



King County

Veterans and Human Services Levy Veterans Housing Assessment Report

Combined responses to King County Motion 14743's request to assess the costs of providing housing for every King County veteran in need of housing and to 2017-2018 Budget Ordinance, Ordinance 18409, Section 66, Proviso P1's request to assess the potential use of rapid rehousing as a strategy to meet the needs of homeless veterans

King County Department of Community and Human Services

January 19, 2017

This report responds to two King County Council actions regarding housing for veterans:

Response to Motion 14743

The report responds to the Council’s request for a report:

to assess the costs of providing housing, including shelter where and when needed, for every King County veteran in need of housing or shelter, such that no veteran residing in King County who seeks housing or shelter, shall remain unhoused. Motion 14743, Section B.

Response to 2017-2018 Budget Ordinance, Ordinance 18409, Section 66, Proviso P1

The report also incorporates a response to the Council’s proviso requiring a report about the potential to use rapid rehousing as a strategy to meet the needs of homeless veterans.

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I. EXECUTIVE SUMMARY

Nearly 2,100 veterans are homeless in King County. This number, higher than many recent estimates, includes approximately 1,000 veterans who have been assessed into King County's recently instituted Coordinated Entry for All (CEA) system as well as additional self-identified veterans reported by day centers and shelters who have not yet been assessed for CEA. Ongoing efforts to consolidate multiple databases and unify reporting—made possible by essential partnerships with the U.S. Department of Veterans Affairs, Washington Department of Veterans Affairs and a team of community-based partners—now enable increased accuracy in determining how many homeless veterans reside in King County. Refined systems and partnerships also reveal that while 40 veterans are housed each month in King County, 106 newly homeless veterans enter the system, causing the number of homeless veterans to grow by 66 each month.

To inform consideration about how to meet this need, the Metropolitan King County Council requested an analysis of the estimated cost and time needed to provide housing or shelter to every homeless veteran in King County who seeks it. Subsequent Council direction requested that the analysis include consideration of the role of rapid rehousing.

After projecting demand for housing and designing a model to estimate total system costs, this report includes several key findings and observations in response to the Council's requests:

Conventional methods of providing homeless housing are insufficient. Building enough conventional affordable housing for the veterans who are currently homeless and the additional veterans who are projected to become homeless would require an investment that is out of scale with the resources available in a potentially renewed Veterans and Human Services Levy. While conventional methods will remain a necessary part of the approach to house homeless veterans, they are insufficient. Intervening at the right scale to address the problem of veterans homelessness will require adding new approaches that provide housing at a lower cost. In addition to controlling cost, innovative solutions will also be essential to allow a timely response. Local industry construction capacity and tax credit availability likely constrain the feasibility of rapid, large-scale construction of traditional permanent affordable housing. Housing more than two thousand veterans on top of the significant number of veterans, single adults, families, and youth that the County's system already houses will require access to hundreds of new housing units. A swift response at a large enough scale within realistic cost constraints will require supplementing traditional approaches with new ones, some examples of which are discussed within this report.

Robust homelessness prevention, guided by significant analysis and evaluation, is necessary to reduce an extremely high level of homeless veteran inflow. King County will need to create new housing capacity—likely at significant cost—for every year that the inflow of newly homeless veterans exceeds the number of veterans that the system can house. In other words, until the number of veterans entering homelessness is equal to or less than the number of veterans the community can rehouse, the overall number of homeless veterans will continue to grow. A strategy that focuses on housing homeless veterans is essential to address challenges for the currently homeless population, but preventing homelessness among veterans should be the focus of the long-term strategy to make homelessness rare, brief and one-time. King County, veterans, their families and communities will all benefit from a fundamental shift in strategy

towards preventing homelessness before it happens. Preventing homelessness is fiscally cheaper than rehousing a person. Avoiding homelessness—and the life-long financial, professional, family and health consequences that can result—is better for a veteran than recovering from homelessness.

The effects of homelessness are far-reaching. Aside from the immediate risks to life, health, family and stability that most immediately affect a homeless person, life-long collateral consequences may follow a formerly homeless person. Past evictions or debt can influence future landlords' decisions about rental applications. Children who change schools as a homeless family moves have their most important educational years disrupted. The progress of other services for recovery or behavioral health is arrested or lost. Homelessness exacerbates the effects of aging and disease. The aftershocks of homelessness reverberate over a veteran's lifetime.

Projecting future inflow and homeless housing demand is complex, therefore projecting a timeline to end veterans homelessness is difficult. While it is possible to estimate how long it would take to house every veteran who is currently homeless, accounting for the expected future inflow of newly homeless veterans is more difficult. Any year in which more veterans become homeless than can be housed requires an additional cycle of diversion, rapid rehousing and creation of new homeless housing to regain equilibrium. Current inflow exceeds the rate at which King County and its partners can house veterans, and recent improvement in measurement through the Coordinated Entry system now enables the County to measure results. Predicting future inflow is more difficult.

This model's total estimated cost to house every veteran in King County who is currently homeless or projected to become homeless over the next six years is delivered in several cost model scenarios. The baseline scenario, which bases costs on current trends and costs would have a six-year total cost of \$312 million. An alternate version of the model in which robust prevention reduces net inflow to 25 per month reduces the six-year total to \$223 million. Keeping the inflow at 25 and then eliminating the innovation fund further reduces the six-year total to \$193 million. The final alternate scenario contemplates that net monthly inflow would remain at 66, but that use of rapid rehousing would increase from 49 percent to 65 percent of newly homeless veterans, achieving a six-year total of \$170 million.

Key variables that could further reduce overall cost are further reduction of net inflow and reduction or dispersion of capital costs. Improved analytic capacity is necessary to better understand King County's exceptionally large inflow of homeless veterans despite a system that houses an average of 40 veterans per day. A deeper understanding of these issues coupled with a focus on prevention may reduce these cost estimates.

Key variables that could increase cost estimates, in addition to increased inflow, include capital costs, availability or rate of leverage, and industry capacity to produce units. If tax credits are not available to assist in producing 100 units per year of typically leveraged permanent supportive housing, decreased rates of leverage could drive large increases in cost. If industry capacity is insufficient to produce enough innovative housing types like modular housing, then this model would need to increase the assumed use of potentially more expensive conventional development methods.

Regardless of the scenario, the costs to fund a comprehensive strategy based on the data available today are out of scale with the likely resources of a renewed Veterans and Human Services Levy. While the total cost is extremely sensitive to changes in model assumptions, the large number of currently homeless veterans is a primary driver for the large first-year expenditures in any of the projections.

This report concludes by identifying particular parts of the comprehensive strategy that are more likely to be within the scale of the Veterans and Human Services Levy and which are likely to have the greatest impact in reducing veterans homelessness while using county resources most efficiently. Continued pursuit of this objective should include strategies to involve other governments, agencies and community-based providers to leverage the full power of partnership and identify ways to share costs. Targeted investments in parts of the strategy contained within this model may still effect significant improvement for homeless veterans at significantly reduced costs.

Rapid rehousing features significantly within this analysis. Based on current data about types of housing interventions that veterans require, this model assumes that nearly half—49 percent—of all newly homeless veterans in a given year will be best served by using rapid rehousing approaches. Rapid rehousing will not be appropriate for all homeless veterans, but determining how many more veterans for whom it can be the appropriate intervention should be a goal of future efforts to make veterans homelessness rare, brief and one-time.

Continued support for evaluation is necessary. King County and its partners lack a sufficiently precise understanding of what is causing veterans to become homeless and what is keeping homeless veterans from gaining housing. This model projects costs using data generated by current practices—refining practices based on improved data and understanding could fundamentally alter the model, its underlying assumptions, and the cost estimates that it generates. An investment in robust evaluation would enable refined investment strategies, possibly reducing overall costs and certainly increasing overall system effectiveness.

This report's findings are sensitive to changes in fundamental conditions and assumptions. This report's cost estimate model is based upon a series of assumptions, and the model's overall input is sensitive to changes in those assumptions. Substantial changes to costs of construction, numbers of newly homeless veterans, ratios of which types of intervention are most appropriate, and interactions with the larger homeless housing system for all persons could all cause significant deviations in actual costs. A fundamental shift in the current rental market to a more renter-friendly environment may alter the percentage of veterans for whom new homeless housing is the most effective intervention.

II. INTRODUCTION

King County's veterans are community assets in whom our nation has entrusted much and invested significantly. Veterans' military service equips them to contribute powerfully to their communities. For some veterans, however, the same experiences that equip them to contribute so much also erect barriers to realizing their potential. One result is that veterans remain an over-represented group within the larger population of homeless persons in King County.

King County has for the last decade continually refined methods and increasingly focused resources to reduce veterans homelessness. After cultivating partnerships with federal, state and local organizations, a broad coalition of regional partners housed more than 850 veterans in 2015. Despite this success, homelessness remains a reality for too many veterans. The potential renewal of the Veterans and Human Services Levy now presents a powerful opportunity for King County to take the next step in making veterans homelessness rare, brief and one-time.

This report responds to King County Council Motion 14743 in which the Council requests a report:

to assess the costs of providing housing, including shelter where and when needed, for every King County veteran in need of housing or shelter, such that no veteran residing in King County who seeks housing or shelter, shall remain unhoused.

The report also responds to the King County Council's subsequently passed 2017-2018 Budget Ordinance, Ordinance 18409, Section 66, Proviso P1, which directed an analysis of the possible role of rapid rehousing in meeting veterans housing needs.

This report focuses on how to house veterans who are currently homeless and those veterans who are expected to become homeless based on current trends. Framing the analysis in this way risks promoting the assumption that veterans in King County will have to continue to enter homelessness to receive services. As the total cost estimates contained within this report make clear, waiting until veterans enter homelessness to then provide housing creates significant costs to the system and to veterans. The one-time, unleveraged cost of building one unit of permanent supportive housing costs slightly more than it would cost five veterans to rent their own average priced, one-bedroom apartment for four years each.

Costs also come in other forms. Once a person has been evicted or become homeless, a constellation of legal, financial and professional consequences follows. Landlords can deny applicants with recent evictions on their records, the disruption of an eviction and subsequent homelessness can wreak havoc on employment and family stability, and debts incurred in eviction can cause credit reporting and income challenges. Housing loss is expensive for all involved. Meaningful progress will require a concerted effort to prevent veterans from entering homelessness in addition to assisting those who are currently homeless.

Unfortunately, nearly 2,100 veterans are already homeless in King County at the time this report is being written. Although the housing system has housed thousands of veterans in the past decade and houses an average of 40 veterans every month, the inflow of newly homeless veterans exceeds what the existing system can house. The current net inflow of homeless veterans in the housing system is 66 per month.

This report acknowledges that a complete solution to making veterans homelessness rare, brief and one-time requires simultaneous efforts to house currently homeless veterans and to prevent veterans from becoming homeless. Robust evaluation to inform and target prevention practices will also be essential.

This report now addresses the issue of housing those veterans for whom prevention is too late: What will it take to provide housing or shelter to any homeless veteran in King County who seeks it?

III. WHO ARE KING COUNTY'S HOMELESS VETERANS: DEFINITION AND CHARACTERISTICS

Who is included within the definition of "veteran"?

Whether a person serving in the U.S. Military or a person who used to serve in the U.S. Military is a "veteran" can be a complex determination. The precise and sometimes intricate statutory definitions that governments use in designing programs often differ from the way people think of veteran status in general conversation.

Government departments and agencies at the federal, state and county levels operate with multiple definitions of veteran to tailor eligibility for specific entitlements or programs. The federal government employs dozens of statutory definitions of veteran. Washington State has three definitions. King County has two definitions.¹

These statutory and regulatory definitions of veteran include or exclude service members and former service members based on factors that may include duration of military service, characterization of service² upon discharge, whether a person served in the Active Duty, National Guard, or Reserve components of the military, the era in which service occurred, and a number of other factors that often require intimate familiarity with the applicable statutes, regulations, and military documentation.³ Governments that decide a former service member is not a veteran under a particular statutory definition also provide the ability to appeal that determination.

Examples of significant differences in statutory definitions of veteran include:

- A former active duty Marine who developed PTSD-related addiction issues after multiple deployments received an *Other Than Honorable* characterization of service. The veteran is ineligible for state VA benefits, ineligible for King County's Veterans Assistance Program, eligible for King County VHSL-funded programs, and eligible for some federal VA programs or entitlements but not others.

¹ King County's two definitions of "veteran" correspond to the two sources of veteran-specific funding available to King County: The definition adopted by the Veterans and Human Services Levy's Veterans Citizen Oversight Board for VHSL-funded programs and the RCW 73.08-mandated definition that governs eligibility for each county's veterans assistance fund. RCW 73.08 requires each county in Washington to levy a property tax "for the relief of indigent veterans, their families, and the families of deceased indigent veterans..." RCW 73.08.005(5) defines "veteran" for the statute's purpose. Notably, Washington amended in 2016 the RCW 73.08.005(5) definition of "veteran" to provide each county's legislative authority the power to "expand eligibility for the veterans assistance fund as the county determines necessary..." This provides the County Council with the authority to modify the state-directed definition of "veteran" to match the definition of "veteran" adopted by the VHSL's Veterans Citizen Oversight Board for use in determining eligibility for VHSL-funded programs. A possible result would be to achieve a single definition of veteran for use in King County.

² The term "characterization of service" is commonly called a veteran's "discharge," although the discharge technically consists of two parts: the *characterization of service* and the *reason for separation*. There are six categories of characterization of service: *Honorable*, *General Under Honorable*, *Other Than Honorable*, *Uncharacterized*, *Bad Conduct Discharge*, and *Dishonorable*.

³ For a more detailed analysis of defining "veteran" and "homeless veteran" for U.S. Department of Veterans Affairs purposes, see Pearl, Libby Congressional Research Service: Homeless Veterans (2015), (available online at <https://fas.org/sgp/crs/misc/RL34024.pdf>) and see Scott D. Szymendera Congressional Research Service: "Who is a Veteran" — Basic Eligibility for Veterans' Benefits (2016), (available online at <https://fas.org/sgp/crs/misc/R42324.pdf>).

- A member of the Washington National Guard with 20 years of service and multiple state call ups to fight fires or help rescue Washingtonians from flooding rivers is not a “veteran” for federal VA purposes because the person was never federally activated.

Statutory and regulatory definitions of veteran often differ from the public’s common, social usage to describe any person who has served in the military. Social definitions may also include currently serving service members within their definition of veteran.

The differences between the statutory and social definitions of veteran cause confusion when seeking precise answers about how many veterans are homeless.⁴ Further complicating the issue, homeless veterans exhibit increased rates of some factors like unfavorable discharges or insufficient periods of service that disqualify veterans from certain statutory definitions. This creates a service system gap in which a disproportionate number of homeless veterans are not eligible to receive the full array of federal, state and local resources that society provides for veterans: the statutory definitions designed to tailor service eligibility exclude some of the homeless veterans who would most benefit from the services.

Within this report, the term “veteran” includes any person who self-identifies as having previously served in any branch or component of the U.S. Military, regardless of duration of service or characterization of service. This inclusive definition is appropriate for two key reasons. First, most members of the community use a broad definition of veteran when they describe the problem of homelessness among veterans—the average resident of King County does not compare a homeless person’s service records against specific definitions to determine whether an unsheltered person is a veteran. Second, a broadly inclusive definition aligns with how veterans are identified in the Vulnerability Index-Service Prioritization Decision Assistance Tool (VI-SPDAT)⁵ assessment process. The assessment asks a person whether they are a veteran, but does not impose evidentiary requirements to prove the status.⁶

The effect of this inclusive definition of veteran is two-fold. First, a broadly inclusive definition best matches the varying definitions of veteran that members of the community will employ when judging whether an unsheltered person is a homeless veteran. Second, King County will count as homeless veterans some former service members who are not eligible for the full array of federal, state and local resources that are specifically provided for veterans. The resulting mismatch between the full diversity of those who the County counts as homeless veterans and the more tailored federal, state and local resources available to assist veterans (using specific statutory definitions) emphasizes the importance of strong partnerships in designing strategies to house veterans. Some veterans will be eligible for robust federal support, and the focus of intervention for those veterans should be connecting them to federal

⁴ For a more detailed analysis of the intersection of social and statutory definitions of “veteran” in Washington, see “Who is a veteran?” at RepWaVets.org, available online at <http://www.repwavets.org/who-is-a-veteran.html>.

⁵ The Vulnerability Index-Service Prioritization Decision Assistance Tool (VI-SPDAT) is an outreach and assessment tool that determines a homeless person’s need while collecting sufficient information about the person to inform decisions about what types of assistance would be most effective.

⁶ The VI-SPDAT specifically asks a person if they have veteran status. The assessment goes on to ask about the year a person entered military service, separated military service, the branch of military service, discharge status, and what theatres of operations the veteran served in, if any. Supplemental questions later within the survey additionally ask whether a veteran is registered with the local VA hospital, eligible for VA healthcare, and whether the veteran has served on at least one day of active duty. Answers to these additional and supplemental questions are not used to verify the person’s veteran status for the purpose of the assessment, but they are useful in connecting a veteran to appropriate resources and prioritizing which type of housing intervention may be most appropriate.

systems and making targeted interventions to amplify the effectiveness of larger federal institutions. Other veterans' eligibility for veteran-specific funding may be more constrained or non-existent, and locally or privately-funded interventions will be more prominent in addressing the needs of those veterans.

The importance of the County adopting a broadly inclusive definition of "veteran" is that it positions the County to tailor appropriate interventions for all homeless veterans. Any less-inclusive definition would create a structural mismatch in which a person whom the community considers a homeless veteran may not be eligible for county services within a larger effort to house homeless veterans.

Key characteristics of King County's homeless veterans

Data from King County's Homeless Management Information System (HMIS), which now includes information about the substantial number of homeless veterans identified by the U.S. Department of Veterans Affairs, suggest that about 10 percent of homeless single adults are veterans.

In 2015, 3,722 veteran households were served by homeless housing and service providers in King County. Of these households, 3,249 (87 percent) were single adults and 190 (5 percent) were families with children. Over the course of 2015, there were a reported total of 3,258 homeless male veterans (88 percent) and 435 female veterans (12 percent).

Male veterans experiencing homelessness were older than female veterans. The average age for men was 51 years old compared to 45 years for women.

Persons of color were disproportionately represented among homeless veterans. 51 percent of veterans identified as white and 41 percent identified as a racial minority. Black or African-American veterans represented the largest minority group at 30 percent. Six percent of veterans identified as Hispanic/Latino.

Slightly more than half of the veterans (54 percent) self-identified as having a disability – 55 percent of men and 48 percent of women. Mental health conditions, physical disabilities and chronic health conditions were the most commonly reported types of disability. An estimated 93 percent of the homeless veterans were discharged under honorable or general under honorable conditions.

IV. QUANTIFYING THE NEED: HOW MANY VETERANS ARE UNHOUSED AND WHAT TYPES OF HOUSING DO THEY NEED?

Over the last two years, King County, together with many partners, joined in a concerted effort to end veterans homelessness. Thousands of veterans were housed during that time, including over 850 homeless veterans in 2015. Of the veterans housed in 2015, 216 were families and 159 were chronically homeless veterans.⁷ These successes demonstrate that, resourced and working together, King County, the U.S. Department of Veterans Affairs, the Washington Department of Veterans Affairs, cities, and community-based partners can make substantial progress in providing veterans with well-deserved housing and stability.

⁷ Local HMIS data

Determining how many veterans are unhoused now and projecting how that number is likely to change over time is the first step in calculating an estimated cost to house all homeless veterans in King County.

How many King County veterans are currently unhoused?

The County's assumption of the Homeless Management Information System (HMIS) in 2016, the rollout of the Coordinated Entry for All (CEA) system in 2016, a close partnership with All Home, and a recent realignment of homeless veterans services and processes within the Department of Community and Human Services enables increased accuracy in assessing how many veterans within King County are homeless. As of October 2016, CEA had within its system 841 homeless veterans who had been assessed for housing placement but not yet housed. That number includes all veterans who have been assessed as homeless with the VI-SPDAT instrument and who had not yet been housed through the Coordinated Entry system. The 841 figure also contains some veterans who are staying in shelter awaiting further housing options, veterans who remain unsheltered, and veterans who are eligible and in possession of housing vouchers but are unable to find housing that will accept the voucher. HMIS data indicate that an additional number of approximately 1,100 homeless veterans who have not been assessed with the VI-SPDAT have been served by day centers, shelters or other providers within the last 90 days.

Combining the number of homeless veterans from CEA who have been assessed with the VI-SPDAT, the monthly inflow into CEA, and the additional veterans within HMIS who have not yet had a VI-SPDAT assessment, yields a total estimate of 2,102 veterans in King County who are homeless as of January 2017.

Moving forward, integrating into CEA the additional 1,100 non-CEA homeless veterans from HMIS will require working with community partners to assess non-CEA homeless veterans with the VI-SPDAT so that all homeless veterans will have been assessed with a consistent instrument.

How will the numbers of homeless veterans in King County change over time?

Even with a veterans homeless system that is housing 40 veterans each month, 106 additional veterans enter the homeless housing system each month. As a result, the number of homeless veterans in King County is growing by an average of 66 veterans per month. This report refers to the monthly net gain of 66 homeless veterans as the "inflow."

King County does not yet fully understand the source of veteran inflow into the veterans homelessness system. Possible reasons for high rates of inflow include improved training of outreach workers and assessors to reach veterans who were not previously engaged in housing efforts, improved uniformity in asking questions that identify veterans during the VI-SPDAT assessment process, or increased numbers of veterans entering homelessness in King County. Robust evaluation capacity is necessary to better understand why veterans are entering homelessness at disproportionately high rates. Understanding the sources of inflow will inform efforts to reduce inflow by preventing veterans from becoming homeless, an essential element of any sustainable strategy to house veterans. Housing veterans after they become homeless is expensive—both in costs to the homeless housing system and in costs to the individual veterans' lives and stability.

What types of housing do King County's homeless veterans need?

As the operator of CEA, King County has access to nearly 12 months of assessment data for veterans. This data identifies the vulnerability and housing need for each assessed veteran. Based on over 1,000 completed Coordinated Entry assessments, a group of single adult veterans will score such that 40 percent require permanent supportive housing (PSH), 49 percent are suitable for rapid rehousing, and

11 percent will resolve through diversion. These ratios are significant because they inform later assumptions in this report’s analysis as to how many newly homeless veterans would require particular types of interventions.

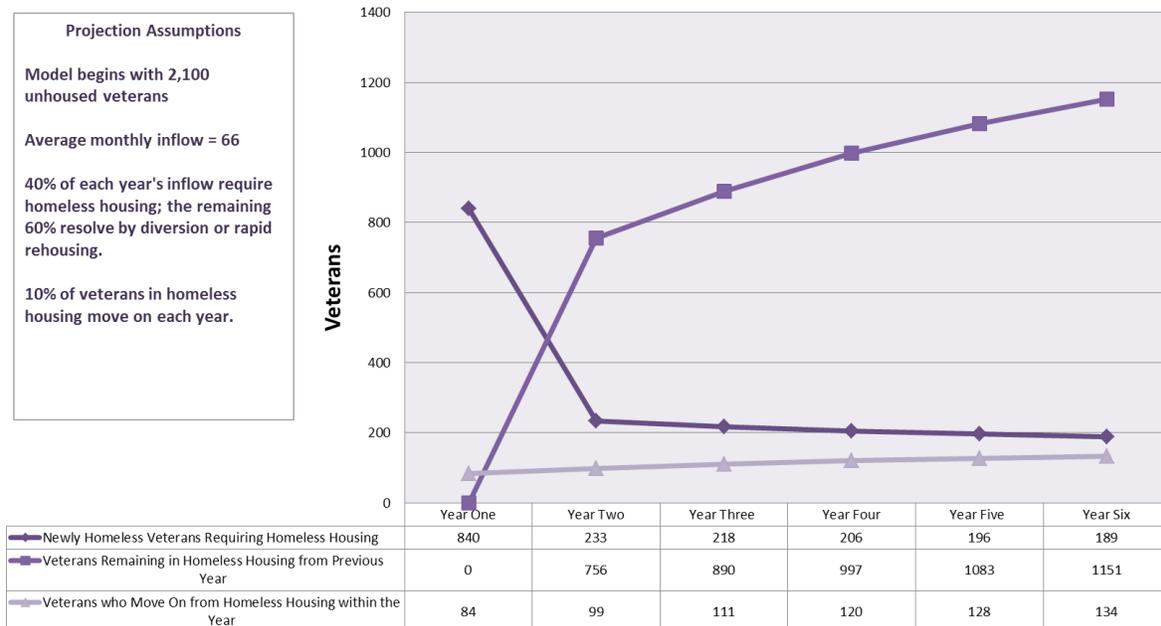
How does this report estimate demand for homeless housing over time?

This report’s model assumes that the existing homeless housing system will continue to house veterans at its current rate. The focus of the model is therefore on housing veterans who are currently homeless and addressing net inflow over time. The Coordinated Entry system provides a monthly count of how many homeless veterans are housed and how many enter the system, so the remaining step in defining demand over time is to model how inflow of new veterans will affect the model in its first year and then in future years.

Calculating demand in the first year: First year demand is the number of homeless veterans that Coordinated Entry reports at the start of the model. For this purpose of this report’s analysis, the cost model begins with 2,100 homeless veterans at the beginning of year one. Twenty-one hundred homeless veterans is based on the October 2016 confirmed number in CEA (841), approximate inflow since that time (159) and the 1,100 non-assessed veterans believed to be receiving general homeless population resources outside of CEA who have self-identified as veterans.

Calculating demand in subsequent years: This analysis assumes that all newly homeless veterans from a previous year (the inflow) are housed within the next year. The demand for homeless housing in any subsequent year is a function of the percentage of inflow for whom homeless housing is the appropriate intervention (40 percent of total inflow) less the number of veterans who have “moved on”—or exited permanent supportive housing into a self-sufficient housing status—from the previous year. Therefore, in any subsequent year, the new demand is equal to forty percent of inflow minus ten percent of the PSH residents from the previous year, who this model assumes would have moved on. The significance of any given year’s newly homeless veterans requiring housing is that it provides the number of housing units that the cost model must create in that year.

Projecting Demand for Veterans Homeless Housing



Analyzing the demand projection

As stated above, the significance of the demand projection is that it provides a number of veterans in any year for whom new homeless housing is required. Homeless housing refers to a number of strategies that King County and its partners could employ to provide housing for veterans, but does not include those veterans for whom rapid rehousing or diversion is appropriate. Analysis of the projection informs several useful conclusions:

The inflow to move-on ratio is a key target for managing cost

The projection shows that when inflow of newly homeless veterans substantially exceeds the number of veterans who move on from homeless housing, each subsequent year requires a significant investment in additional capital to create the new housing necessary to house the newly homeless veterans. The specific costs are the subject of later sections of this report, but *inflow : move-on* is the key relationship in affecting total system demand. While the capital costs required for each unit of homeless housing are substantial, they are also difficult to substantially influence. Inflow—keeping veterans housed—and move-on—creating sustainable pathways out of homeless housing—may be more sensitive to county strategies and interventions.

The inflow and move-on curves eventually converge

When inflow exceeds outflow, the curves for veterans who move-on every year and veterans needing new homeless housing would eventually converge as long as inflow remains constant and move-on rates remain constant. At some point in the future, the number of homeless housing units would become sufficiently large that a ten percent annual move-on rate would create enough space within existing stock to house the total annual inflow. Unfortunately, that convergence—the point at which new housing would no longer need to be built because the annual move-on creates sufficient space for the entire inflow—would not occur for at least fifteen years. Accelerating the convergence would require higher rates of move-on or lower rates of inflow.

The demand projection is sensitive to changes in assumptions

The demand projection makes a number of assumptions to provide a demand curve on which to estimate total cost. These assumptions are based on current data and conditions, but the data available on which to base these assumptions derives from a relatively brief period of measured observation. The general trend in King County's veteran population is that the rate and severity of poverty are increasing, even as total numbers of veterans are decreasing. It is unlikely that net inflow will remain constant at 66 over time, yet this projection depends upon that assumption. The significance of these observations is that the projection is sensitive to changes in its assumptions, and the assumptions would likely increase in accuracy given longer periods of observation on which to base values and trends.

Industry capacity is a significant limitation of this projection

This projection is based upon the assumption that enough new units of housing can be built to house all veterans requiring housing in any given year. Particularly in the first year of the model when demand is in excess of 800 units, that rate of industry capacity to build conventional permanent housing is likely unrealistic, particularly because homeless veterans housing is not the only type of homeless housing that developers will build (homeless veterans comprise approximately 10 percent of the total homeless population, and the majority of industry capacity is likely to be consumed in production of non-veteran housing development). The effect

of this model limitation is that actual construction of some homeless housing units would need to be deferred into future years, consuming future years' capacity and subjecting the cost estimate to the risk of increased construction costs over time.

This projection is an annual model

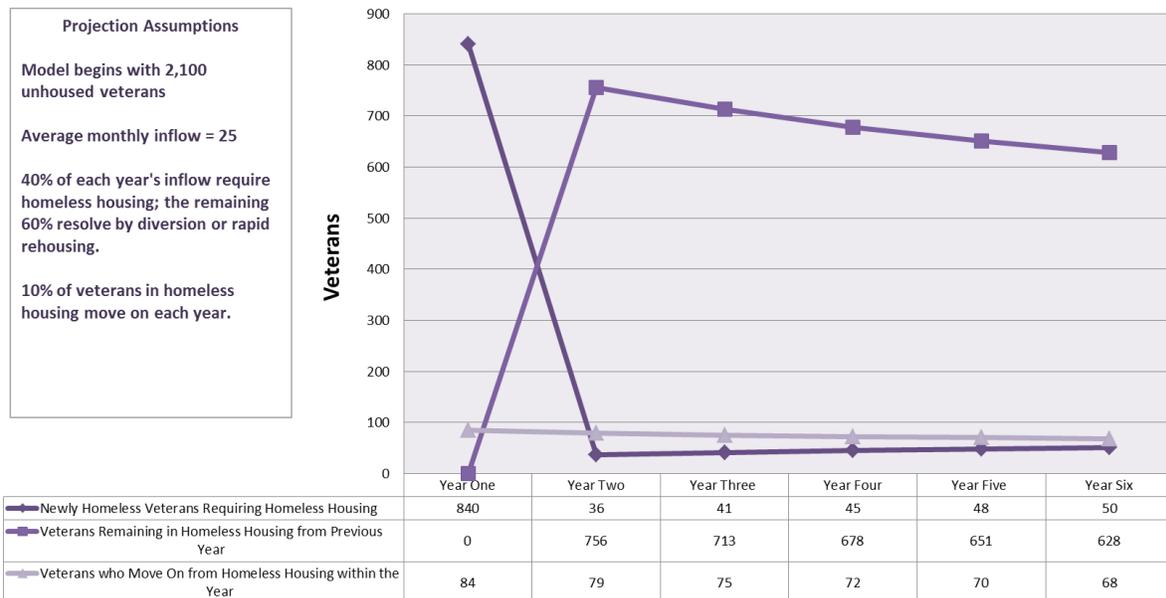
The projection does not distribute across the months of each year when new projects would come online and when veterans would become homeless. This is a significant limitation as the difference is immense between waiting two days for housing and waiting a year for housing.

Results of the demand projection for a six-year model

Assuming 2,100 homeless veterans in year one and an average net monthly inflow of 66 homeless veterans, there would be a need to build 840 units of homeless housing in the first year, 233 in the second year, 218 in the third year, 206 in the fourth year, 196 in the fifth year and 189 in the sixth year. The six-year total would be 1,882 new units of homeless housing. This rate of construction would house all newly homeless veterans on an annual scale.

Introduction of a successful prevention strategy to reduce inflow would substantially alter the model's projections. For example, a successful prevention strategy that reduced average monthly net inflow from 66 to 25 would create the demand projection included below in which the six-year total of new housing units required would drop from 1,882 (at net monthly inflow of 66) to 1,059 (at net monthly inflow of 25). This reduced inflow model would also achieve equilibrium (the convergence of the inflow and move-on curves) more quickly than the model based on current estimates.

Hypothetical Projection Demand for Veterans Homeless Housing after Robust Prevention Reduces Monthly Net Inflow from 66 to 25



V. DEVELOPING A STRATEGY

Having identified the number of currently homeless veterans, the current trend of growth for homeless veterans, and having developed a model to estimate what types of housing homeless veterans in King County need—specifically how many veterans would require homeless housing in a given year—this section of the report outlines key elements of a strategy to meet the need. The elements of the strategy included within this section draw upon the companion report to this analysis in response to King County Council Motion 14743. Specifically, the *Veterans and Human Services Levy Assessment Report* lays out within its section on affordable housing a set of approaches to housing homeless households.

This report assumes that any successful effort to provide housing or shelter to any King County veteran who seeks it will require an adaptable array of the elements listed in the *VHSL Assessment Report*. These include strong regional partnerships; robust prevention and diversion efforts; effective services to support housing-related needs; a blend of short and long-term homeless housing approaches like rapid rehousing, permanent supportive housing, permanent housing, and special population housing; funding innovative approaches; and supporting robust evaluation to understand what is working. Each of those elements of an overall strategy is explained below. The section of the report that follows these elements will then place each of the elements into an overall cost estimate model.

Partnerships

Recent successes in housing thousands of homeless veterans in King County have been due in large part to strong relationships and partnerships with the U.S. Department of Veterans Affairs (U.S. DVA), Washington Department of Veterans Affairs (WDVA), King County, All Home and the region's strong network of community-based partners, including Community Psychiatric Clinic, the YWCA, Sound Mental Health, El Centro de la Raza, Therapeutic Health Services, REACH, Valley Cities, Catholic Community Services, Compass Housing Alliance and Plymouth Housing Group. This network of partners has been convening a veterans operational leadership team (VOLT) meeting, a veterans navigator meeting, and a recently formed strategic direction-setting group with representatives from the U.S. DVA, WDVA, the King County and Seattle Housing Authorities, King County, the City of Seattle and All Home.

Any successful, ongoing strategy to house veterans will require remaining engaged and supporting this broad community coalition, including ongoing attendance at VOLT, navigator and strategic leadership meetings. The value of these partnerships is in their ability to leverage a collective impact model to establish shared purpose despite disparate chains of command, the ability to align differently-focused resources into a more comprehensive composite to serve veterans, and the ability to cooperate in reaching many types of veterans in many settings.

Although the element of partnership is not included in this report's cost estimate model, partnerships are essential to the success of any investment in housing homeless veterans.

Diverting veterans from the homeless housing system

Diversion is the set of practices and strategies that can keep a newly homeless person or a person at risk of homelessness from entering the homeless housing system. Examples could include helping to resolve a dispute that allows a veteran to return to a previous housing situation, satisfying a debt that allows a veteran to remain housed, or arranging for monthly payments that help a veteran live with a relative who could not otherwise afford to take the

veteran in. The end result of successful diversion is that the veteran does not progress further in the homeless housing system and instead goes on to a safe housing situation from which the veteran may eventually self-resolve or may return back to the homelessness system if the diversion is only temporary.

This report assumes that every successful diversion will cost \$1,259⁸, whether for a single adult or a family.

Supportive services

For many veterans, their ability to gain housing and the long-term success of their housing placement will require additional services and supports. These may include outreach services to identify veterans and keep them engaged or services like civil legal aid and home repair assistance that can keep a veteran housed.

This report assumes a fixed annual cost of \$986,000 to provide supportive services to all veterans regardless of homeless veteran population size. This fixed cost is taken by doubling the existing costs of outreach and civil legal services within the current version of the VHSL.

Rapid rehousing

As directed in 2017-2018 Budget Ordinance, Ordinance 18409, Section 66, Proviso P1, this report specifically addresses the role of rapid rehousing programs in addressing veterans homelessness. The final section of this report contains a cost estimate scenario that maximizes rapid rehousing in response to the Council's proviso.

For veteran households that do not need intensive services, rapid rehousing is an approach that holds the promise of housing the largest number of veterans in the shortest period of time and at a lower cost. Rapid rehousing is a short- to medium-term intervention for households experiencing homelessness. Housing-focused case management is provided with an emphasis on immediate efforts to address housing attainment, utilizing the minimum assistance needed to resolve each household's immediate housing crisis.

Once a household moves into permanent housing, short-term rental assistance may be provided using a progressive engagement approach to provide the appropriate level of assistance. Frequent reassessment gauges continued eligibility and adjusts the amount of continued rental subsidy. Services are time-limited, not to exceed 24 months, and the household does not have to leave the housing when services end. Rapid rehousing staff work with each household to identify and refer households to other resources in the community to support on-going household and housing stability.

Rapid rehousing programs will need to effectively use the units in the private rental market. King County and its program partners have been a national leader in using private market units to house homeless households through the Landlord Liaison Project (LLP). As LLP partners consider a second iteration of the program, it will be critical to deepen existing landlord relationships and create new ones. A key component of this effort will be creating a homeless rental unit risk reduction pool to expand the number of private market units dedicated to homeless veteran households. Through these approaches, rapid rehousing will allow King County to meet a large

⁸ http://www.buildingchanges.org/images/stories/article_images/2015_DiversionWorks.jpg

portion of the demand for increased housing options for veteran households. This report's model estimates that 49 percent of all homeless veterans will resolve through rapid rehousing.

The reliance on existing private market stock that makes rapid rehousing an exceptionally responsive technique for housing homeless veterans also limits the applicability of the rapid rehousing approach. Private market housing providers and housing authorities may not accept as tenants some of the veterans who most need housing assistance. Previous challenges with debt, credit, certain criminal convictions, and even veteran status may be legally allowable bases on which to deny a veteran's housing application in some jurisdictions. Significant racial disparities also exist in fair access to housing for all persons with low-income, and veterans are also affected by these biases. For these reasons, while it remains important to continually assess whether rapid rehousing is an appropriate intervention for as many veterans as possible because of its speed and relatively lower cost, it is also important to remain mindful that the availability of private market resources for rapid rehousing will likely vary based on larger market conditions that are outside of the County's control or direct influence.

Rapid rehousing interventions cost \$889⁹ per month in this analysis. The monthly cost is the same for single adults and families, although the average family requires nine months of services and the average single adult receives six months of services.

Moving veterans from shelter to housing

Homeless veterans for whom diversion and rapid rehousing are inappropriate may need to spend a short time in shelter before accessing housing. Conventional shelters have not traditionally been appropriate for the diversity of persons who could benefit from an intermediate place to sleep until being housed. Shelters can be re-traumatizing, disruptive to treatment and recovery, and in some cases unhealthy or unsafe for those who require medical care or who are fleeing abuse or exploitation. Conventional shelters are often and increasingly understood to have relatively low performance on key outcomes such as post-shelter housing attainment. In response, King County is studying newer models of enhanced shelter that can provide more stability as a person seeks longer-term housing.

This analysis assumes that large-scale shelter capacity for veterans will be unnecessary because the analysis focuses on what it would cost to house veterans. In light of the current trend of a net gain of 66 newly homeless veterans per month, however, this analysis contemplates creating and maintaining sufficient enhanced shelter to house up to three months' worth of net inflow. This analysis assumes that any requirement for conventional shelter could be met by existing shelters that are already in operation, without additional cost.

Enhanced shelter: As discussed in the *VHSL Assessment Report*, recent reports identify the need to expand shelter capacity and services and connect shelter to permanent housing resources.¹⁰ One key strategy is the development and expansion of enhanced shelters. Although King County funds over 1,900 shelter beds annually, the vast majority of these are emergency shelters and are not designed or staffed to address housing barriers. Enhanced shelters are designed to

⁹ <https://www.dshs.wa.gov/sites/default/files/SESA/rda/documents/research-11-203.pdf>; This number is consistent with Family Options Study estimate of \$880 per month:
<https://www.huduser.gov/portal/sites/default/files/pdf/FamilyOptionsStudySummaryReport.pdf>.

¹⁰ SWAP Report

operate 24 hours a day year round and offer the resources and services to move a household from a shelter to housing.

Enhanced Shelter beds cost approximately \$20,000 in capital to build. The nightly cost to operate an enhanced shelter bed with all services included is \$31.40.

Increasing housing options

Data and community input both make clear that the fundamental shortcoming of King County's current homeless housing system is a basic shortage of affordable housing units. Although diversion, services and shelter are all necessary components of a strategy to house veterans, none of them is sufficient. Success in housing currently homeless veterans will require creating more housing.

Based on the findings of the *VHSL Assessment Report's* analysis of housing strategies for homeless households, this report examines approaches to creating more homeless housing: 1) increasing permanent supportive housing; 2) increasing homeless housing other than permanent supportive housing; 3) funding move-on strategies that will increase throughput in existing housing stock, creating openings for homeless veterans to fill as housed veterans move on to other housing situations; and 4) creating limited amounts of special population housing, sometimes called transitional housing, to prevent veterans leaving institutions from being discharged into homelessness. To be clear, this analysis contemplates using these approaches in combination rather than assuming that only one approach will be effective without the others.

1. Expand permanent supportive housing through dedicated capital: Since June 2016, King County has operated the countywide Coordinated Entry system, providing a clearer picture of the shortfalls of the regional homeless system. Based on six months of assessment data, while the need for homeless services remains high at all levels, there is an acute need for permanent supportive housing (PSH) designed to meet the needs of the chronically homeless. Demand for PSH far outstrips supply. For example, there are presently 608 non-veteran homeless families that have been assessed. Approximately 200 of these need permanent supportive housing; however, there are only 23 PSH units dedicated for homeless families in the system. To address this acute need, the VHSL could support expansion of PSH.

VHSL funds could be used to support the production of additional PSH units in South and East/North King County. PSH buildings are complex, involving both housing units and service space. Often, housing funds from other sources, such as the State of Washington or the federal government, cannot be used to support integral components of a PSH building. Having dedicated VHSL funds for PSH would allow for the production of additional units, particularly in light of declining federal resources and increased demand at the state level. In addition, if possible federal proposals to increase the amount of low-income housing tax credits are successful, additional PSH resources would allow King County to create additional units that would not be possible if projects had to rely on non-King County sources to pair with tax credit funds.

The typical per unit capital cost to build one unit of PSH is \$60,000. This cost assumes a typical level of cost leverage. Whether a unit of PSH can be built at the

typical rate of leverage is limited by how many tax credits and other sources of leverage are available. The unleveraged per unit capital cost to build one unit of PSH is \$300,000. Later calculations in this model assume that in any given year, the first 100 units of PSH would be able to be built at typical leverage, while any additional units of PSH would be built at the unleveraged cost. The annual per unit operations cost for a unit of PSH is \$13,440 for a single adult.¹¹

2. Increase alternative types of homeless housing: While PSH will remain the most appropriate homeless housing type for some veterans, both the cost and limitations on industry production capacity require the creation of other types of affordable housing units. VHSL funds could be used to quickly increase the number of dedicated homeless units. Uses of funds could include the acquisition or master leasing of hotel/motel units, the siting and purchase of low-cost modular units, or programs that provide homeowners with favorable loan terms to create accessory dwelling units in exchange for committing to lease the completed unit to a homeless veteran at an affordable cost. In addition, dedicating VHSL funds to the homeless rental unit risk reduction pool would expand the number of private market units dedicated to formerly homeless households.

The alternative homeless housing strategies in this analysis have variable costs. For the purpose of this model, alternative homeless housing strategies have a per unit cost of \$70,000. This model assumes that alternative homeless housing strategies have an annual operations cost of \$13,400 per unit.

3. Funding move-on to open units: Beyond creating additional units, it is also important that homeless housing units are prioritized for households with the greatest need. However, this may not always occur as a household originally placed in homeless housing stabilizes and no longer needs the intensive services, but does not leave the unit. They often remain in homeless housing because there are no other, less intensive affordable housing units available. Presently, the turnover rate for homeless housing units is 10 percent. To address this issue, VHSL funds could be dedicated to rental assistance to support homeless housing households moving on to other types of housing.

This analysis assigns the amount of move-on costs by calculating a year-long subsidy at the 2017 Seattle-Bellevue HUD Metro Fair Market Rate for an efficiency unit: \$1,093 per month.

4. Special population housing: Through capital and service funding, DCHS supports hundreds of homeless housing units. However, due to federal and state funding requirements, the majority of these units use a restrictive definition of homeless. This limits King County's ability to house specific populations that are likely to be homeless, such as formerly incarcerated individuals or those exiting mental health or substance use treatment. Homeless individuals who receive residential mental health or substance use treatment for 90 days or more are no longer considered

¹¹ https://www.huduser.gov/portal//publications/pdf/Costs_Homeless.pdf. Estimate comes from Washington, D.C., the study site with rental market most similar to King County.

homeless under the federal homeless definition and are not eligible for housing. People in jail or prison are similarly affected.

To address these issues, VHSL funding could be used to create recovery and ex-offender-focused homeless housing designed to support households leaving hospitals or jails. One specific concept includes an integrated housing model that accepts sub-acute patients into a healthcare environment and includes permanent housing on-site to support a recovery continuum.

This analysis assumes that special population housing rates are equal to permanent supportive housing rates for both capital and operations.

Housing Innovation Fund

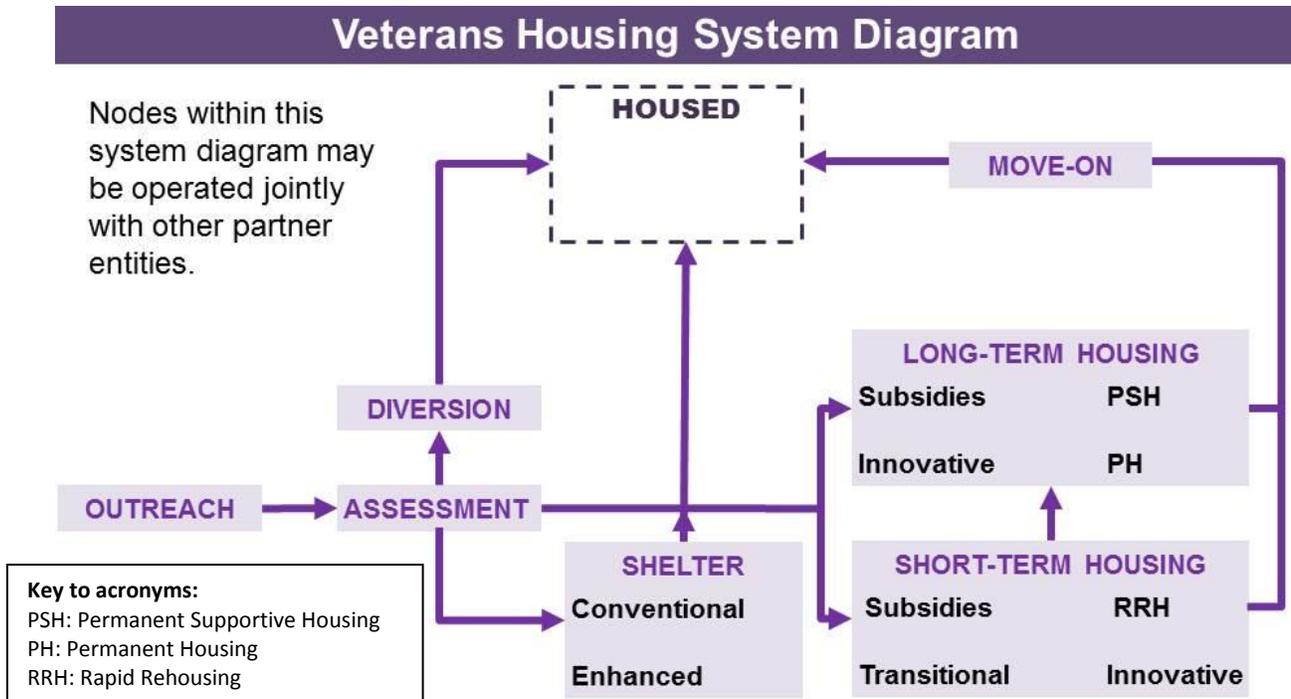
King County's affordable housing issues cannot be addressed solely with traditional resources and programs. Consequently, through the Housing Innovation Fund, King County could identify new affordable housing partnerships and explore new housing models. These partnerships, whether with other county departments, private landlords or market-rate developers, can expand options beyond what the County is able to do on its own. *The VHSL could set aside \$5 million annually, to be made available through a competitive process.* Projects would be selected by an innovation committee, with selection criteria focused on impact, cost and replicability.

Evaluation

Part of the persistence of homelessness as a problem is in its complexity. A constellation of contributing factors come together to make an individual person homeless, and identifying solutions is correspondingly complex. An important part of increasing the effectiveness of homelessness investments is increasing the rigor with which King County tracks outcomes, investigates effectiveness, and then shares those findings quickly to inform current and future efforts. Evaluation is not a phase of activity that occurs after a strategy has been employed; evaluation must be part of the strategy—in all stages—to understand more responsively what the need is and what works to address it.

VI. THE COST ESTIMATE MODEL

The above-mentioned elements of a strategy to house homeless veterans are incorporated into the below veterans housing system diagram. The diagram models the system that most homeless veterans will encounter in King County. Importantly, this model represents efforts and costs of all partners within this system. The model includes functions that are primarily executed by King County but also includes activities whose cost and execution may be borne by system partners like the U.S. Department of Veterans Affairs. Later sections of this report lay out a cost estimate model, and that model is premised upon the below system diagram.



Limitations of the Cost Estimate Model

Calculating the total cost over time to house a projected total number of veterans is a complex endeavor. This model makes numerous assumptions in order to yield a total cost, but the limitations of this model mean that further examination of a particular course of action would be necessary for the purposes of detailed cost analysis and appropriation. Limitations and key assumptions of this model include:

Capacity surge vs. steady-state operations: An important shortcoming of this model is that it assumes that all of the currently homeless veterans in the King County system would be housed simultaneously.

Developer capacity and rising costs: This model does not account for rising or falling costs of construction, land or services over time.

This model yields total system cost: King County is not the sole or even the largest funder of the veterans housing system. Federal partners like the U.S. Department of Veterans Affairs and U.S. Department of Housing and Urban Development bear a significant portion of the costs

associated with tax credits for building, subsidized vouchers and supportive services for veterans. This model can partially account for the role that other partners play in cost-sharing through the values assigned to the cost variables.

This model does not account for variations in homeless veteran inflow over time: In assigning a value to the number of veterans who require a particular housing service intervention, this model takes the current number of homeless veterans and then assumes a constant rate of inflow for each year the model is run. If the rate of inflow increases or decreases—which is likely—this model’s estimates lose utility, particularly if rates of inflow change dramatically.

This model is artificially isolated from the rest of the homeless housing system: This model is closed to the non-veteran homeless system and the non-veteran homeless population. While the real system does have substantial veteran-specific resources, it is not a closed system, meaning that some veterans are able to receive services from non-veteran resources.

VII. ESTIMATING THE COST TO HOUSE EVERY HOMELESS VETERAN

Building upon this report’s demand projection, veterans housing strategy elements and veterans housing system diagram, this report now employs a cost estimate model to estimate the total cost required to provide housing to every homeless veteran in King County who seeks it. As with previous portions of the report, multiple assumptions undergird the model, and its output is sensitive to changes in those assumptions.

Assigning cost values to the elements of the strategy is a part of the model in which changes to assumptions would significantly influence the model’s output. Cost and model assumptions, described within the below table, are derived from current practice, local data or national data when local sources are unavailable or insufficiently developed to inform an estimate.

Most costs are expressed in per capita or per unit increments so that they can be multiplied by the included demand projections. Some costs, such as outreach, are provided as annualized, fixed costs that would not change relative to the overall size of the homeless veterans population.

Cost Estimate Model Assumptions						
Demand Assumptions						
	Year 1	Year 2	Year 3	Year 4	Year Five	Year 6
Newly Homeless Veterans Requiring Homeless Housing	840	233	218	206	196	189
Veterans Remaining in Homeless Housing from Previous Year	0	756	890	997	1083	1151
Veterans who Move On from Homeless Housing within the Year	84	99	111	120	128	134
Veterans who Remain in Homeless Housing at the end of the Year	756	890	997	1083	1151	1206
Newly Homeless Veterans who Will Resolve by Rapid Rehousing	1029	388	388	388	388	388
Newly Homeless Veterans who will Resolve by Diversion	231	87	87	87	87	87
Cost Assumptions						
Cost of outreach and supportive services (fixed, annual)						\$968,000
Cost of Diversion (per veteran, one-time, annual)						\$1,259
Cost of Rapid Rehousing (per veteran, assumes 6-month X \$889)						\$5,334
Capital Cost to build Permanent Supportive Housing (per unit at typical leverage)						\$60,000
Capital Cost to build Permanent Supportive Housing (per unit, unleveraged)						\$300,000
Services and Operating Cost to all types of homeless housing (annual, per unit)						\$13,440
Capital Cost to build Alternative Homeless Housing (per unit, unleveraged)						\$70,000
Move-On Costs = 1-year rent subsidy at \$1,093 per month						\$13,116
Per bed capital cost to build shelter (enhanced or conventional)						\$20,000
Per bed night cost to operate enhanced shelter						\$31.40
Model Assumptions						
First year number of homeless veterans not able to be housed by existing system						2,100
Homeless veterans for whom homeless housing (either PSH, transitional housing, or alternative homeless housing) is appropriate						24%
Homeless veterans for whom rapid rehousing is appropriate						65%
Homeless veterans for whom diversion is appropriate						11%
Monthly net inflow of homeless veterans						66
Annual net inflow of homeless veterans						792
Veterans in PSH and Alternative Homeless Housing who will move-on within a given year						10%
Of the veterans for whom homeless housing is appropriate, no more than 100 will receive PSH						
Any veterans for whom homeless housing is appropriate who do not receive PSH will receive Alternative Homeless Housing						
Model Costs are constant and do not fluctuate over time						
Only enough tax credits in any given year to allow 100 units of homeless housing to be built at typical leverage rate.						

While this model estimates total system costs, it also provides broken-out estimates for types of cost per year. This may inform decision-making about whether to invest in particular elements of the strategy before or instead of others.

The remainder of this section of the report uses the cost estimate model to project the cost to provide housing to homeless veterans in King County who seek it. The analysis begins by running the estimate model based on assumptions, values and trends that have already been described in this report.

After running the baseline model, the report includes several additional scenarios that incorporate changes in assumptions or conditions to inform decisions about how to best approach the task of housing homeless veterans.

The baseline scenario

With the above demand, cost and model assumptions, all necessary data elements are present to run the baseline cost estimate model. The cost estimate model expresses a total system cost, completely additive to existing system costs, and for which multiple governments or agencies may be responsible.

As the below cost estimate model makes clear, the total cost to house 2,100 homeless veterans and an additional 720 annual inflow of additional veterans is out of scale with the resources available from the Veterans and Human Services Levy.

Using the Cost Estimate Model to Project Costs for Six Years (Baseline Scenario)							
		Year One	Year Two	Year Three	Year Four	Year Five	Year Six
Total Annual Cost		\$111,431,059	\$39,193,338	\$39,747,778	\$40,191,331	\$40,546,173	\$40,830,047
Outreach and Supportive Services		\$968,000	\$968,000	\$968,000	\$968,000	\$968,000	\$968,000
Diversion		\$290,829	\$109,684	\$109,684	\$109,684	\$109,684	\$109,684
Rapid Rehousing		\$5,488,686	\$2,070,019	\$2,070,019	\$2,070,019	\$2,070,019	\$2,070,019
All Types of Homeless Housing	Capital Cost of typically leveraged permanent supportive housing	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
	Capital Cost of un-leveraged permanent supportive housing or transitional housing (100 units in Year One)	\$30,000,000	\$0	\$0	\$0	\$0	\$0
	Capital Cost of alternative homeless housing	\$44,800,000	\$9,296,000	\$8,254,400	\$7,421,120	\$6,754,496	\$6,221,197
	Operations costs for all homeless housing (PSH, transitional housing, and alternative homeless housing)	\$11,289,600	\$11,960,525	\$13,400,433	\$14,552,359	\$15,473,900	\$16,211,133
Move-On for 10% of homeless housed veterans		\$1,101,744	\$1,296,910	\$1,453,043	\$1,577,949	\$1,677,874	\$1,757,814
Innovation Fund		\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Capital Cost of building new enhanced shelter (200 beds)		\$4,000,000	\$0	\$0	\$0	\$0	\$0
Services and Operations costs for enhanced shelter		\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200
Evaluation		\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Total Cost Estimate for Six Years					\$311,939,726		

As the above table depicts, the total cost-to-house costs are greatest in the model’s first year when capital expenditures are prioritized to house the current pool of unhoused veterans (estimated at 2,100 in this model) and to build a three-month supply of enhanced shelter. While capital costs diminish over time, operations and services costs grow as more veterans are housed within homeless housing per year. End of lifecycle costs are not captured in this model.

Capital costs are clearly responsible for the majority of total cost in every year of the model:

- The model assumes that King County would be able to provide no more than 100 units of permanent supportive housing at typical leverage rates. This is due to limited availability of tax credits.
- The remainder of homeless housing in each year of the model is then assigned to the Alternative Homeless Housing category with a \$70,000 per unit unleveraged capital cost.
- The model only contemplates building unleveraged permanent supportive housing in its first year (at a \$300,000 per unit cost). This first year outlay serves two purposes. First, it acknowledges that alternative homeless housing strategies may not be able to provide 740 units in one year, so some portion of the first year’s need for homeless housing would need to be provided as unleveraged PSH. Second, some amount of unleveraged PSH or transitional housing will be appropriate within the total portfolio in order to retain capacity to house veterans who require a transitional or PSH setting but who may be ineligible for leveraged housing based on status, characterization of service, or immediately preceding incarceration or institutionalization.

As stated elsewhere within this report, additional factors to which the model is particularly sensitive have to do with the demand for homeless housing. Either reducing overall inflow, increasing move-on rates, or increasing the proportion of veterans for whom rapid rehousing or diversion is the appropriate intervention would all substantially decrease total costs.

Additional Scenario 1: The effect of robust evaluation and prevention

A robust prevention program that succeeded in reducing the net monthly inflow from 66 veterans to 25 veterans would reduce total system cost from \$312 million to just under \$223 million as depicted in the modified model scenario below. Nearly all of that savings would be attributable to reducing the demand for building new homeless housing in model years two through six.

Using the Cost Estimate Model to Project Costs for Six Years (Alternate Scenario with Robust Prevention; Inflow = 25)							
		Year One	Year Two	Year Three	Year Four	Year Five	Year Six
Total Annual Cost		\$112,031,059	\$22,664,664	\$22,437,812	\$22,256,331	\$22,111,146	\$21,994,998
Outreach and Supportive Services		\$968,000	\$968,000	\$968,000	\$968,000	\$968,000	\$968,000
Diversion		\$290,829	\$41,547	\$41,547	\$41,547	\$41,547	\$41,547
Rapid Rehousing		\$5,488,686	\$784,098	\$784,098	\$784,098	\$784,098	\$784,098
All Types of Homeless Housing	Capital Cost of typically leveraged permanent supportive housing	\$6,000,000	\$2,160,000	\$2,448,000	\$2,678,400	\$2,862,720	\$3,010,176
	Capital Cost of un-leveraged permanent supportive housing or transitional housing (100 units in Year One)	\$30,000,000	\$0	\$0	\$0	\$0	\$0
	Capital Cost of alternative homeless housing	\$44,800,000	\$0	\$0	\$0	\$0	\$0
	Operations costs for all homeless housing (PSH, transitional housing, and alternative homeless housing)	\$11,289,600	\$9,580,032	\$9,115,546	\$8,743,956	\$8,446,685	\$8,208,868
Move-On for 10% of homeless housed veterans		\$1,101,744	\$1,038,787	\$988,422	\$948,129	\$915,896	\$890,108
Innovation Fund		\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Capital Cost of building new enhanced shelter (200 beds)		\$4,000,000	\$0	\$0	\$0	\$0	\$0
Services and Operations costs for enhanced shelter		\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200
Evaluation		\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000
Total Cost Estimate for Six Years					\$223,496,010		

Additional Scenario 2: Reducing the Innovation Fund and retaining robust prevention

While the baseline model captures the costs of an annual innovation fund, the model does not account for the positive impact that innovations may have in further reducing capital or services costs, reducing total inflow, reducing the number of veterans needing homeless housing (the most costly intervention), or increasing move-on rates. The effects of innovative investments would likely begin to accrue significantly in later years of the model, but significant impact is unlikely within the first two years as the innovation fund would require time to accrue revenue and conduct bidding processes. For the purposes of comparison, the scenario depicted below retains Additional Scenario 1’s robust prevention to reduce inflow and then eliminates expenditures for the Innovation fund, resulting in a total cost estimate that is \$30 million less than Additional Scenario 1:

Using the Cost Estimate Model to Project Costs for Six Years (Alternate Scenario with No Innovation Fund, Inflow = 25)							
		Year One	Year Two	Year Three	Year Four	Year Five	Year Six
Total Annual Cost		\$107,031,059	\$17,664,664	\$17,437,812	\$17,256,331	\$17,111,146	\$16,994,998
Outreach and Supportive Services		\$968,000	\$968,000	\$968,000	\$968,000	\$968,000	\$968,000
Diversion		\$290,829	\$41,547	\$41,547	\$41,547	\$41,547	\$41,547
Rapid Rehousing		\$5,488,686	\$784,098	\$784,098	\$784,098	\$784,098	\$784,098
All Types of Homeless Housing	Capital Cost of typically leveraged permanent supportive housing	\$6,000,000	\$2,160,000	\$2,448,000	\$2,678,400	\$2,862,720	\$3,010,176
	Capital Cost of un-leveraged permanent supportive housing or transitional housing (100 units in Year One)	\$30,000,000	\$0	\$0	\$0	\$0	\$0
	Capital Cost of alternative homeless housing	\$44,800,000	\$0	\$0	\$0	\$0	\$0
	Operations costs for all homeless housing (PSH, transitional housing, and alternative homeless housing)	\$11,289,600	\$9,580,032	\$9,115,546	\$8,743,956	\$8,446,685	\$8,208,868
Move-On for 10% of homeless housed veterans		\$1,101,744	\$1,038,787	\$988,422	\$948,129	\$915,896	\$890,108
Innovation Fund		\$0	\$0	\$0	\$0	\$0	\$0
Capital Cost of building new enhanced shelter (200 beds)		\$4,000,000	\$0	\$0	\$0	\$0	\$0
Services and Operations costs for enhanced shelter		\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200
Evaluation		\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000
Total Cost Estimate for Six Years					\$193,496,010		

Additional Scenario 3: Increasing the use of rapid rehousing

The baseline cost estimate model assumes that rapid rehousing will be the appropriate intervention for 49 percent of newly homeless veterans. This figure is based on historical referral rates over the last year of CEA operations. Rapid rehousing’s responsiveness and relatively lower cost make it an attractive option for housing veterans who do not require the more extensive assistance and support provided by other homeless housing options. This scenario contemplates community conditions in which the private rental market, housing authorities and the situations of homeless veterans allow for the rate of rapid rehousing to increase from 49 percent of newly homeless veterans to 65 percent of newly homeless veterans while assuming that 11 percent of veterans will still resolve through diversion and an adjusted 24 percent of veterans will require homeless housing.

Using the Cost Estimate Model to Project Costs for Six Years (Alternate Scenario with 65% Rapid Rehousing Rate)							
	Year One	Year Two	Year Three	Year Four	Year Five	Year Six	
Total Annual Cost	\$84,746,745	\$17,209,169	\$17,073,057	\$16,964,169	\$16,877,057	\$16,807,369	
Outreach and Supportive Services	\$968,000	\$968,000	\$968,000	\$968,000	\$968,000	\$968,000	
Diversion	\$290,829	\$41,547	\$41,547	\$41,547	\$41,547	\$41,547	
Rapid Rehousing	\$7,280,910	\$1,040,130	\$1,040,130	\$1,040,130	\$1,040,130	\$1,040,130	
All Types of Homeless Housing	Capital Cost of typically leveraged permanent supportive housing	\$6,000,000	\$1,296,000	\$1,468,800	\$1,607,040	\$1,717,632	\$1,806,106
	Capital Cost of un-leveraged permanent supportive housing or transitional housing (100 units in Year One)	\$30,000,000	\$0	\$0	\$0	\$0	\$0
	Capital Cost of alternative homeless housing	\$21,280,000	\$0	\$0	\$0	\$0	\$0
	Operations costs for all homeless housing (PSH, transitional housing, and alternative homeless housing)	\$6,773,760	\$5,748,019	\$5,469,327	\$5,246,374	\$5,068,011	\$4,925,321
Move-On for 10% of homeless housed veterans	\$661,046	\$623,272	\$593,053	\$568,878	\$549,537	\$534,065	
Innovation Fund	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	
Capital Cost of building new enhanced shelter (200 beds)	\$4,000,000	\$0	\$0	\$0	\$0	\$0	
Services and Operations costs for enhanced shelter	\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200	\$2,292,200	
Evaluation	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	
Total Cost Estimate for Six Years				\$169,677,566			

VIII. THE ROLE OF THE VETERANS AND HUMAN SERVICES LEVY

In addition to directing an analysis of the cost and time required to provide housing for every King County veteran in need of housing who seeks it, Council Motion 14743 requests an assessment as to whether funding to support the costs calculated within this report should be “assembled by re-allocating existing levy proceeds, or whether additional revenues should be raised, or a combination of both.”

The resources that this report projects as necessary to provide housing to every King County veteran who needs and seeks it is out of scale to the current size of the VHSL, but the report’s cost estimate models do identify important potential steps to house significant numbers of homeless veterans in King County. The potential renewal of the VHSL provides an opportunity to employ key parts of the strategy contained within this document to increase the availability of housing for veterans who need it now while also supporting essential efforts to decrease the inflow of homeless veterans, which offers the greatest promise in decreasing overall system cost. Pursuing the entire set of strategies as depicted within this model would require substantial resources from another source in addition to the VHSL.

Key elements of the strategy contained within this report that may be appropriate for the scale of resources available from the Veterans and Human Services Levy include:

Prevention: Reducing the monthly inflow of homeless veterans into the system from 66 to 25 per month (ie, preventing 41 veterans from entering homelessness each month) results in a cumulative cost reduction of \$92 million. Those 41 veterans per month would also avoid the significant personal impact to family, employment, health, sense of self, and future potential that too often accompany even short experiences of homelessness. Strategies that prevent entry into homelessness stand out as priorities in future efforts to make veterans homelessness rare, one-time and brief. Possible examples may include short or intermediate-term subsidization of rent or amplification of other government vouchers for veterans at risk of homelessness; provision of free or low-cost legal assistance for veterans at risk of housing loss; provision of funds to rehabilitate or make habitable veterans current residences; or assistance in paying fees, fines, or debts that may risk a veteran’s continued access to housing.

Evaluation: Even as this analysis clarifies the central role of prevention, it also highlights that the factors driving homelessness amongst veterans are poorly understood. King County’s efforts to keep veterans housed and provide housing when needed will be more efficient and effective if they are driven by data and context. At the same time, veterans abilities, experiences, circumstances and resources as sufficiently distinct from the broader population’s that the County could develop a Veterans Center of Excellence whose purpose is to understand the conditions affecting local veterans for the purpose of directing local prevention and housing efforts, coordinating and leveraging state and federal resources to bring successful strategies to scale, and providing local and national leadership in converting the good will so many feel for veterans into good outcomes.

Innovative housing models: Conventional methods of funding and building affordable housing for veterans will remain an essential part of any strategy to house veterans, but the limitations of cost—particularly once sources of leverage are exhausted—and industry capacity to quickly build units leave open a role for less expensive and more quickly built housing solutions to complement conventional developments. Examples of potential innovative models include

modular or prefabricated housing units and communities and continued support of programs like the Landlord Liaison Project. The Innovation Fund strategy contained within this report's cost estimate model may also offer an opportunity to cultivate new and innovative housing models without dissipating the already limited resources available for more conventional capital funding processes.

Promoting the availability of rapid rehousing: Identifying opportunities to further increase the proportion of veterans who will find housing through rapid rehousing is a promising strategy. Rapid rehousing delivers both a reduced cost for each veteran that it can serve and each veteran that resolves through rapid rehousing can avoid the costlier interventions of homeless housing. Since the primary drivers of rapid rehousing's appropriateness are the private market support for housing rapid rehousing participants and the situation of the homeless veteran themselves, strategies for increasing the rate of rapid rehousing use likely include providing supportive services for veterans so that their employment, finances and legal circumstances are not disqualifying and assisting landlords in understanding the benefits and mitigating the risks of accepting as tenants participants in rapid rehousing programs.

Increasing move-on: Just as prevention is an essential strategy to avoid needing to build new and expensive housing stock, move-on strategies offer important opportunities free up existing stock for occupation by newly homeless veterans. Over longer planning horizons, move-on strategies are also important factors in controlling the annual operations costs and legacy costs that will accompany the development of a large inventory of homeless housing. Support for move-on strategies may include subsidizing rent for a period after veterans leave homeless housing, subsidizing the costs of moving into private housing, and providing robust services during tenancy in homeless housing to maximize income (through employment or benefits) and promote development of skills and resources to succeed in private market housing.

Outreach: The current VHSL already supports outreach and supportive services as well as contributing limited capital for creating affordable housing. A renewed VHSL could substantially increase investments in outreach and supportive services that prevent veterans from entering homelessness. In addition to outreach, these may include offering short or intermediate rental subsidies and financial assistance to reduce housing loss due to non-payment or underpayment. Other approaches may include supporting alternative dispute resolution and civil legal aid to assist veterans in remaining housed.

Diversion: A renewed VHSL may also choose to increase resource allocation to diversion as a means of increasing the number of veterans for whom diversion is the appropriate response, and therefore reducing the proportion of veterans requiring homeless housing. Examples of increased allocation to diversion may include providing ongoing rental subsidies to complement federally-issued vouchers and make them more competitive in the rental market, providing a subsidy regardless of whether a homeless veteran has an underlying federal voucher, creating a pool—and increasing its annual expenditure limits—to allow homeless veterans more leverage in seeking non-standard solutions to their homelessness. A similar infusion to move-on strategies may increase the number of veterans who exit the homeless housing system, opening up existing capacity for newly homeless veterans.

Targeted unleveraged capital: Notwithstanding the substantial cost of building homeless housing, the VHSL will still remain an appropriate source of some unleveraged capital

investment for veterans homeless housing. Although the VHSL is not likely to collect sufficient revenue to pay for tens of millions in annual capital costs just for veterans, it can still identify targeted capital building needs where conventional leverage techniques are poor fits. Examples may include providing unleveraged support for transitional homeless housing for veterans who are releasing from institutions, a sub-population of veterans who too often release into homelessness; creating homeless housing for veterans who are survivors of sexual assault or domestic abuse, whose housing status may not fit system-wide definitions of homelessness that are often required to be eligible for housing; or building a veterans homeless housing development that can also house a King County Veterans Program office, creating a well-supported community resource that serves as a focal point for integrating veterans services and cultivating veterans community in King County. Finally, the VHSL may be an appropriate source of funding for a veterans housing innovation fund that explores new models and new partnerships that can either reduce inflow or reduce total system costs.

While wholesale adoption of this model's strategy and costs is not likely within the scale of resources available through a renewed VHSL, the levy does offer the potential to invest in key strategies that can prevent veterans from entering homeless—thereby reducing overall system costs—and in targeted investments to house currently homeless veterans.