McKinsey&Company

King County and Seattle Homelessness - Some Facts

Final report | December 15, 2017

Executive summary

- Homelessness continues to be a growing problem in King County and Seattle
  - **~12K** people experiencing homelessness at a point in time growing at **9%** annually
  - **~18-22K**[1] households access the CRS each year growing at **11%** annually

- The CRS has improved, but cannot meet inflow demand owing to a **shortage of affordable housing** options
  - There is a current **gap of 10-14K**[2] **housing options** in Seattle and King County

- While funding has grown at **2.4%** per annum, it has not kept up with growth in aggregate homelessness. To house all households entered in HMIS would take **$360-410M**[3] per annum or about **double today's funding**

- The housing options, driven primarily by rental subsidies, and associated estimated costs presented in this analysis represents one possible solution. Alternative solutions should be explored including **improved governance and accountability** for reducing inflows, ensuring stakeholder buy-in and ensuring efficiency and effectiveness of the CRS

1 HMIS data of 21.7K households experiencing homelessness is best available data as suggested by King County. We have used a range of 18.5-21.7K given potential for duplication in the HMIS and CEA systems and those households not meeting the King County definition of homelessness (e.g., doubled-up households)
2 Using the range of 18.5-21.7k homeless households produces a range of 10-14k gap in housing options
3 Using the range of 18.5-21.7k homeless households produces a range of $360-410M in housing costs.
NOTE: 2017 HMIS entries and exits are full-year estimates based on 3 quarters of data

Context and approach

Context

- This report evaluates the **current state of the Crisis Response System** and **status of the 2016 report recommendations** from Barb Poppe and Focus Strategies

- The work examined homelessness **within the context of the broader Affordable Housing landscape** in King County

- The scope included **quantifying the cost to house the current population of households experiencing homelessness** (as of 2017) emphasizing near-term, cost-effective solutions

Approach & resources

Interviews, Meetings and Trainings

Local and National Reports

Data sources

Syndication

Contents

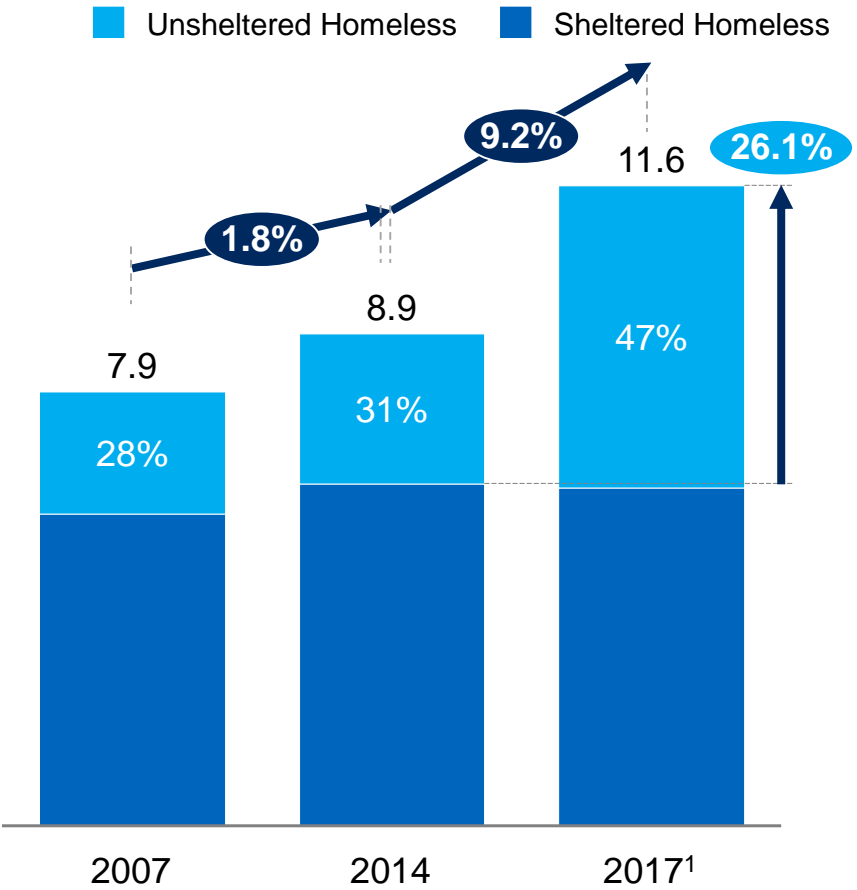Size and drivers of homelessness in King County
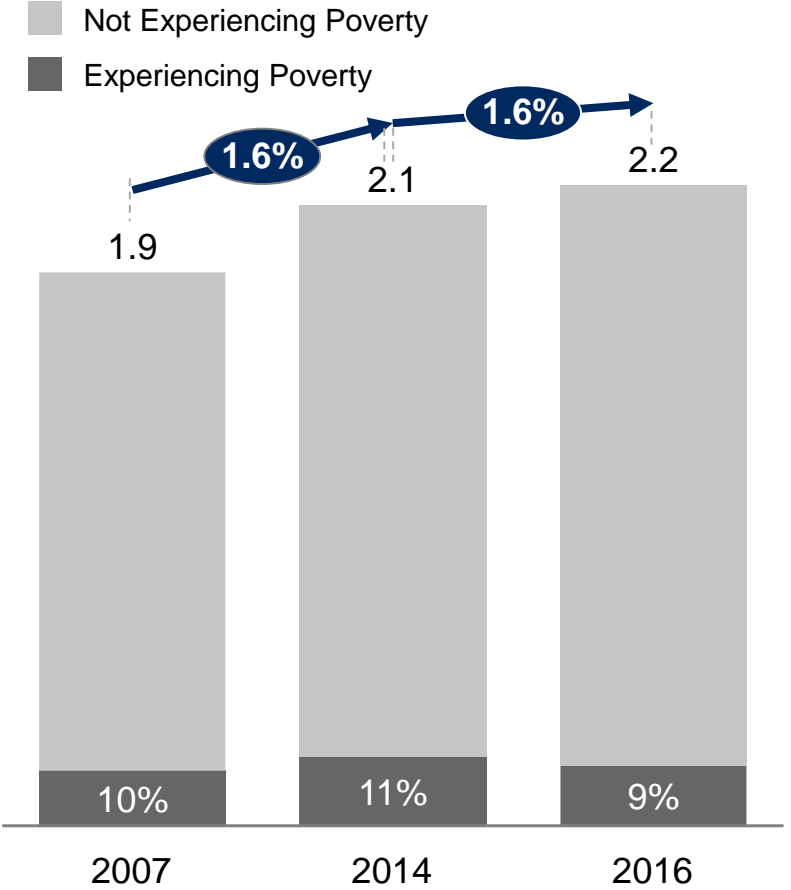
System performance and challenges

Toward a solution

In the last three years, homelessness in King County has increased significantly faster (9.2% per year) than the overall population (1.6% per yr)

CAGR

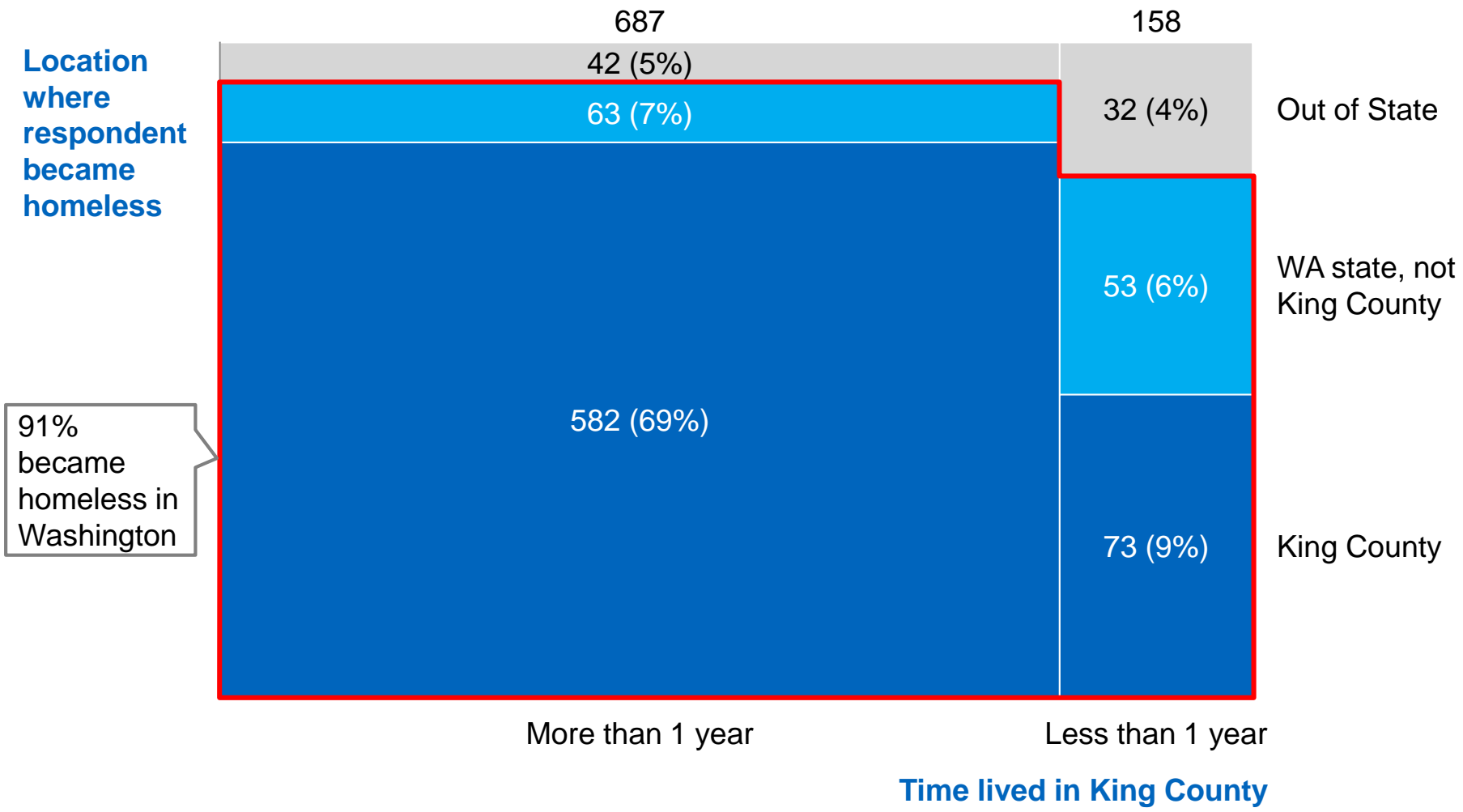## King County homeless population at a given point in time, Individuals counted in PIT, Thousands

Unsheltered Homeless   Sheltered Homeless

7.9
28%

8.9
31%

11.6
47%

1.8%
9.2%
26.1%

2007   2014   2017[1]

King County population
Individuals, Millions

Not Experiencing Poverty

Experiencing Poverty

1.9
10%

2.1
11%

2.2
9%

1.6%
1.6%

2007   2014   2016

1 PIT count methodology updated in 2017; 2 Latest available population estimates from Census

SOURCE: PIT Counts reported to HUD (2006-2017); King County PIT Count 2017 administered by All Home; Population data from US Census
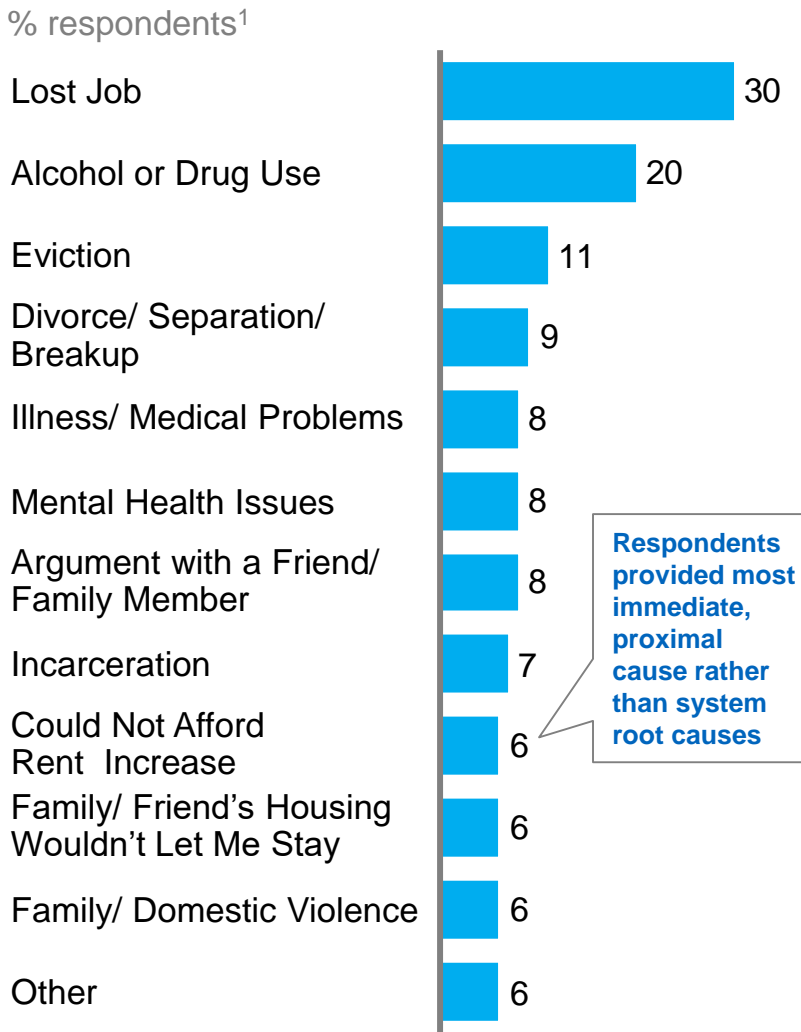
5

69% of respondents in the 2017 Point in Time Count Survey became homeless in King County and have lived here for more than one year

Location where respondent became homeless

687

42 (5%)

63 (7%)

582 (69%)

158

32 (4%)   Out of State

53 (6%)   WA state, not King County

73 (9%)   King County

91% became homeless in Washington

More than 1 year   Less than 1 year

Time lived in King County

Several factors linked are to homelessness and may vary by sub-population

Self-reported cause of homelessness

% respondents[1]

Cause	%
Lost Job	30
Alcohol or Drug Use	20
Eviction	11
Divorce/ Separation/ Breakup	9
Illness/ Medical Problems	8
Mental Health Issues	8
Argument with a Friend/ Family Member	8
Incarceration	7
Could Not Afford Rent Increase	6
Family/ Friend's Housing Wouldn't Let Me Stay	6
Family/ Domestic Violence	6
Other	6

Respondents provided most immediate, proximal cause rather than system root causes

Common Risk Characteristics and populations impacted

Common risk characteristics[1]	Populations most affected			
	Adults	Families	Veterans	YYA
Less access to housing	✓	✓	✓	✓
Poor social networks	✓	✓	✓	✓
Exposure to domestic violence, abuse	✓	✓		✓
Behavioral or mental health issues	✓		✓	
Previous incarceration in the justice system	✓			✓
Repeated or extended deployments			✓	
Self-identify as LGBTQ				✓
Experience with insti-tutional or foster care				✓

1 Respondents could select more than one option; does not include options that received less than 6% total responses (e.g., Exiting foster care). Full detail in Appendix

Racial inequities are also present in rates of homelessness

Percent of population by race

Rate difference in general and homeless population	
Native Hawaiian or Pacific Islander	**2x**
American Indian or Alaskan Native	**6x**
Other	**-**
Multiple Races	**3x**
Black or African-American	**5x**
Asian	**0.1x**
White	**0.7x**

General Population
- 1%
- 1%
- 4%
- 6%
- 6%
- 16%
- 66%

Experiencing Homelessness
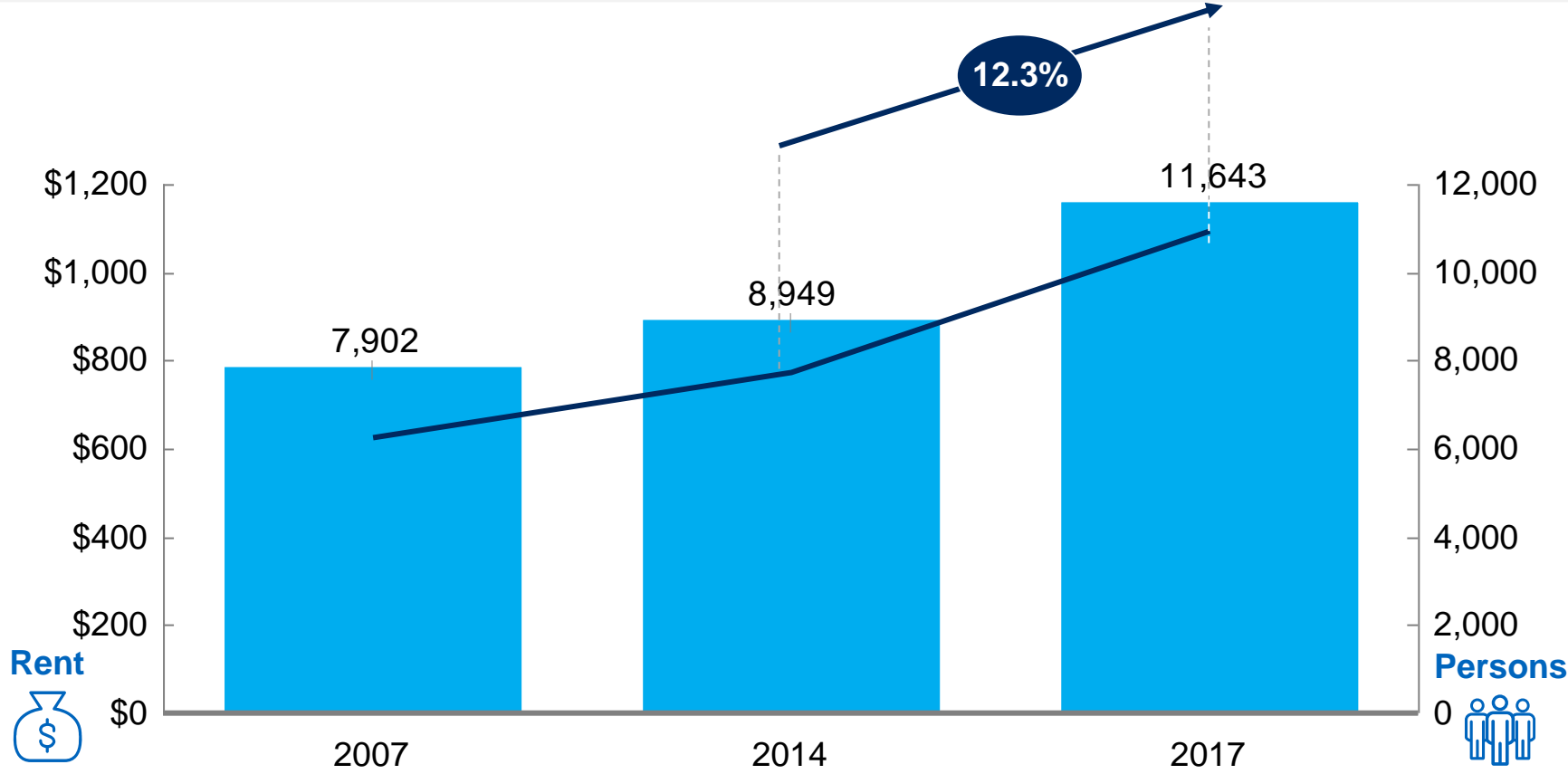- 2%
- 6%
- 0%
- 15%
- 29%
- 2%
- 45%
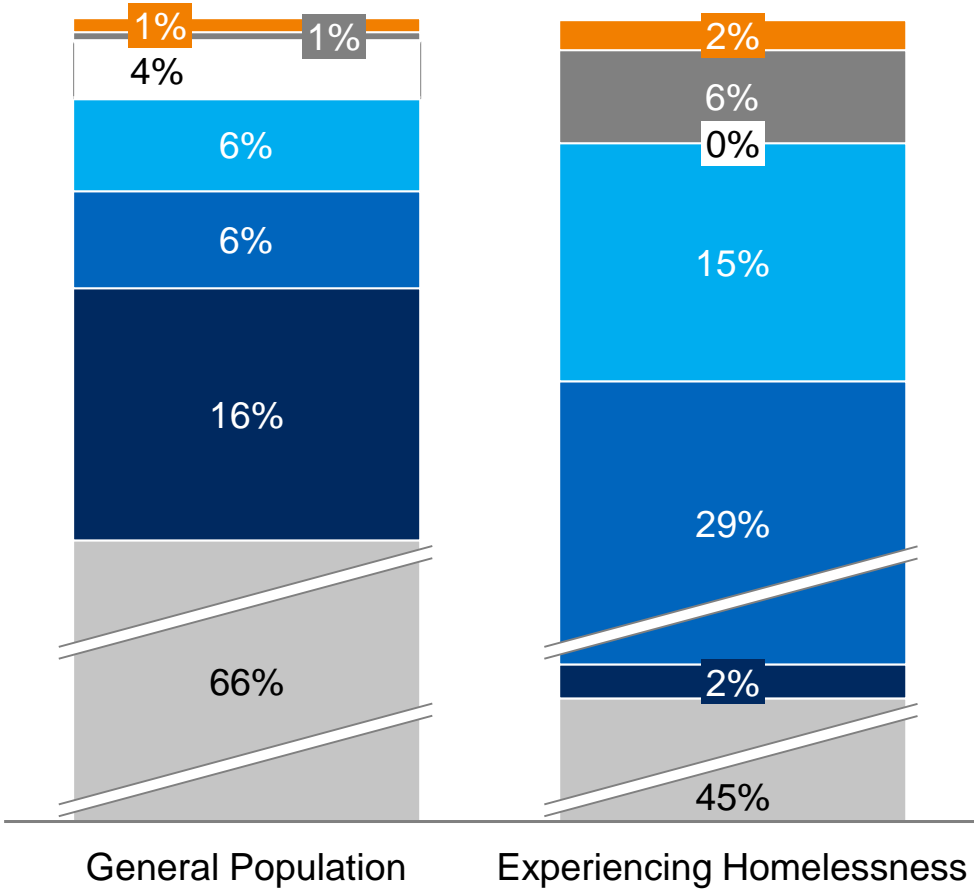
Even controlling for poverty, racial disparities still exist

Yet, the strongest correlation with homelessness is the increase in King County rents over the same period of time, leading to an affordability crisis
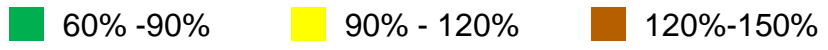
King County Homeless Population and King County Fair Market Rent for Studio Unit
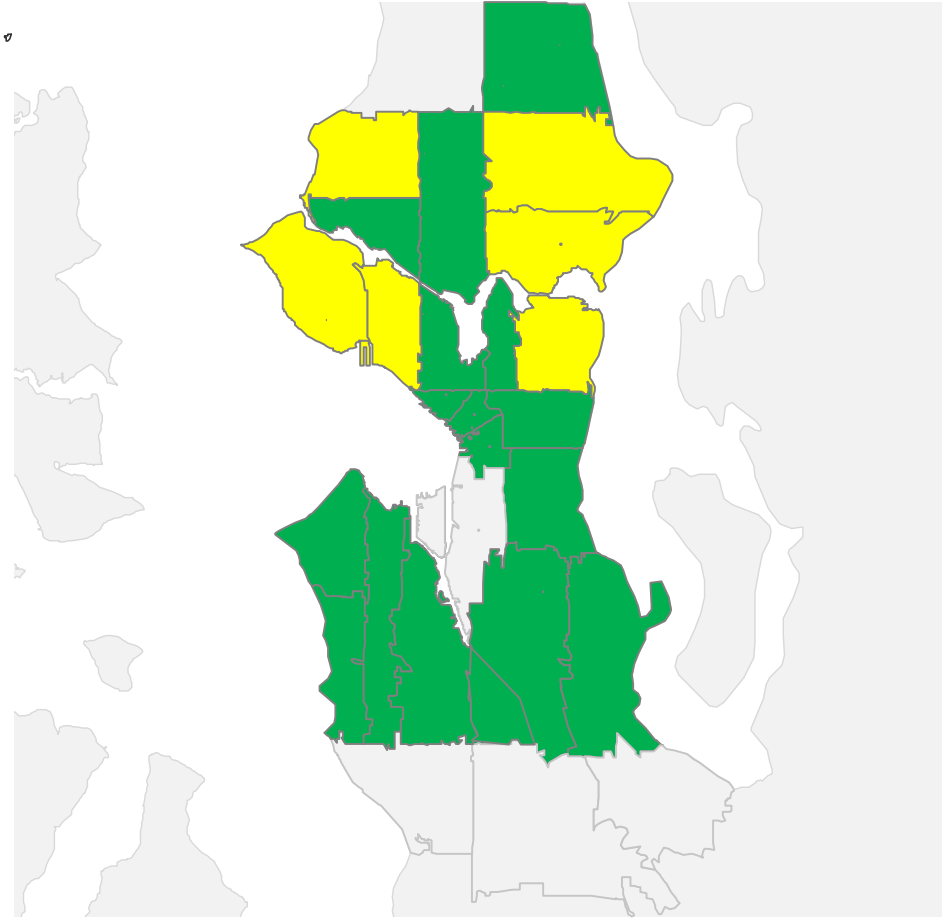Individuals counted in PIT, Thousands; Unit rents in USD

Legend: ■ PIT Count — FMR ● CAGR

12.3%

Rent / Persons chart:
- 2007: 7,902
- 2014: 8,949
- 2017: 11,643

Historically, Seattle's median rent was affordable to households at 90-120% AMI
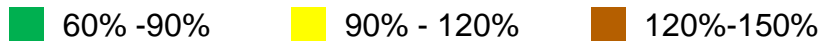
| | 60% -90% | | 90% - 120% | | 120%-150% |

Percent of Area Median Income needed to afford median rent[1] by zip code December 2011

AMI[2]: $86,800

1 As measured by Zillow Rent Index, see appendix for details; data from zip code 98134 in the Industrial District has been suppressed due to too few residential rentals
2 AMI shown here is for a household size of 4, and reported as an annual figure. HUD Considers rent to be affordable if it consumes 30% or less of a household's income.

Historically, Seattle's median rent was affordable to households at 90-120% AMI

🟩 60% -90%   🟨 90% - 120%   🟫 120%-150%

Percent of Area Median Income needed to afford median rent[1] by zip code December 2014

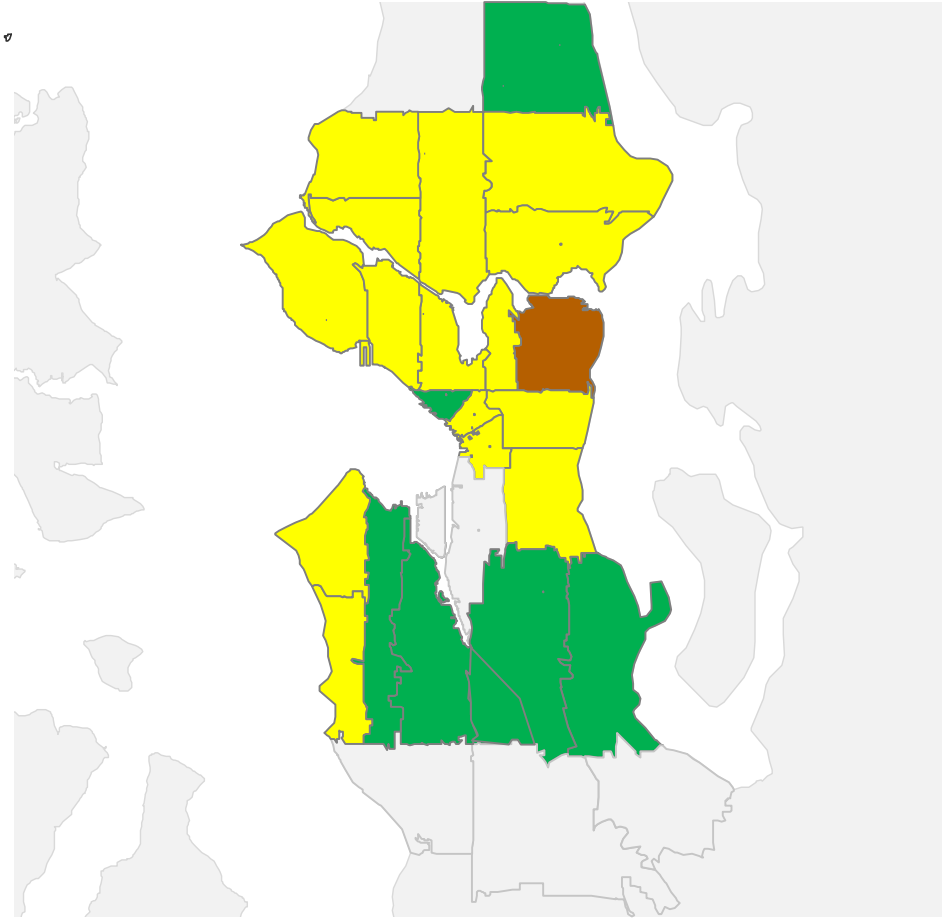**AMI[2]: $88,200**

1 As measured by Zillow Rent Index, see appendix for details; data from zip code 98134 in the Industrial District has been suppressed due to too few residential rentals
2 AMI shown here is for a household size of 4, and reported as an annual figure. HUD Considers rent to be affordable if it consumes 30% or less of a household's income.

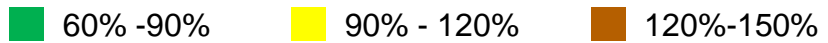# Historically, Seattle's median rent was affordable to households at 90-120% AMI

■ 60% -90%   ■ 90% - 120%   ■ 120%-150%

Percent of Area Median Income needed to afford median rent[1] by zip code December 2017

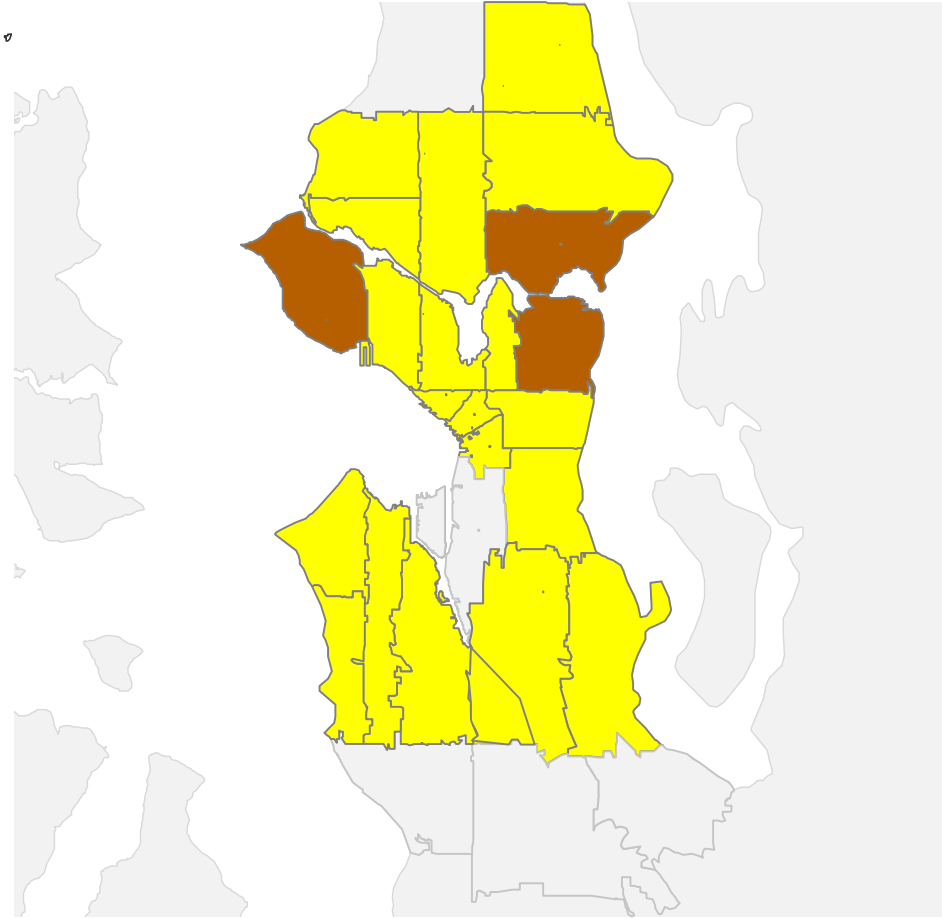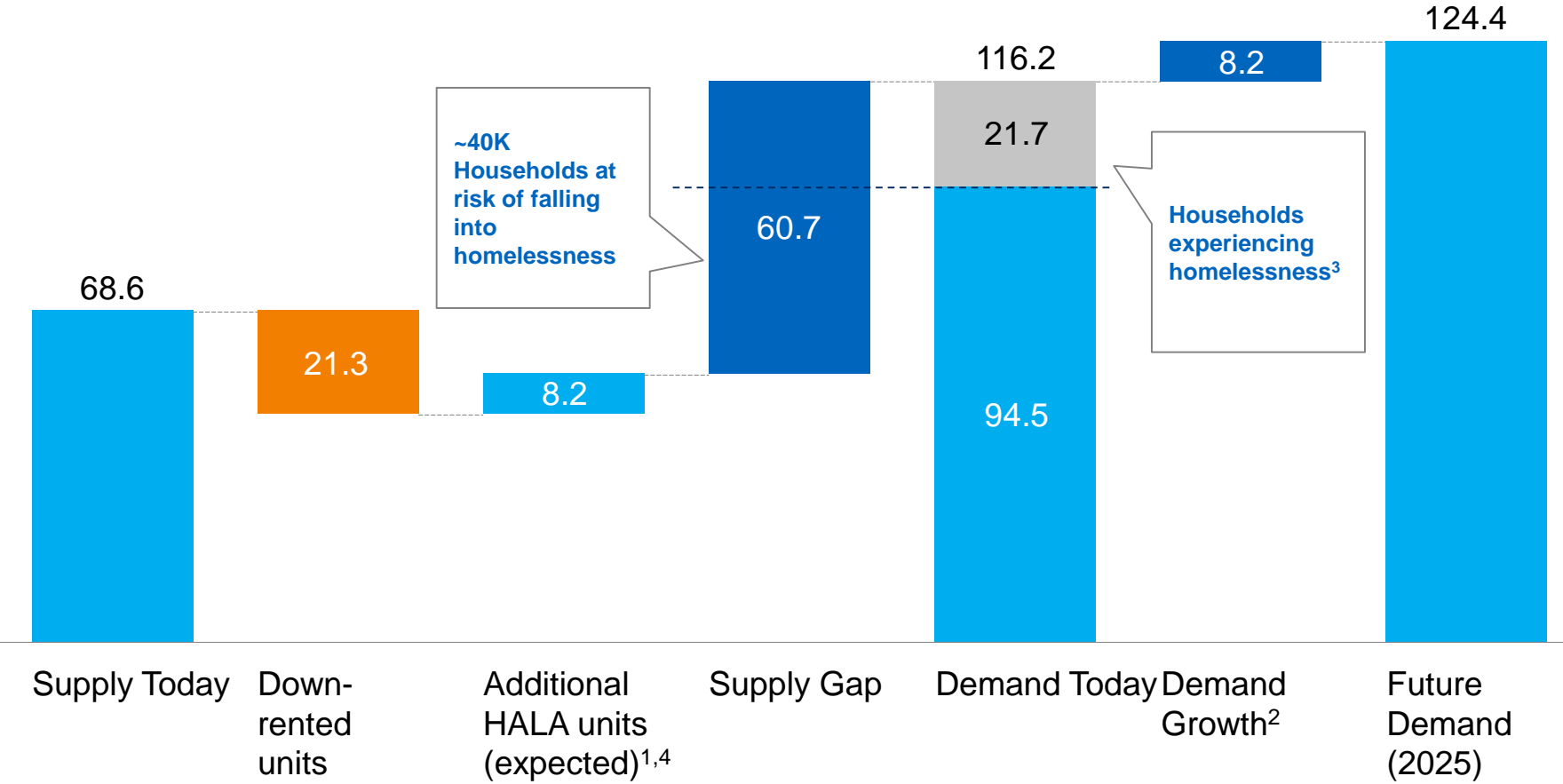**AMI[2]: $96,000**

1 As measured by Zillow Rent Index, see appendix for details; data from zip code 98134 in the Industrial District has been suppressed due to too few residential rentals
2 AMI shown here is for a household size of 4, and reported as an annual figure. HUD Considers rent to be affordable if it consumes 30% or less of a household's income.

Unit growth in King County will not meet demand for 0-50% AMI households

Total Supply of Affordable rental units for 0-50% AMI households in King County

Thousands of Units

~40K Households at risk of falling into homelessness

Households experiencing homelessness[3]

Supply Today	Down-rented units	Additional HALA units (expected)[1,4]	Supply Gap	Demand Today	Demand Growth[2]	Future Demand (2025)
68.6	21.3	8.2	60.7	94.5 / 116.2 (21.7)	8.2	124.4

1 Includes 4%, 9% Low Income Housing Tax Credits, Preservation, and SEDU / Congregates; excludes any HALA expected units above 50% AMI
2 Assumes 1% population increase year over year per King County predictions and constant percentage of renters to owners
3 Assumes that all households experiencing homelessness are part of the 0-50% AMI tier
4 Additional affordable units may become available through other housing initiatives outside of HALA in greater King County
NOTE: 2017 HMIS entries and exits are full-year estimates based on 3 quarters of data
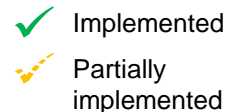SOURCE: King County Comprehensive Plan, Housing Appendix; HALA report; HALA Gap Analysis (6000-9000-5000) Final; Team analysis

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Size and drivers of homelessness in King County

System performance and challenges

Toward a solution

The Crisis Response System has implemented 5/10 recommended improvements with the rest in progress

✓ Implemented
✓ Partially implemented

Recommendation	Required type of system change		Status
	Policy	Operational	
General			
Create a distinct Crisis Response System	◼	☐	✓
Act with urgency and boldness (e.g., Align funders to adopt Focus Strategy recommendations; Implement Minimum Standards)	◼	☐	✓
Leadership, Funding, and Governance			
Establish action oriented Governance structure[1]	◼	☐	✓
Ensure data informed funding decisions	◼	☐	✓
Ensure adequate data analysis	◼	☐	✓
System Performance Improvement			
Use outreach and Coordinated Entry for All (CEA) to Target Unsheltered Persons	◼	◼	✓
Expand Shelter Diversion/More Effective Targeting of Prevention Resources	◼	◼	✓
Improve Effectiveness of Shelters in Exiting People to Permanent Housing	◼	◼	✓
Invest in More Effective Interventions: Expand Rapid Re-Housing and Eliminate Low Performing Projects	◼	☐	✓
More Strategic Use of Permanent Affordable Housing[2]	◼	◼	✓

1 While All Home has implemented structural changes including creation of subcommittees, reduction of providers on the coordinating board, and enforcement of conflict of interest policy, there may be further opportunities to improve action-orientation   2 Most action steps have been taken besides the delay of the Housing Resource Center

The Crisis Response System includes three separate government entities with many overlapped or redundant responsibilities

Role	Functions	City	County	All Home
Set policy and strategic direction	▪ Identify key metrics; set targets and minimum standards	✓	✓	✓
	▪ Craft new system elements (diversion, outreach team, housing navigators, etc)	✓	✓	✓
	▪ Establish program criteria (e.g. reducing barriers)	✓	✓	✓
	▪ Set rules for prioritizing clients and resources (e.g CEA policy, diversion eligibility)	✓	✓	✓
Manage supportive functions	▪ Provide training and facilitate gathering Provider input	✓	✓	✓
	▪ Manage data and infrastructure (HMIS and CEA)		✓	
	▪ Coordinate with other agencies (e.g. behavioral health, foster care)		✓	?
Allocate funding	▪ Manage contracts	✓	✓	
	▪ Track outcomes	✓	✓	
	▪ Re-allocate/ prioritize funding based on outcomes	✓	✓	✓

- All Home has **influence but not authority** and is therefore not fully empowered or accountable to drive change
- With decision making spread across multiple bodies, the system **lacks agility to quickly implement change**
- Critical tasks (e.g., CEA) require coordination between bodies hosted in different agencies **increasing complexity**

Multi-channel Crisis Response System funding makes coordination and rapid adjustment difficult

$ of funding (millions) % of total intervention funding	King County	City of Seattle	HUD CoC[1]	Total[2]
Emergency Services	3.8 (12%)	**26.0** **(85%)**	0.8 (3%)	30.6 (100%)
Transitional Housing	0.7 (11%)	**3.5** **(53%)**	2.4 (36%)	6.5 (100%)
Permanent Housing	**26.7** **(44%)**	8.9 (15%)	**25.6** **(42%)**	61.2 (100%)
Rapid ReHousing	3.8 (31%)	**5.5** **(44%)**	3.1 (25%)	12.4 (100%)
Prevention	**6.4** **(100%)**	0.0 (0%)	0.0 (0%)	6.4 (100%)
Other	2.1 (22%)	**3.8** **(39%)**	**3.8** **(39%)**	9.7 (100%)
Access & Supportive Services	0.0 (0%)	**12.0** **(100%)**	0.0 (0%)	12.0 (100%)
HEN (Housing & Essential Needs)	**9.8** **(100%)**	0.0 (0%)	0.0 (0%)	9.8 (100%)
Coordinated Entry[2]	**1.6** **(69%)**	0.7 (31%)	0.0 (0%)	2.3 (100%)
Total reported through funding entities[3]	**54.9** **(36%)**	**60.3** **(40%)**	**35.7** **(24%)**	**150.9** **(100%)**
Other (i.e., remaining federal and philanthropy)		44.7		195.6

Majority investor

> **Multiple funding sources may create duplicative proposals and reporting for providers and duplicative RFP processes for funders**

1 2017 HUD McKinney Continuum of Care Final Priority Order; Prioritized by All Home, administered by City and County; does not include CoC funds that go directly to Seattle and King County
2 Includes funding for Regional Access Points and Housing Navigators
3 Does not include additional Federal Funding issued outside of the CoC such as Housing Authority dollars; does not include private funding sources; King County and City of Seattle budgets include federal and state pass through funds.

SOURCE: Source 2017 King County Budget, 2017 City of Seattle Budget, 2017 HUD McKinney Continuum of Care Final Priority Order

And its performance has improved significantly -- with a 35% increase since 2016 following report recommendations

Annual growth of exits from homelessness

Total exits to permanent stable housing, 2014-17

Households, Thousands
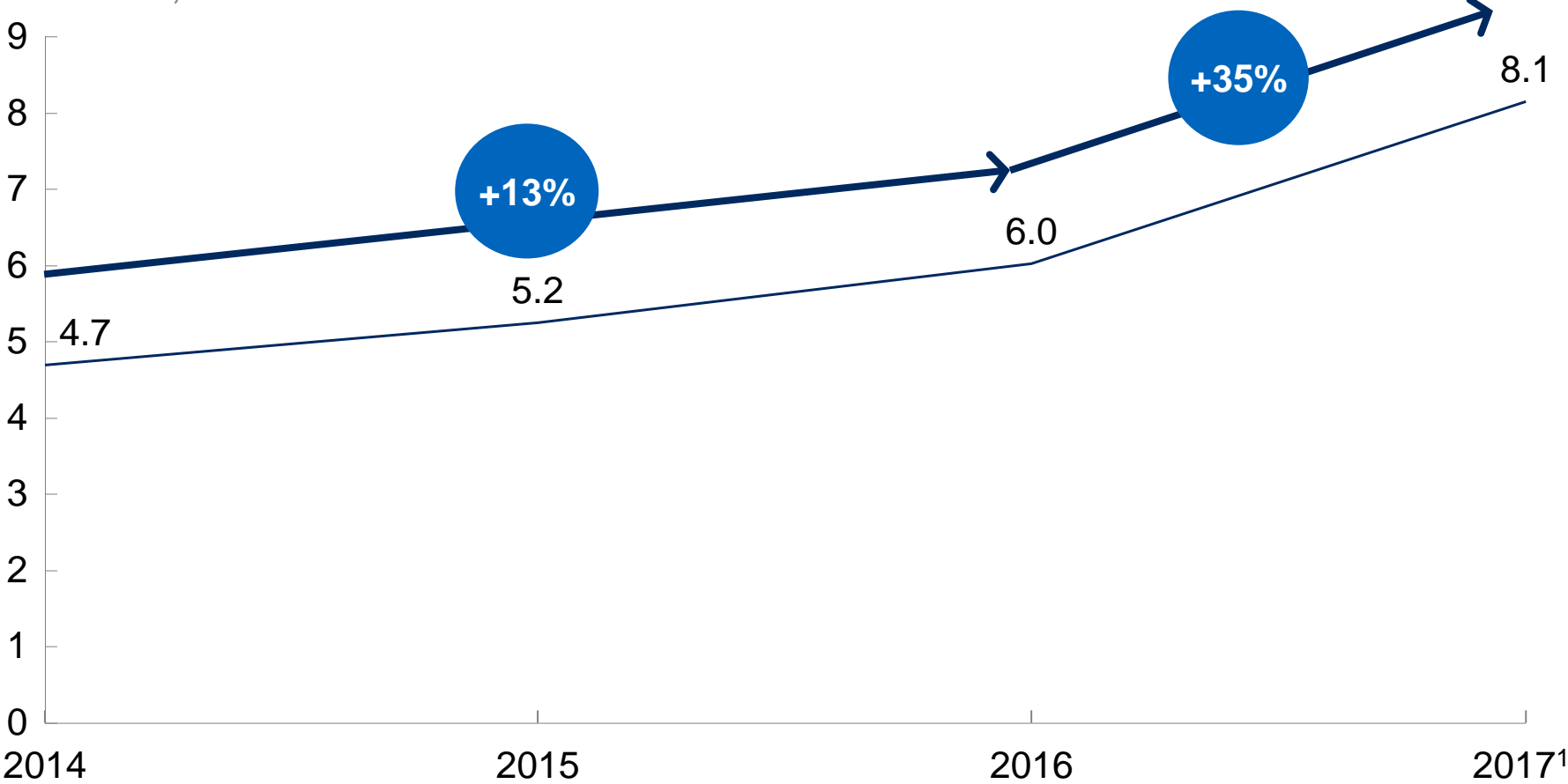
+13%

+35%

4.7

5.2

6.0

8.1

2014   2015   2016   2017[1]

…however the gap of ~10-14K housing options to meet today's demand may constrain a continued growth in exits

■ High service needs   ■ Low service needs

Comparison of housing demand and outflow capacity

Households needing affordable units annually, housing options (thousands) annually

19-22[4,2]

Lower service needs (do not require PSH)

15-17

High service needs (require PSH)[1]

~4

8

8

<0.5

~10-14K

Gap in permanent affordable housing[3]

Households experiencing homelessness[1]

Affordable, available, and/or subsidized housing options[2]
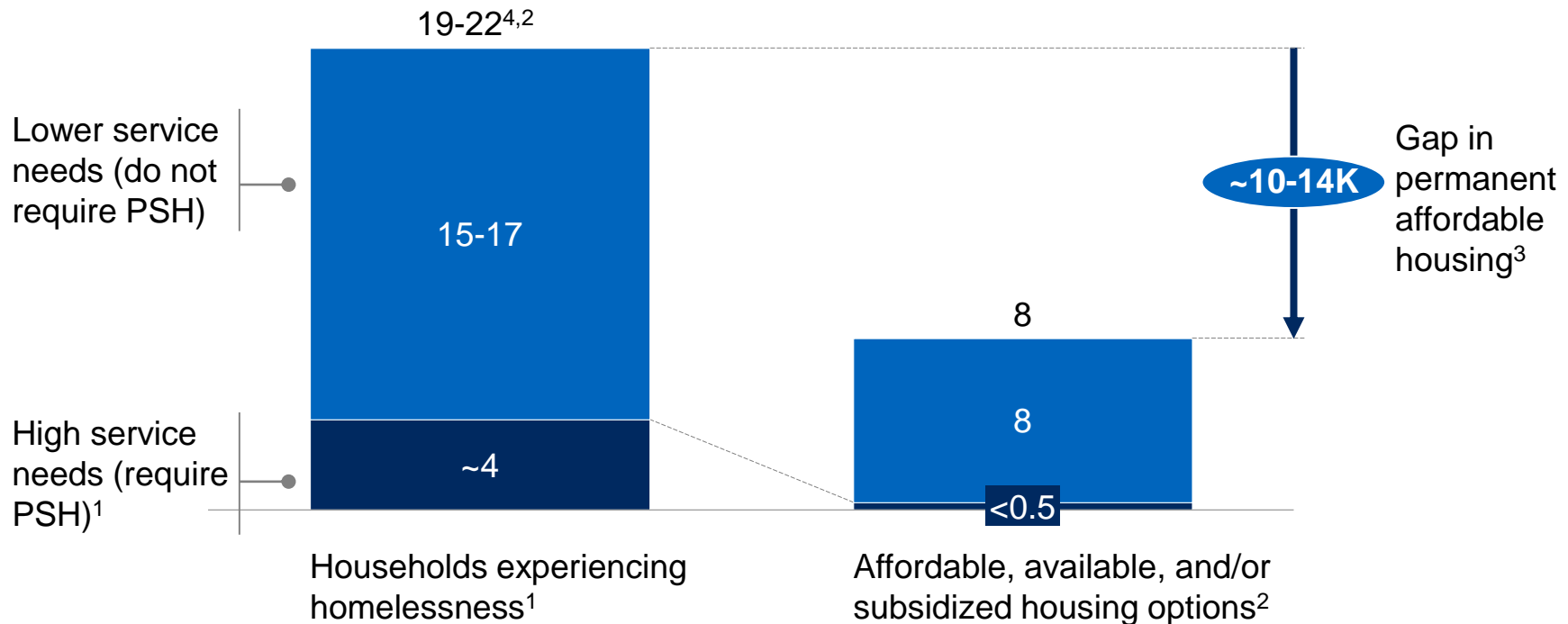
1 4224 Chronically homeless households as reported by King County based on CEA data; 2 Assumes that homeless persons seeking spots/units for very low-income housing (0-50% AMI) secure those units with equal likelihood as other low-income households; assumes no overlap between subsidies and units at the 0-50% AMI level; assumes upper bound of confidence interval on "Other Affordable"; thus, this is conservative estimate and value is likely lower; 3 For those households not able to secure an affordable, available, and/or subsidized unit, additional options include doubling up or securing an unaffordable unit, 4 HMIS data of 21.7K households experiencing homelessness is best available data as suggested by King County. We have used a 15% range of 18.5-21.7K given potential for duplication in the HMIS and CEA systems and those households not meeting the King County definition of homelessness (e.g., doubled-up households)

2 Note figures don't add due to rounding

NOTE: 2017 HMIS entries and exits are full-year estimates based on 3 quarters of data

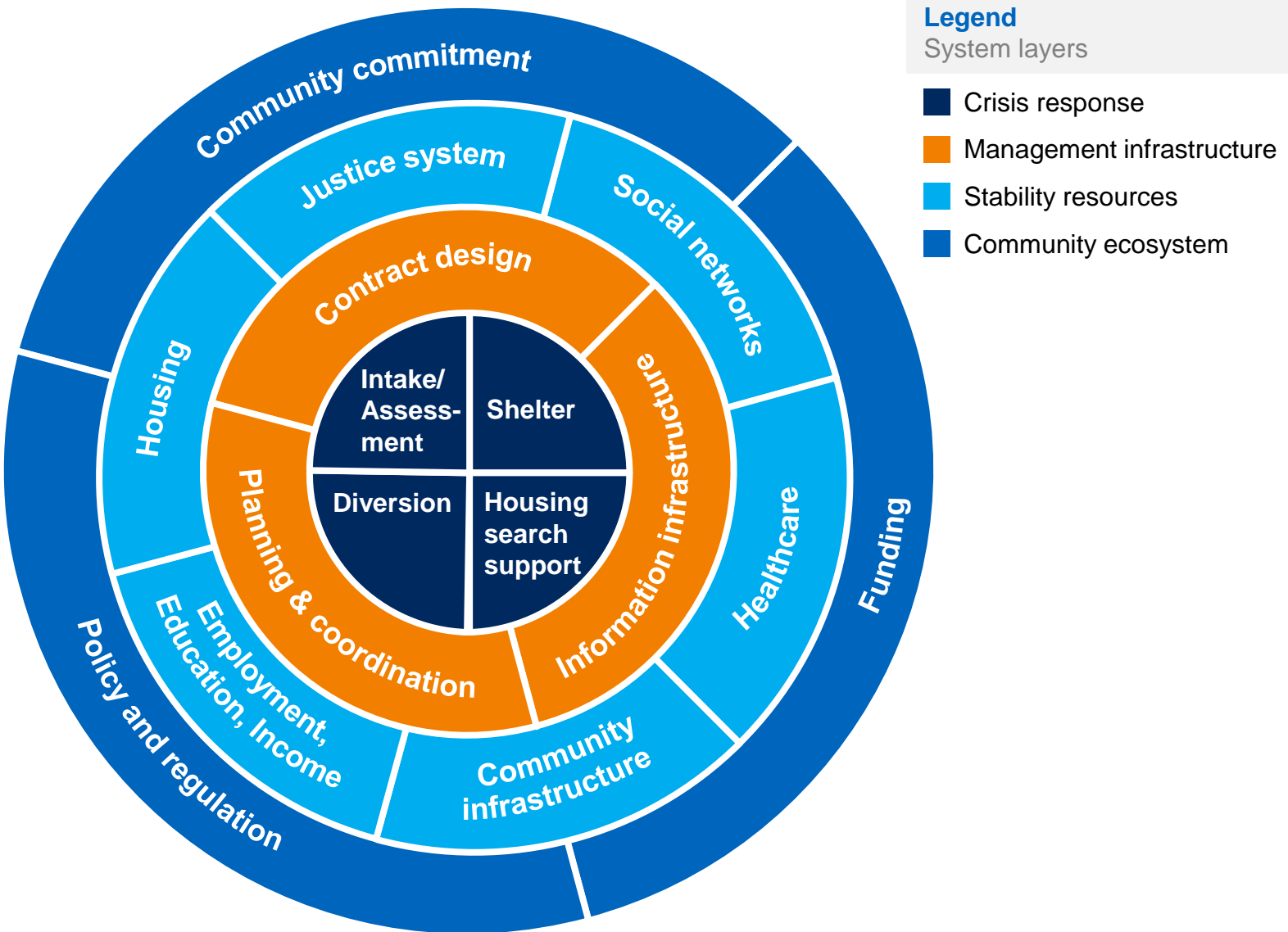SOURCE: King County; 2016 HUD Inventory Count; 2016 American Community Survey; Team Analysis

Contents

Size and drivers of homelessness in King County

System performance and challenges

Toward a solution

Investments in a portfolio of mutually reinforcing system elements are necessary to make homelessness rare, brief, and one-time

Legend
System layers

- Crisis response
- Management infrastructure
- Stability resources
- Community ecosystem

Community commitment

Justice system

Social networks

Housing

Contract design

Information infrastructure

Intake/Assessment

Shelter

Diversion

Housing search support

Planning & coordination

Healthcare

Funding

Policy and regulation

Employment, Education, Income

Community infrastructure

Funding for the Crisis Response System has not kept pace with the growth in households experiencing homelessness

Growth in Households entered in HMIS
Households, Thousands
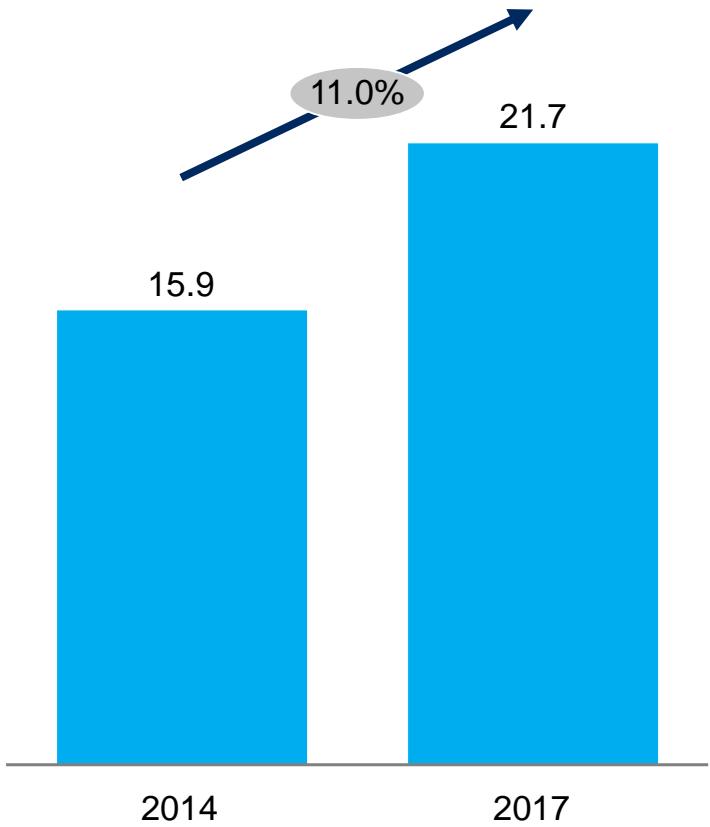
Growth in reported funding
$, Millions

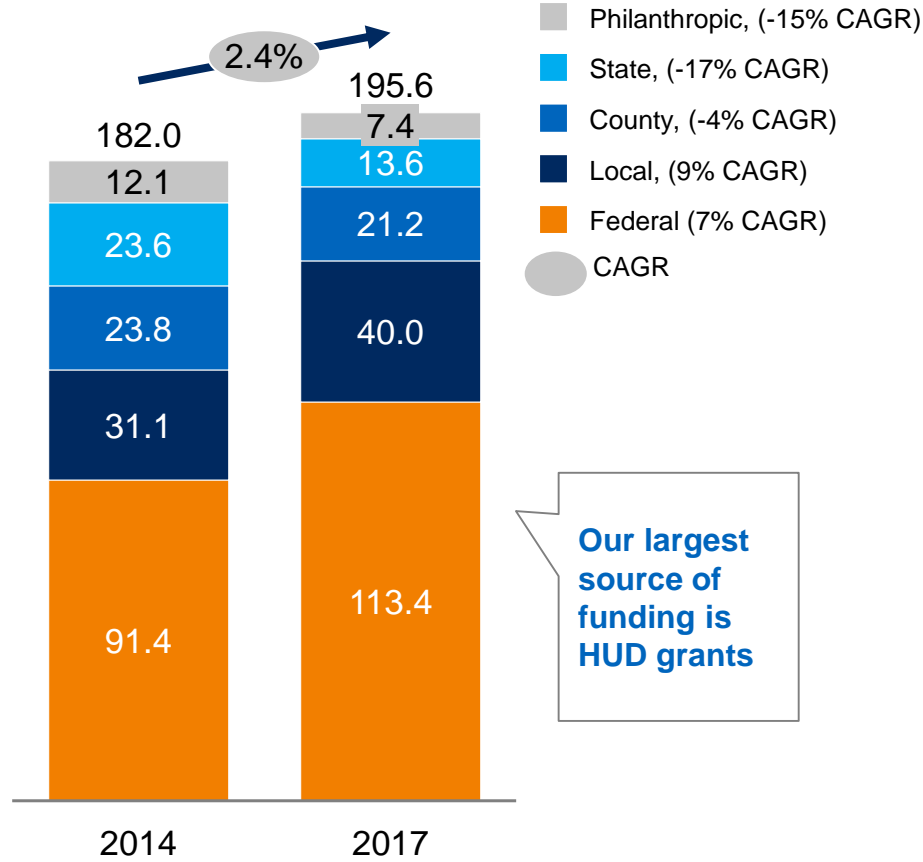Legend:
- Philanthropic, (-15% CAGR)
- State, (-17% CAGR)
- County, (-4% CAGR)
- Local, (9% CAGR)
- Federal (7% CAGR)
- CAGR

Growth in Households entered in HMIS:
- 2014: 15.9
- 2017: 21.7
- 11.0%

Growth in reported funding:
- 2.4%
- 2014 total: 182.0
  - Philanthropic: 12.1
  - State: 23.6
  - County: 23.8
  - Local: 31.1
  - Federal: 91.4
- 2017 total: 195.6
  - Philanthropic: 7.4
  - State: 13.6
  - County: 21.2
  - Local: 40.0
  - Federal: 113.4
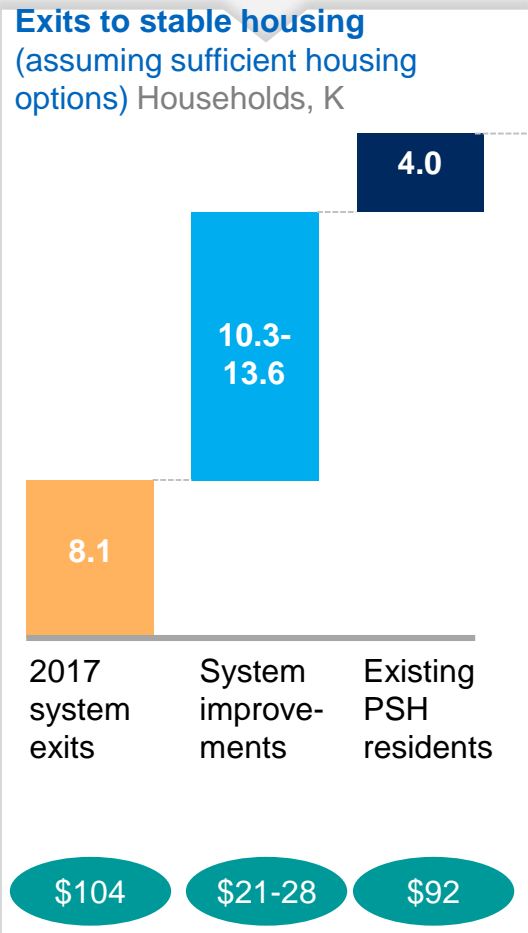
Our largest source of funding is HUD grants

NOTE: 2017 HMIS entries and exits are full-year estimates based on 3 quarters of data
SOURCE: King County Inflow Data (2014-2017), 2015 All Home Strategic Plan, 2017 Seattle Times Funding Analysis
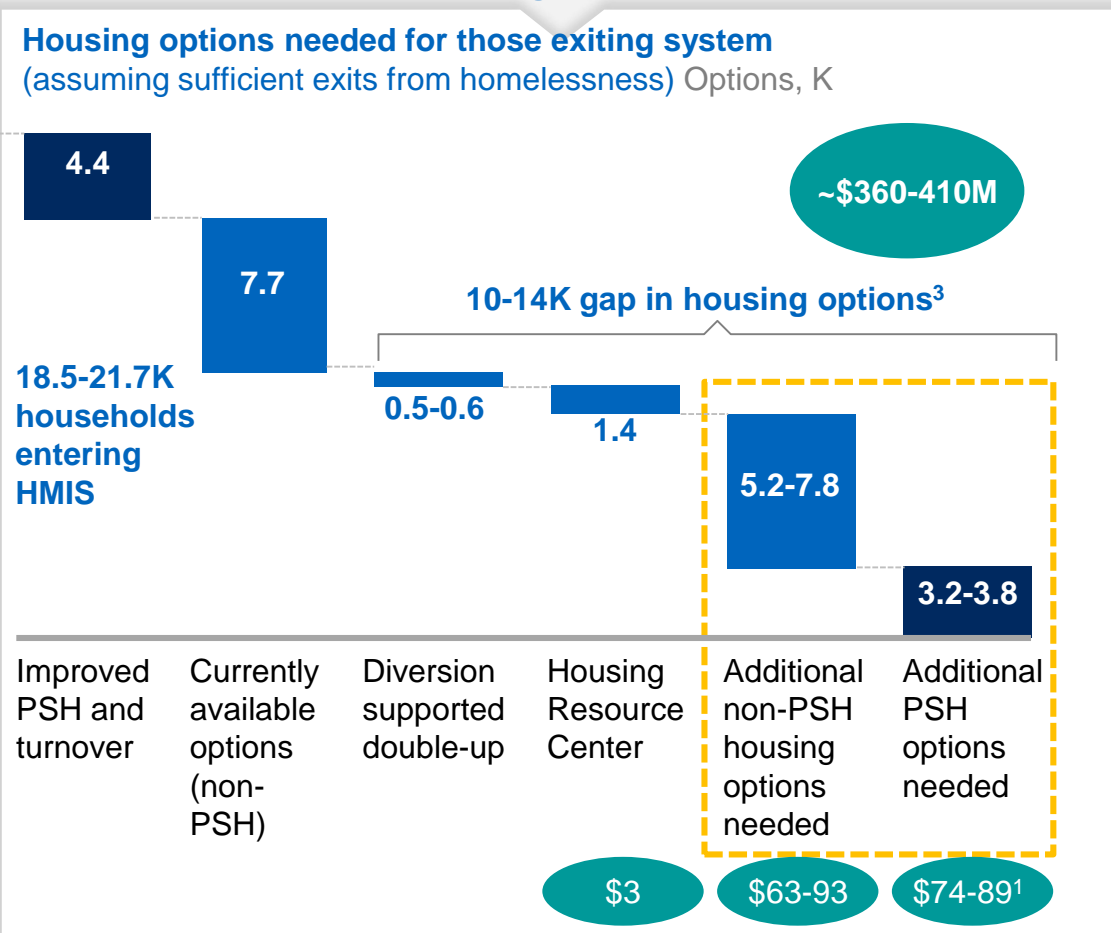
A combination of strategies are needed to ensure adequate access to housing within King County

Legend: ■ Existing exits ■ Incremental exits ■ High-service needs/PSH ■ Not high-service needs $ Costs (millions) ⬜ Remaining unit gap
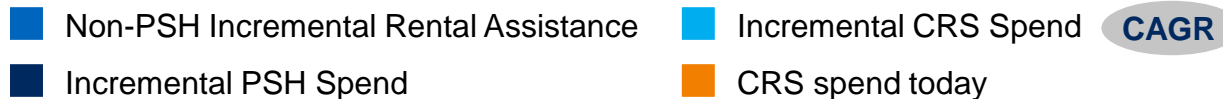
Exit homelessness…. ... into permanent housing

Exits to stable housing (assuming sufficient housing options) Households, K

2017 system exits	System improvements	Existing PSH residents	2017 Households[2]
8.1	10.3-13.6	4.0	4.0 / 3.6-4.2 / 14.9-17.2

Costs: $104 | $21-28 | $92

Housing options needed for those exiting system (assuming sufficient exits from homelessness) Options, K

~$360-410M

18.5-21.7K households entering HMIS

10-14K gap in housing options[3]

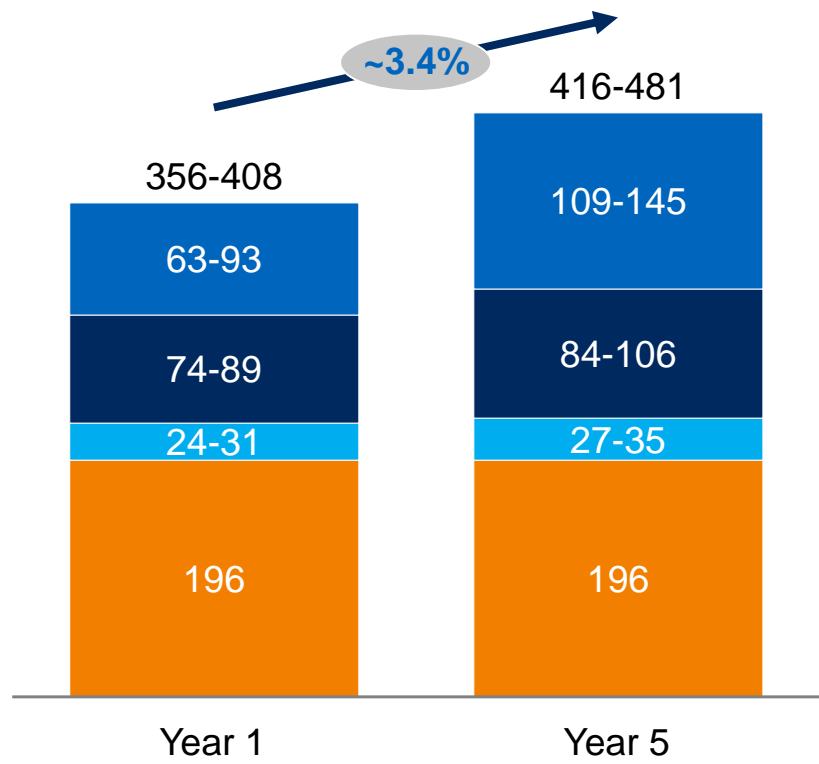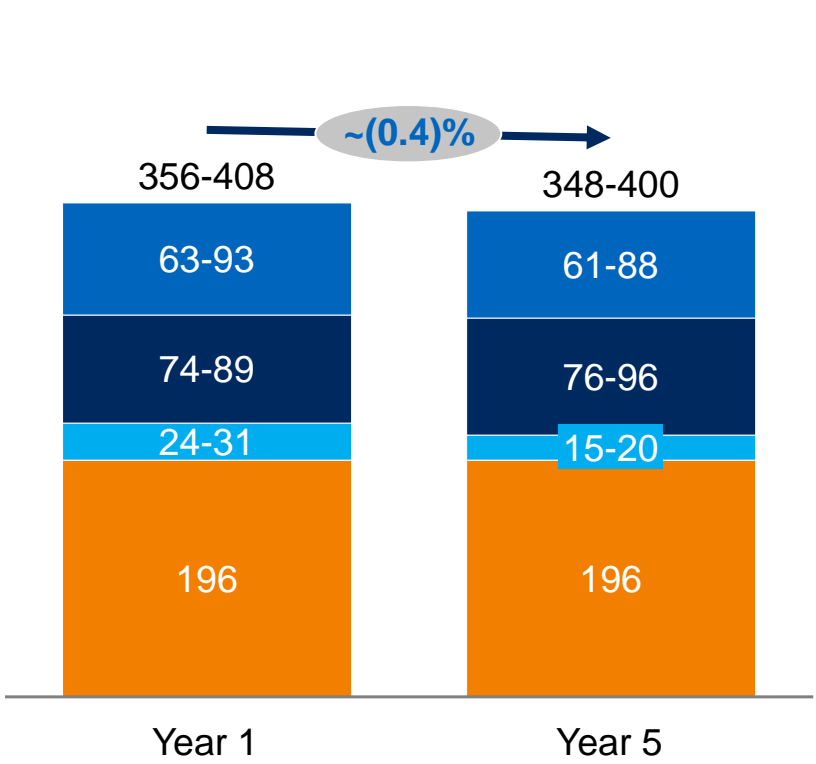| Improved PSH and turnover	Currently available options (non-PSH)	Diversion supported double-up	Housing Resource Center	Additional non-PSH housing options needed	Additional PSH options needed
4.4	7.7	0.5-0.6	1.4	5.2-7.8	3.2-3.8

Costs: $3 | $63-93 | $74-89[1]

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1 Calculated based on scattered-site PSH costs ($23,270/HH inclusive of rent assistance and services and admin) , however a mixed model of scattered-site and dedicated PSH units would be optimal and may be higher cost

2 HMIS data of 21.7K households experiencing homelessness is best available data as suggested by King County. We have used a 15% range of 18.5-21.7K given potential for duplication in the HMIS and CEA systems and those households not meeting the King County definition of homelessness (e.g., doubled-up households)

3 The housing options and associated estimated costs presented here represents one possible solution. Alternative solutions should be explored (e.g., building housing)

NOTE: 2017 HMIS entries and exits are full-year estimates based on 3 quarters of data

SOURCE: All Home Quarterly Dashboard, 2017 Point in Time Count, King County PSH scattered-site data (1/18); All Home Inflow estimates, McKinsey team Analysis

Reducing inflow rates into homelessness is critical to stemming cost growth

Legend:
- Non-PSH Incremental Rental Assistance
- Incremental PSH Spend
- Incremental CRS Spend
- CRS spend today
- CAGR

Cost Trajectory for Tiered Rental Subsidies[1,2] assuming no inflow growth, $, M

~(0.4)%

Year 1: 356-408
- 63-93
- 74-89
- 24-31
- 196

Year 5: 348-400
- 61-88
- 76-96
- 15-20
- 196

Cost Trajectory for Tiered Rental Subsidies[1,2] assuming 9% inflow growth, $, M

~3.4%

Year 1: 356-408
- 63-93
- 74-89
- 24-31
- 196

Year 5: 416-481
- 109-145
- 84-106
- 27-35
- 196

1 Assumes no cost change over time
2 Cost data presented assuming an 18.5- 21.7K households entering homelessness in 2017.
NOTE: 2017 HMIS entries and exits are full-year estimates based on 3 quarters of data

Ours is not the only city facing a homelessness crisis – currently there are ~94,000 people experiencing homelessness across major West Coast cities

Alameda County - Oakland

Total Homeless: 5,629
Per square mile: 8
Per capita[4] 34.2
% Unsheltered: 69%
UHY: 991
Homeless Veterans: 531

San Francisco County

Total Homeless: 6,858
Per square mile: 146
Per capita: 78.7
% Unsheltered: 63%
UHY: 1274
Homeless Veterans: 684

San Mateo County

Total Homeless: 1,253[2]
Per square mile: 14
Per capita: 54.4
% Unsheltered: 51%
UHY: 2,560
Homeless Veterans: 765

Santa Clara County - San Jose

Total Homeless: 7,943[3]
Per square mile: 6
Per capita: 38.5
% Unsheltered: 74%
UHY: 2,560
Homeless Veterans: 765
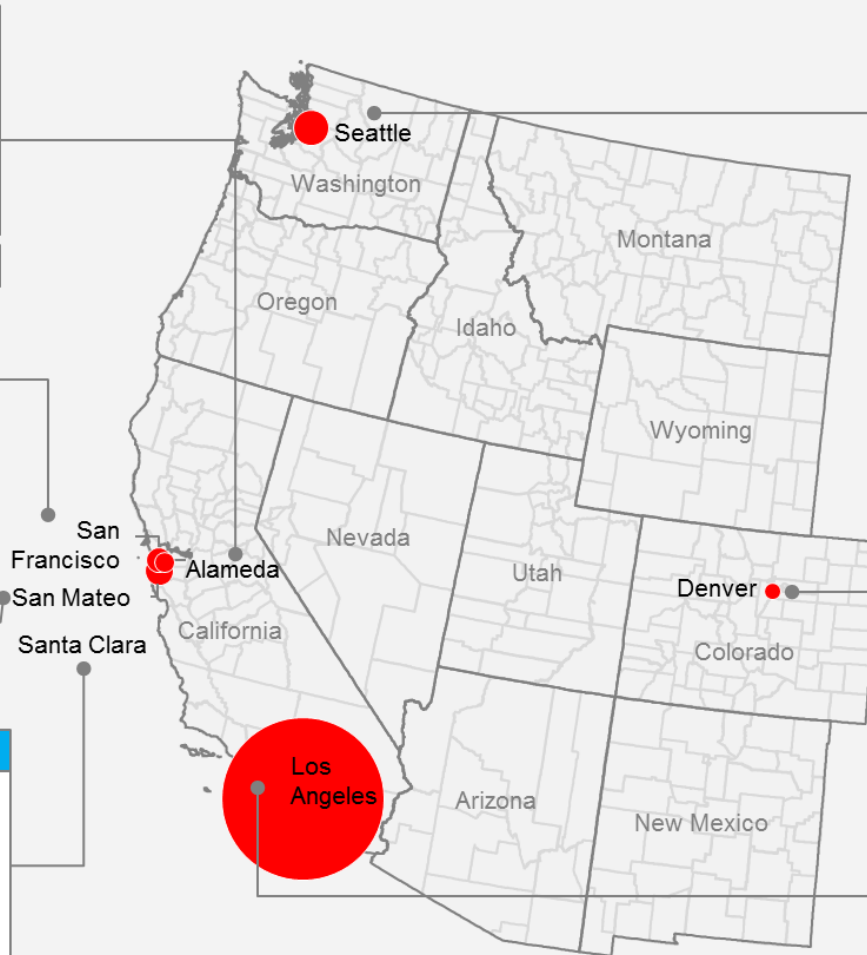
King County - Seattle

Total Homeless: 11,643
Per square mile: 6
Per capita: 54.2
Unsheltered: 47%
UHY: 1,498
Homeless Veterans: 1,329

Denver County

Total Homeless: 5,506
Per square mile: 36
Per capita: 79.4
% Unsheltered: 16%
UHY: 436
Homeless Veterans: 548

Los Angeles County

Total Homeless: 55,188
Per square mile: 14
Per capita: 54.4
% Unsheltered: 75%
UHY: 5,163
Homeless Veterans: 4,476

Seattle
Washington
Oregon
Montana
Idaho
Wyoming
Nevada
Utah
San Francisco
Alameda
San Mateo
Santa Clara
California
Los Angeles
Arizona
Colorado
Denver
New Mexico

1 UHY: Unaccompanied Homeless Youth; 2 San Mateo county is Daly/San Mateo County CoC, 3 Santa Clara is San Jose/Santa Clara City & County CoC, 4 Per capita homelessness is PIT count per 10,000 people given most recent population estimates