over this amount is not taxed. Thus, a person with an earned income of \$275,400 pays Social Security income tax rate of 3.1 percent while a minimum wage earner pays a tax rate of 6.2 percent. A more progressive payroll tax policy could significantly increase the incomes of low-wage earners and help homeless persons transition into and maintain permanent housing.

The Federal Tax Reform Policy enacted in 2018 failed to address income suppression of low-income persons. While this recently adopted policy cut the income tax rate for most households, it failed to cut the tax rate for low-income wage earners. Low-income taxpayers with incomes below \$9,325 had their tax rate kept the same at 10 percent while high income households making over \$500,000 had their tax rate cut from 39.6 percent to 37 percent.⁴² As a result, housing affordability among homeless persons with minimum wage jobs was not improved.

³⁹ Temple, Sydney, America's 2019 Rental Market In Review: Did Renters Pay More? ABODO Rent Reports, Dec., 2019. Retrieved at www.adodo.com on 11-4-2020.

⁴⁰ Social Security Administration Fact Sheet, 2020 Social Security Changes, Retrieved at www.ssa.gov on 11-6-2020.

⁴¹ Ramsey, Dave, Tax Reform Bill 2018, How Does It Impact You? Retrieved at www.daveramsey.com on 11-6-2020.

⁴² Ramsey, Dave, Tax Reform Bill 2018, How Does It Impact You? Retrieved at www.daveramsey.com on 11-6-2020.

In review, the policy agenda for making housing more affordable for low-income homeless persons should include the following:

- 1) Increase the federal minimum wage to \$11 an hour and index this wage to inflation so housing affordability isn't diminished in the future. Perhaps the most successful federal anti-poverty policy has been indexing Social Security benefits to annual inflation increases. The U.S. senior population currently has the lowest poverty rate of any age group;
- 2) Cut the Social Security tax rate to 3.1 percent for wage earners making the minimum wage or less. The revenue shortfall from this could easily be made up by raising the income cap for Social Security taxes; and
- 3) Reduce the federal income tax rate for minimum wage earners to 5 percent. The revenue shortfall from this could easily be made up by slightly increasing the income tax rate for those making over \$500,000 a year.

ADDRESSING URBAN POLICIES THAT AFFECT HOUSING AFFORDABILITY

The lack of affordable housing also increases the incidence of homelessness. Developing and implementing urban policies that reduce the cost of housing can contribute to reducing the incidence of homelessness. Housing development requirements and fees along with restrictive housing density policies can significantly increase the cost of housing development and exacerbate the problem of homelessness.

A number of cities are currently implementing residential zoning and financial incentive policies to create more affordable housing. These policies generally allow more residential density, provide financial incentives for developing affordable housing, or require affordable housing units be included in certain multi housing development projects. For example, Portland, Oregon has recently enacted residential infill, property tax exemption, and multifamily affordable housing inclusion policies to foster the creation of more affordable housing. Since 1959, Portland has had a residential zoning policy that restricted housing development to one housing unit per standard residential lot, typically 5,000 sq. ft. In the summer of 2020, the city changed its housing zoning policy to allow for duplexes, triplexes, and fourplexes on existing single-family lots.⁴³ In addition, these traditional single housing lots may be converted to six-unit residential developments if half of the units are dedicated to affordable housing with rents affordable to households making 80 percent or less of the city's median

⁴³ Ellis, Rebecca, *Portland Overhauls Zoning Code to Allow for Duplexes, Triplexes, Fourplexes*, Oregon Public Broadcasting, Aug., 12, 2020, Retrieved at www.opb.org on 11-16-2020.

income. In this case, the rents cannot exceed 30 percent of the 80 percent median income threshold.

In 2017, Portland enacted a policy to provide 10-year property tax exemptions to new apartment buildings that make one-fifth of their units affordable. The affordable units must have rents that are affordable to households with incomes at 80 percent or 60 percent of the city's median income. Rents must be kept at 30 percent of these median income thresholds. Subsequent to the tax exemption policy, Portland adopted a more comprehensive multifamily housing affordability policy requiring multifamily housing projects of 20 or more units to offer 20 percent of the units at rents equal to 30 percent or less of the city's 80 percent median income threshold.⁴⁴

While collectively these urban policies will reduce the cost of housing in some instances, they will not likely provide affordable housing to homeless persons. Given Portland's minimum wage of \$13.25 an hour, working homeless persons have incomes far below 80 or 60 percent of median income. Portland's minimum wage equals an annual income that is 30 percent of the city's median income. Consequently, affordable housing policies that target assistance to households at 80 or 60 percent median income are not focused on reducing the homeless population.

Using Portland as an example, the median rent is \$1,133 per month.⁴⁵ The median household income for Portland is \$78,439.⁴⁶ For a household making 80 percent of median income or \$62,751, the median rent would constitute 22 percent of their income. For a household making 60 percent of median income, or \$47,063, this rent would comprise 29 percent of their income. The U.S. Department of Housing and Urban Development has established that housing cost should constitute 30 percent or less of household income. These data indicate that given Portland's average rents, households with incomes at 80 or 60 percent of median income could afford market rate rents. Therefore, the income threshold for housing assistance should be lower than 60 percent of median income.

In summary, to reduce the incidence of homelessness, urban housing affordability policies need to target assistance to persons with incomes below the 80 or 60 percent median income thresholds. For example, in Portland, Oregon the

⁴⁴ Floum, Jessica, City OKs Tax Breaks for Projects, *The Oregonian*, April, 28, 1017, pA6.

⁴⁵ Eastman, Janet, Portland Rents are Holding Steady with Two Bedroom Units at \$1,337 a Month, *The Oregonian*, posted Nov., 17, 2019, Retrieved at www.oregonlive.com on 11-17-2020.

⁴⁶ Department of Numbers, Real Median Household Income, Portland. Median Household Income, Retrieved at www.departofnumbers.com.

target group should be persons with incomes below 40 percent of the area's median income. This policy change would create affordable housing that could be accessed by homeless persons with minimum wage jobs and significantly reduce the number of homeless persons.

SUMMARY

The Agenda for Building Responsible Policies to Address Homelessness needs to include four policy components.

First, federal funding of Section 8 tenant-based housing assistance needs to be doubled to restore adequate federal funding of low-income housing assistance.

Second, effective services addressing the behavioral challenges of homeless persons need to be in place and sustainable in local urban jurisdictions.

Third, policies that significantly increase incomes for homeless and low-income persons need to be implemented and sustained.

Finally, local urban governments need to focus affordable housing policies on housing that is affordable to minimum wage and low-income workers.

If implemented, this policy agenda will build an urban environment that will be responsible to persons in need of housing assistance and address the homeless problem that has emerged and increased during the past 40 years.