



Room to Live

The Economics of Mitigating Individual Homelessness in Marin County

Prepared by Marin Economic Forum for Ritter Center of San Rafael

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## Executive Summary

A community investment gap exists in Marin County concerning single adults experiencing homelessness in Marin and mitigating social issues that come from such a condition, and is currently underestimated. There are effects on local businesses because of homelessness, especially in Marin County's downtown areas. This gap is made larger by revenue losses and higher costs faced by local businesses where the homeless individuals interact with commercial activity. This reduced profitability has widespread economic effects on Marin County. Business losses reduce the return on investment (ROI) for society in trying to mitigate issues from individual homelessness. This study's identifies current community investment to reduce homelessness and estimating the lost incomes, jobs and government revenue; an estimation of industries affected is also included. Figure EX-1 illustrates this gap.

The estimates show that if we focus only on downtown areas in Novato, Sausalito and San Rafael, the losses may be as much as \$30 million per year in terms of business revenue not generated. This assumes one percent of business revenue is unattainable for local businesses due to individual homelessness driving away customers. If regained, one percent more revenue to these areas would also support over 216 jobs annually across many sectors and over \$3.3 million in local and state tax revenue for city and county governments in Marin County. Table EX-1 summarizes these data.

Academic literature and case studies suggest that homelessness can be better mitigated through a coordinated effort of local government, non-profit and private-sector resources and actions to provide housing and stabilization services to those willing and able to accept them. There are economic incentives and reasons to pursue such a strategy, from the private, non-profit and public sectors. When homeless individuals interact with local businesses, by living and spending time among storefronts and other commercial spaces and buildings, such interaction detracts from customers coming to that location. There are also public safety costs and interactions that may further detract from customers frequenting a specific area that acts as commercial entryways for businesses. This report looks at the costs to the public sector, the private sector, and society overall as a result of homelessness as experienced by single adults without children and provides some conclusions concerning the effects of this social issue on Marin County, specifically its businesses.

Focal mitigation of homelessness issues should focus on both housing and regaining lost business revenue opportunities and reducing business costs, using the full involvement of local businesses, city and county governments, non-profit organizations in Marin County. Marin Economic Forum (MEF) sees this issue as an economic, social and environmental issue for Marin County; this study advocates for no particular solutions and is meant to inform public policy.

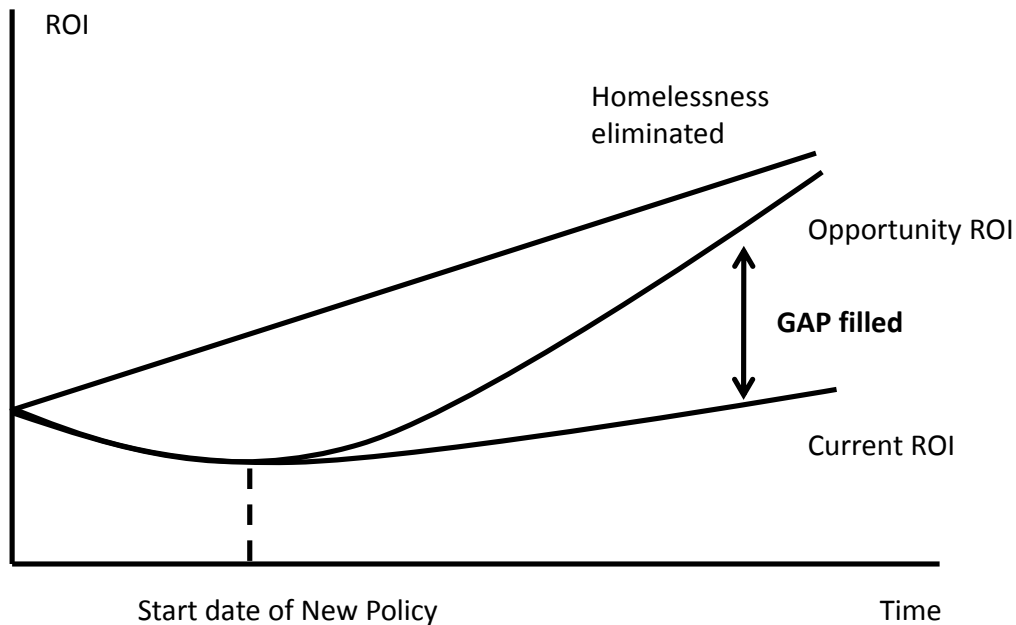
Recommendations from this study include:

1. Link housing strategies to cost savings for the public sector;
2. Engage and interact with local businesses concerning housing solutions in affected areas;
3. Strengthen government-housing partnerships and leverage resources;
4. Improve retention rates for individuals in supportive housing; and
5. Produce information for developing comprehensive strategies and improving outcomes.

**Table EX-1: Summary of Economic Impact Results, Lost Opportunities, 2011\$**

Place	Direct Business Income Gained	Total Business Revenue Gained	Total Jobs Supported	Total State/Local Tax Revenue
Downtown Novato	\$6,394,000	\$9,951,000	71.1	\$557,000
Downtown Sausalito	\$7,636,000	\$11,299,000	73.1	\$2,775,000
Downtown San Rafael	\$6,013,000	\$9,498,000	72.2	\$603,000
<b>Marin County</b>	<b>\$20,043,000</b>	<b>\$30,748,000</b>	<b>216.4</b>	<b>\$3,935,000</b>

**Figure EX-1: The Community Investment Gap Closing**



By removing the implicit costs of the individual homeless to local businesses, Marin County can begin to close the gap illustrated in Figure EX-1.

## **Room to Live: The Economics of Mitigating Individual Homelessness in Marin County**

### **1. Introduction**

This report was commissioned by Ritter Center through Marin Community Foundation and expands the ideas of “Room to Live”, a presentation by Ritter Center and Marin Economic Forum done in 2011. This report focuses on chronically homeless, single adults without children and includes the estimated opportunity costs borne by local businesses. Homelessness, as experienced by single adults, is a social issue with a growing financial footprint annually for three key reasons:

- Costs of maintaining the homeless population generally is rising;
- Funding and services for this population are in reaction to costs borne by society (public safety calls, emergency room visits for health, criminal activity calls, etc.) more than proactive mitigation; and
- Costs are borne directly and also indirectly by businesses, in terms of maintenance and reduced revenue opportunities; the presence of individual homelessness leads to lower economic impacts, reduced job creation and fewer, local tax revenues.

In sum, these categories of costs and lost revenues act as economic incentives to pursue a strategy of better mitigation techniques using public and non-profit services. There are four major questions to ask concerning individual homelessness and its impact on municipal government, on local businesses, and on homeless individuals themselves in Marin County:

- What resources are used in Marin County on individual homeless maintenance?
- What are private-sector perceptions and estimations of homelessness effects on Marin County businesses, specifically in major downtown areas?
- What are the indirect and induced costs of homelessness on the County, specifically the economic impact of increases public sector costs and reduced private sector revenues?
- What are other municipal areas and governments doing about this issue?

Marin Economic Forum (MEF) sees this as both an economic and social issue for Marin County; this study is ultimately meant to inform public policy. When homeless adults without children interact with local businesses by living and spending time among storefronts and other commercial spaces and buildings, their presence may detract customers and clients from patronizing local businesses at specific

locations. This reduces business revenues due to reduced economic activity and higher costs to businesses such that there are also fewer tax revenues for local governments.

This study has five major sections from here. Section 2 is a brief look at the academic literature on the socioeconomics of homelessness and why housing is generally accepted as a first step in mitigating problems that come as a result of homeless people generating costs for society. Section 3 discusses the categories of cost for Marin County trying to minimize the effects of individual homelessness. Costs are borne by residents, local government and businesses. Section 3 also discusses issues faced by local businesses in more depth and also uses survey data collected in 2012 from Marin County businesses to estimate economic losses from individual homelessness. Section 4 looks at additional costs to Marin County exist due to lost business revenue and the broader economic impacts of those lost opportunities. If we assume that businesses, in specific parts of Marin County, have reduced revenues of one percent due to individual homelessness, such a reduction represents over \$30 million per year in tax and business revenues for Marin County. The inability to generate over \$30 million in additional business revenue reduces the support for approximately 216 jobs in Marin County. The economic impacts are summarized in Section 4 and detailed in the Appendix.

Section 5 combines the results above to illustrate an underestimated, community investment gap between what is currently used to mitigate individual homelessness and what could be done otherwise in terms of return on that social investment. The community investment gap is described in this penultimate section and should include the revenues local businesses lose. The study's final section provides conclusions and considerations for policy makers.

## **2. The Homelessness Issue: Socioeconomics Literature**

A brief set of definitions provides clarification. There are many ways to categorize persons experiencing homelessness. We are going to recognize three major categories to view the homeless population. First are homeless families, where there could be a single mother or father or both parents/guardians and children; the presence of children defines a set of services and resources available for this group. The remaining homeless population, homeless individuals, is comprised of persons experiencing homelessness without children under the age of eighteen. Homeless individuals are the focus of this study. Those people considered able to transition to a stable, homed setting are the target of resources and higher returns to this population's maintenance. Chronic homelessness is

defined by one year or more of continuous homelessness and a disabling condition which impedes the ability to obtain or sustain housing.

The social science literature on homelessness is not specific to any one category.<sup>1</sup> A “homed” state is one in which the person in question is able to sustain themselves in a home, both economically (through a mix of resources) and socially (abides by the rules of both where they are homed and of society in ways to not be evicted or jailed).<sup>2</sup> Ultimately, individual homelessness maintenance becomes arguments over efficiency and equity. This study’s thesis is that the return-on-investment (ROI) consideration needs to expand to include revenue lost by local businesses due to problems that arise from individual homelessness. The current use of resources can be more efficient by focusing more on housing and transition services, and Marin County would receive a larger return on investment (ROI) from such focus.

Any solution where homeless individuals are transitioned from using public areas as living spaces, specifically those close to businesses where their presence may interfere with a business’ ability to succeed financially, increases the return on investment to Marin County for this spending. Recent literature provides evidence that housing options must be in place to address the problems more efficiently as measured by reduced costs to society and augmented outcomes for the homeless people themselves.

#### *The Literature on Individual Homeless Economics in Brief*

A labor market context is how homelessness is most viewed by economists. However, homelessness may not necessarily be solved by providing more jobs, skills, and economic opportunity to all homeless individuals. The opportunities provided to this population must be sustainable for them and begin by providing them with a way of remaining in a home. Quigley, et al. (2001) is a seminal article on the causes of homelessness, specific to housing markets, and California as compared to the United States specifically. Schutt (2011) provides a comprehensive social and psychological look at the homelessness issue, with some considerations of housing. Ellen and O’Flaherty (2010) in a recent edited volume show, through many authors, various economic and socioeconomic aspects of homelessness,

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<sup>1</sup> See [How to House the Homeless](#), ed. Ellen and Flaherty (2010) as a recent survey and set of articles on the social and economic issues. [Homelessness, Housing and Mental Illness](#), Schutt (2011) has an extensive bibliography and take the more social viewpoint on homelessness.

<sup>2</sup> Incarceration is not considered a homed state in this regard; further, it is a reactive use of public funding to provide services and housing to a subset of the homeless population.



housing and potential solutions, including Housing First.<sup>3</sup> One key aspect of how to move the homeless into being housed is the longevity by which individual homeless people are provided with economic and social resources. The literature sees two key reasons why individual homelessness exists and is continuous:

- Constrained housing options; and
- Lack of informal networks for support.

Netto (2006) suggests that the extent to which homelessness services are appropriate might be assessed by an ability to meet general needs of affected people, as well as specific needs related to their demography. There are many allied services that may be necessary to serve individual homeless populations; these services must take into account a wide breadth of needs. Netto (2006) further suggests a holistic approach that considered housing needs, alongside other needs such as social assistance benefits, employment and access to health services. Some authors argue that shared housing options and availability may also be a way to provide more support. A recent study by He, et al (2010) suggested that shared housing, not group homes, was a way to combat new homelessness and reduce the length of time currently homeless individuals remain outside of a home.

A pervasive issue in homeless housing is equity versus efficiency; policies that center on efficiency may lead to the encouragement of group facilities because of economies of scale. He, et al. (2010) makes the case that there is an implicit tax for shared or group housing; if two people live together, and thus cut the fair-market rent of a living space in half, they may also lose half the subsidy of living alone. The tax exists because the housing option of living in shared space has a reduced cost associated with it. He, et al. (2010) makes the argument that homelessness may come from such a “tax” becoming inequitable. For example, the tax distorts individual homelessness behavior that, without the tax, would leave them inside a home and sharing the costs with someone else. This is more likely to happen with high-cost, housing options. Housing sharing can help reduce individual homelessness, and such “taxes” can tip someone back into homelessness. The decision to remain homed depends on this efficiency-equity tradeoff: the implicit tax may force more costs onto society than simply providing a subsidy to marginally homeless people and keep them in a home.

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<sup>3</sup> Ellen and O’Flaherty (2010) is a comprehensive look at the economics of homelessness, a mix of both empirical and theoretical research. It is an outstanding overview of the challenges faced by the individual and society in areas where homelessness is a problem.

In a recent study from Columbia University, O’Flaherty (2011) suggests that policy concerning homeless individuals fails due to a lack of predictability and planning correctly for a changing population. O’Flaherty (2011) suggests that there are four major questions that policy makers need to consider:

- Can homelessness be predicted?
- If so, what information predicts it?
- What interventions affect the probability of becoming homeless and how will they affect behavior?
- How will interventions affect incentives to save and consume before homelessness prevention programs have effects on the population?

O’Flaherty (2011) contends with larger policy questions about designs of social services for the homeless. One dichotomy is that if a community designs too good a service, incentives may exist to “export” those services and generate longer stays in transitional facilities for more than just local homeless residents. The intake of new, migrating homeless people may then generate resistance to transitional facilities. Also, social insurance can lead to moral hazard (or a long-term spell of individual homelessness subsidized by social insurance) and increasing problems as the amount of insurance rises. O’Flaherty (2011) investigates individual homelessness as a loss of assets by the individual. When those assets go away, the individual loses the ability to house themselves. The asset base includes physical health, mental health and stability, emotional stability, financial assets, and human capital. O’Flaherty (2011) concludes that the type of housing available to a population can be a predictor of initial and continued homelessness. Incarceration and stays in hospitals can be a negative shock to assets; reducing the incidence of hospital stays and jail time can provide better support for a reduction in both falling into and the time of homelessness.

Two themes emerge from the academic literature on individual homelessness and the economics of such a situation. First, a wide breadth of services is needed to transition a homeless person to a homed state. Second, and potentially most important for Marin County, is the need for housing as a transitional step in individual homelessness being reversed. Housing loss is a common theme as both what begins and also continues social problems from homelessness; more housing options can be a positive force for a marginal population in terms of remaining homed, the more individual homelessness can be combated. Some cases of using housing as an initial step are considered in the next subsection.

### *Cases from Los Angeles and Seattle*

Cities from as Los Angeles and Seattle provide case studies in housing solutions using a more efficient mix of local public, private, and broader grant and public funding support for the individual homeless. A general concern is about high public costs of chronically-homeless individuals; high barriers to health care access generally exist for this population, thus acute care becomes an immediate cost center for public health services. For example, a lack of general, consistent health care for the individual homeless person leads to a larger incidence of acute needs. This forces a reactive cost onto society rather than lower, proactive costs of maintenance. Social services engage with this population in multiple ways: shelters, abstinence-based housing, treatment programs, etc.

A Housing First program is being used in Seattle, Washington, along with other options.<sup>4</sup> The Housing First services center in Seattle removed the requirements for sobriety, treatment attendance, and other barriers to housing eligibility. The Seattle program is known as 1811 Eastlake and targets homeless adults with severe alcohol problems who use local crisis services at the highest cost levels. The project allows residents to drink in their rooms. Providing housing to individuals who remain actively addicted to alcohol, without conditions such as drug use abstinence or treatment attendance, can reduce the public burden associated with overuse of crisis services and reduce alcohol consumption; services exist on site. Findings of a recent study suggest that permanent, rather than temporary, housing may be necessary to fully realize cost savings, because benefits continue to accrue the longer these individuals were housed.<sup>5</sup> Such programs use on-site, health services, case managers, and minimal rules and regulations. Los Angeles' experiment with Housing First is also controversial concerning the public costs for people in supportive housing compared to similar people that are homeless. A recent study suggests that the typical public cost for residents in supportive housing is \$605 a month; the typical public cost for similar, homeless persons is \$2,897, approximately five times greater than those housed.<sup>6</sup> This finding suggests that benefits result from providing supportive housing for vulnerable homeless individuals. The stabilizing effect of housing plus supportive care is demonstrated by a 79 percent reduction in public costs to maintain these residents. The study encompassed 10,193 homeless individuals in Los Angeles County, 9,186 people who experienced homelessness while

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<sup>4</sup> See [www.housingfirst.org](http://www.housingfirst.org) for more information. Also see Tsemberis (2010) in Ellen and O'Flaherty (2010), pp. 37-55, for a look at Housing First.

<sup>5</sup> See Larmier, et al. (2009) for more.

<sup>6</sup> See Flaming, et al. (2009) for more.

receiving General Relief public assistance and 1,007 people who exited homelessness by entering supportive housing.<sup>7</sup>

What relates these case studies to Marin County is the connection between proactive and focal investment in the individual homeless population transitioning from current situations to situations of being more self-supporting. Two different methods were used to independently verify changes in public costs when individuals are housed compared to months when they are homeless. There are general findings from the literature which may help guide policy in Marin County:

1. Most savings in public costs come from reductions in health care outlays;
  - a. Public costs fall when individuals are no longer homeless;
  - b. Public costs for homeless individuals vary widely depending on demography;
  - c. Public costs rise as homeless individuals age;
2. Services focused on need are more efficient for service providers and public budgets; and
3. Housing retention is a major challenge as is local housing market dynamics.<sup>8</sup>

There is little to no coverage in the literature is how individual homelessness affects local businesses. A major theme of this study is local businesses experience reduced revenues as a result of this social condition; business' reduced revenues and larger costs then generate negative economic impacts on businesses beyond the directly-affected areas and industries. For example, a local restaurant that experiences fewer turns (times a table inside the restaurant is used for a meal per day), due to fewer customers, demands less linen services, food, beverages, and other inputs that may be supplied by other local businesses. To examine the broader impacts on local businesses and the social assistance costs of this maintenance more completely, we now look at the cost categories concerning homelessness, and include lost revenues to local businesses among these costs. The next section looks at Marin County and the costs paid by all parts of society from individual homelessness, including lost revenue of local companies as the first step in understanding the community investment gap in Section 5.

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<sup>7</sup> Ibid.

<sup>8</sup> This set of conclusions comes from Flaming, et al. (2009) in general, but stretch across the empirical and academic literature.

### 3. Categories of Costs and Lost Revenues

The elimination of homelessness is the vision for public policy makers and non-profit organizations involved in homeless assistance. Social costs mitigation from homelessness is similar to minimizing unemployment in a labor market. Like unemployment, homelessness is due a mix of market and social failures, choice, and other case-specific issues. Because a new homeless person migrates to Marin County, or becomes homeless after being homed locally, the flow of new individual homelessness is difficult to stop. Individual homeless people who are willing and able to be transitioned out of a homeless state of being are the focus of social cost minimization and ROI augmentation using public and non-profit funding.

There are both explicit and implicit costs of individual homelessness in Marin County. Explicit costs include spending made by the public and non-profit sectors to service the homeless. In the private sector, lost revenues mean fewer jobs and less investment in maintaining a business at its current location. There are also lost sales and other taxes because of lost revenue opportunities for businesses, which could help further support individual homelessness, but also help general funds in times of budget shortfalls. There is a tie between the private and public sectors with respect to this issue. There are three major areas where individual homelessness may impose costs<sup>9</sup>:

- Public sector: local governments spend tax dollars on combating problems that arise from individual homelessness;
- Local non-profit organizations: the costs of providing services to individual homeless persons rises as more people demand services; and
- Local businesses: there are larger costs of maintenance, operations, and other costs due to the presence of individual homelessness near business and store entrances, and also lost revenues due to fewer customers. Both of these combine to make the business less profitable because individual homelessness is present.

These costs are all important and somewhat interconnected. Costs of homelessness on local businesses range from lost revenue at retail stores to lost rents for owners of commercial buildings. This

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<sup>9</sup> We should not forget about the cost of homelessness borne by the individual homeless person himself or herself. The cost, while beyond the scope of this study, is also mitigated if effective mitigation and transition is provided by services.

section focuses on is identifying those costs in Marin County to then estimate where a funding gap lies in terms of focusing policy on closing this gap for the betterment of all Marin County.

### *Public Sector Costs*

The public sector bears the cost of individual homelessness within three main categories:

- Public health costs;
- Public safety costs; and
- Lower tax revenues.

Table 1 shows categories of public sector costs in Marin County for the homeless overall to provide a guide to the amount of resources used. It is important that robust, homeless population and demography estimates continue for county planning purposes; the County of Marin performs a biennial count of persons experiencing homelessness from various data sources. Public health costs include hospital stays and emergency services where ambulance, fire, police, and other public safety responses and workers engaged with the individual homeless at the public's expense.

Second are public safety costs. When the individual homeless cause a law and order problem and are arrested or incarcerated or held for any length of time in jail (or engage in recidivism), the public sector pays for these costs on a continuous, reactive basis. If conditions of homelessness lead to more arrests, housing options may reduce arrests.

Third are indirect costs to the public sector based on reduced tax revenues. If a grocery store in downtown Novato is losing revenue due to the presence of individual homeless people in front of the store daily, there is also lost tax revenue. Based on the economic impacts of that lower revenue level, there may be further reductions of tax revenue due to more retailers experiencing lower levels of demand.

One of the main reasons for an annual homeless count is not only to inform public policy makers and non-governmental organizations about the changes in the homeless population, but also to look at how the health and human services networks in Marin County can plan for future change and assistance.<sup>10</sup> In 2011, an estimate states there were almost 800 individual homeless people in Marin County utilizing shelters (emergency and transitional housing). In general, about 65% of the homeless population in Marin County is individual homeless people. Most of the individual homeless are between the ages of 31 and 61. The homeless count also asks respondents about any disabling conditions. In

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<sup>10</sup> Homelessness Planning Resource April 17, 2012: Update from County of Marin.

many cases, physical and mental illnesses were stated, along with drug and alcohol issues. In over one-third of the individual homeless people surveyed, there were multiple, disabling conditions. There was also a focus on those that are “unsheltered”; a sheltered count was also done.<sup>11</sup> The definition of unsheltered is a person that lives in a place not otherwise meant for human habitation. Recent findings showed there were slightly fewer individual homeless in 2012 than in 2011; transitional housing was more utilized in 2012 than in 2011.<sup>12</sup>

The effects of individual homelessness on society are not constrained to those businesses, governments and organizations that are directly related to mitigating or resourcing the homeless population. The economic impact is broader than that because as the directly-affected organizations shift their use of resources to deal with individual homeless, other companies and governmental organizations are affected by lost revenues and inefficient use of resources. Table 1 shows the 2009 – 10 fiscal year data and spending by Marin County on the homeless.

*Costs to Non-Profit Organizations*

There is a connection between the set of non-profit organizations and the public funding for individual homeless programs. Table 1 splits the funding between public to non-profit funding otherwise for the housing, health and other services provided in Marin County.<sup>13</sup>

**Table 1: Fiscal Spending by Marin County on Mitigating Homeless Issues: Public and Non-Profit**

<b>Funding Task</b>	<b>FY 09/10</b>
Public and Non-profit Sector	
County Health and Human Services	\$11,954,000
Public Safety	\$3,958,000
Marin General Hospital	\$3,460,000
Prevention-Financial Assistance	\$2,191,000
Emergency Shelter	\$2,221,000
Transitional Housing	\$1,439,000
Permanent Supported housing	\$9,112,000
Domestic Violence Housing/Shelter	\$2,500,000
Supportive Programs	\$4,593,000
<b>Totals</b>	<b>\$41,428,000</b>

**Source: County of Marin**

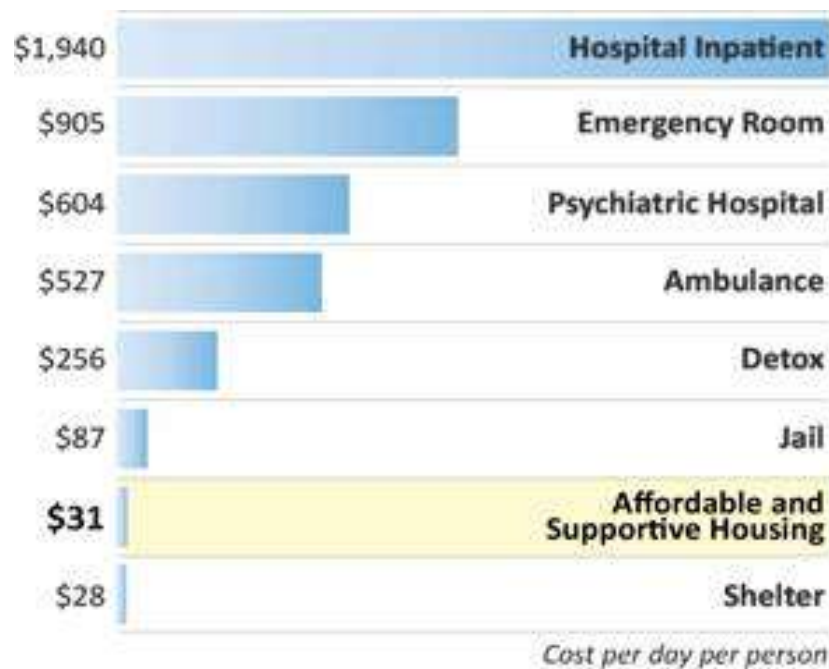
<sup>11</sup> There is a bi-annual count of those that are homeless with a broader definition. This will be done again in 2013 for Marin County.

<sup>12</sup> 2012 Unsheltered Homeless County: Revised, County of Marin. Also see Williams (2011) for more on the political economy and issues involved with generating and using homeless counts.

<sup>13</sup> Ibid: The non-profit sector figures do not include public support for non-profit organizations to avoid double counting.

Two issues exist with non-profit organizations and the provision of services for the individual homeless. First is the identification of those that are able to make a transition from homelessness to being homed. This identification process can be problematic if the homeless population does not provide truthful information; in general, screening is easy and necessary for some services to be provided. Second, an inability to be proactive versus reactive does not allow an easy way to reduce costs. For example, if services are provided in a reactive way, the costs are not an investment in the successful transition of the individual homeless person to being homed; the reactive services simply mitigate a current problem without addressing strategic care solutions for the homeless. Figure 1 compares the reactive and proactive costs per day of society dealing with homelessness.

**Figure 1: Comparison of Reactive and Proactive Solutions to Mitigating Homeless Issues**



Source: US Interagency Council on Homelessness ([www.usich.gov](http://www.usich.gov))

Engaging local businesses in solutions to these problems is engaging them in enhancing their own sales revenues.

*Private-Sector Perceptions in Marin County: Homelessness in General*

Private sector costs from individual homelessness come in three major forms.

- Lost business revenue;



- Higher than expected costs; and
- Reduced economic impacts from a broad base of businesses losing profits.

Lost business revenue due to individual homelessness generates opportunity costs from this issue for society. The individual homeless population can also generate costs for potential customers of local businesses, and provide incentives to buy goods and services at other locations. Lost revenue by any merchant, services business, or any organization that generates revenue and employment can have broader impacts over time through the economic impacts of lost revenue. The presence of individual homelessness can generate costs for both a business occupying commercial space or the space owner and management. Residents in such areas can also see rising costs due to more maintenance of properties.

In summary, these costs are connected to and compound each other once present. Because not all businesses are also the property owners, a property owner may find that their property turns over more often (which increases costs), is more expensive to maintain over time due to homeless people interfering with businesses; foot traffic or consumer flow reductions can have negative effects on a property's marketability. To find out more from local businesses, Marin Economic Forum generated a survey about these issues and local business perceptions about lost revenues and higher costs.

#### *Survey of Marin County Businesses about Individual Homelessness*

A survey was administered between March and June 2012 through Marin County's chambers of commerce, local business organizations and other networks to find out more about perceptions and attitudes toward individual homeless issues in Marin County and their effects on local businesses. These perceptions are ways to look at concerns and decisions made by businesses in Marin County where individual homelessness exists and potentially affects business revenues. The survey also asked the potential cost businesses would be willing to pay to help mitigate problems due to individual homeless positively for Marin County.

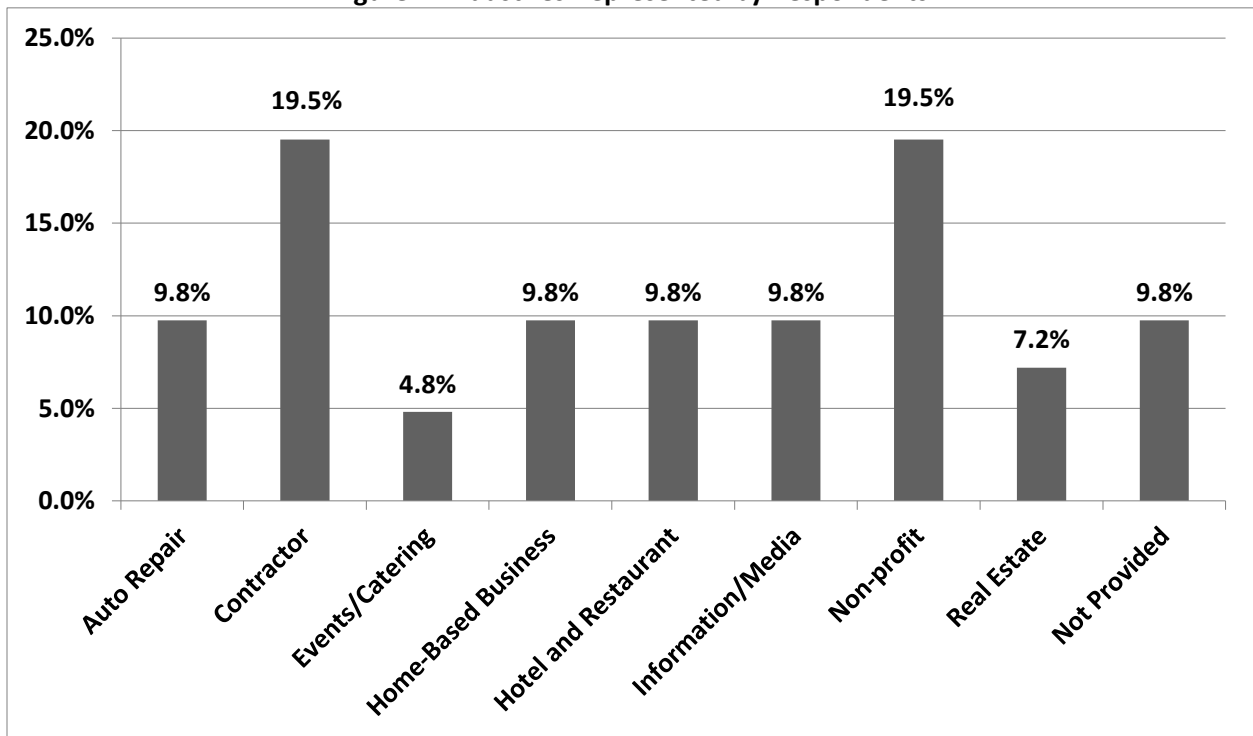
Some of the major hypotheses in the survey include:

- Local businesses are adversely affected by individual homelessness, mainly in the downtown areas of Marin County's larger cities (Novato and San Rafael), but also in smaller towns (Sausalito, Mill Valley, San Anselmo, Fairfax);
- Local businesses would pay something to change those conditions;

- Commercial realtors are also affected adversely by the individual homeless, in terms of perception of potential tenants and deal flow in specific areas.<sup>14</sup>

There were 57 respondents to the survey, and some interviews of more depth were conducted. The survey was designed to be brief and focused on the perceived business effects, reactions, and business attitudes concerning individual homelessness. The survey structure split up respondents into categories such as business owners (one question was if the respondent owned or did not own a business in Marin County), critical decision makers at a business (if they were not the owner), commercial property owners, and those that both owned a commercial property and operated or made critical decisions for a business within that commercial property. Business owners were 72 percent of the respondents; of the remaining 28 percent of respondents, 50 percent were critical decisions makers if not owners.

**Figure 2: Industries Represented by Respondents**



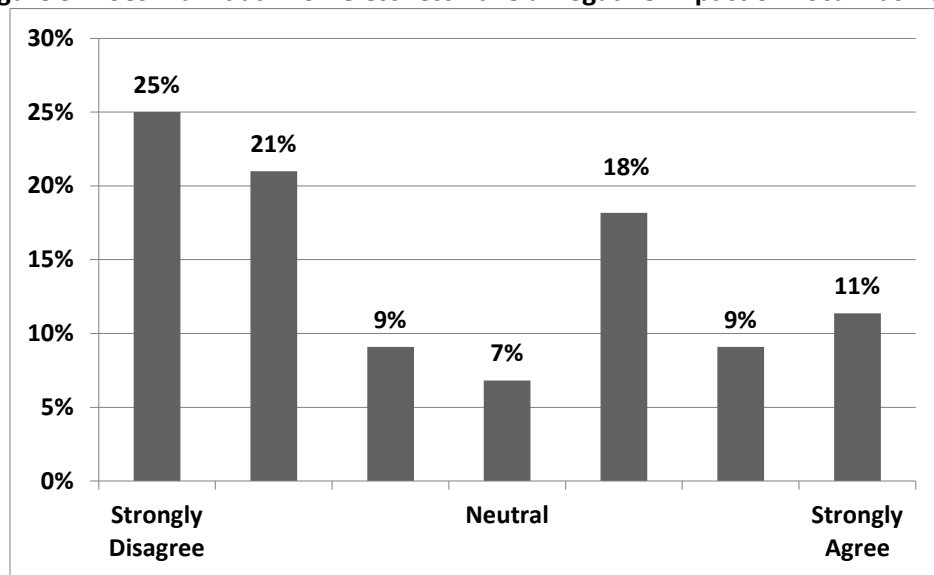
The respondent’s demography, in terms of business interaction with the individual homeless, determines the next set of questions. For example, the respondent was asked to identify the type of business they either own or manage. Figure 2 shows the industry breakdown in terms of responding businesses to the survey, including those that defined their own businesses (the survey provided

<sup>14</sup> For a copy of the survey in its raw form, please contact Marin Economic Forum: [info@marineconomicforum.org](mailto:info@marineconomicforum.org).

“storefront”, “professional”, and “personal” services as the initial choices). If a match was not found for the respondent’s type of business, the respondent could fill in a description phrase.

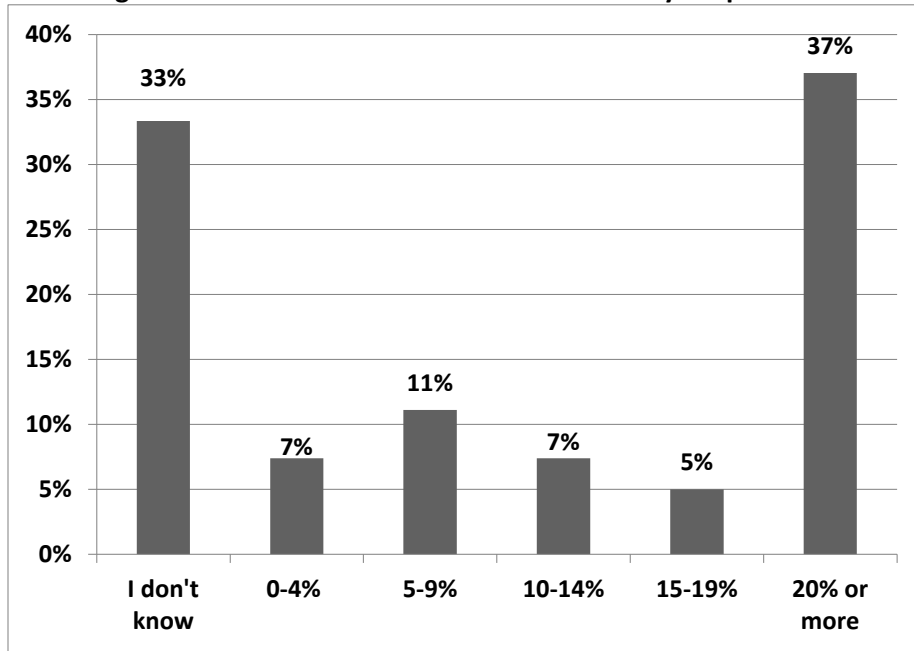
The remaining survey questions were focused on gaining access to local business perceptions concerning the effects of individual homelessness on business revenues and costs and potential, broad estimates of lost revenue and higher costs over time. The first question asked for the respondent to agree or disagree on a seven-point scale (1 = strongly disagree and 7 = strongly agree): “Please indicate how much you agree with the following statement: Revenue for my business is dependent upon foot traffic”. The next question asked: “Please indicate how much you agree with the following statement: Individual homeless people in Marin County have a negative impact on revenues for my business”, also on a seven-point scale.

**Figure 3: Does Individual Homelessness have a Negative Impact on Local Business?**



If the respondent answered 5, 6, or 7 to the previous question, which would indicate their perception was that the homeless population did negatively affect their business, the respondent was then asked to estimate the percentage loss from the homeless on their specific business. Ranges of potential percent losses were provided to the respondents. Figures 3 and 4 illustrate the distribution of responses to questions. The next set of questions was directed at non-property owners who were business-decision makers; on a seven-point scale, each respondent agrees or disagrees with the following statement: “I would be willing to pay more in order to rent or purchase property in an area where individual homelessness is less prevalent”. The next set of questions asked by percentage how much the respondent would be willing to pay or currently pays, shown in Figures 5 and 6.

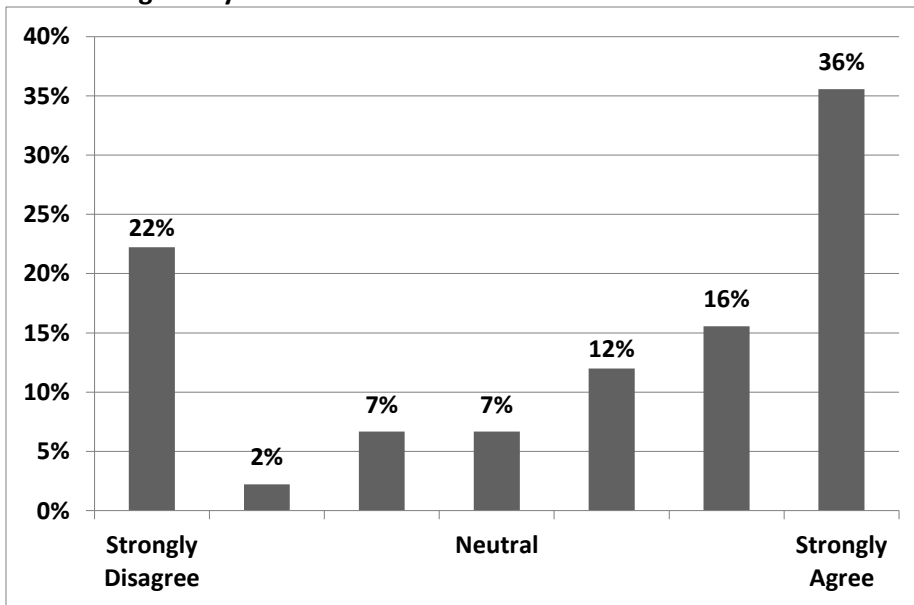
**Figure 4: Perceived Loss of Business Revenue by Respondents**



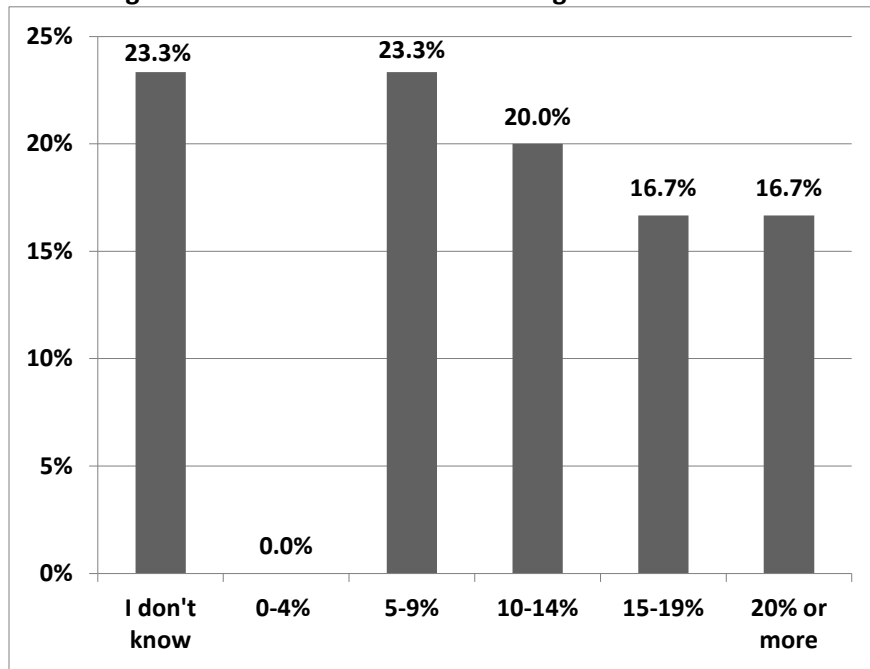
Note: These results are for those that responded to Figure 2's Question to the right of "Neutral"

Finally, if they answered with 5, 6, or 7 to the previous question, they were asked what percentage of loss. Also, commercial real estate agents or brokers were asked on a seven point scale if they agreed with: "Individual homeless people in Marin County have a negative impact on my revenue from lease or sale commission". If they answered 5, 6, or 7, they were then asked what percentage loss they suffered.

**Figure 5: Willing to Pay More to Locate Where Individual Homelessness Not an Issue**



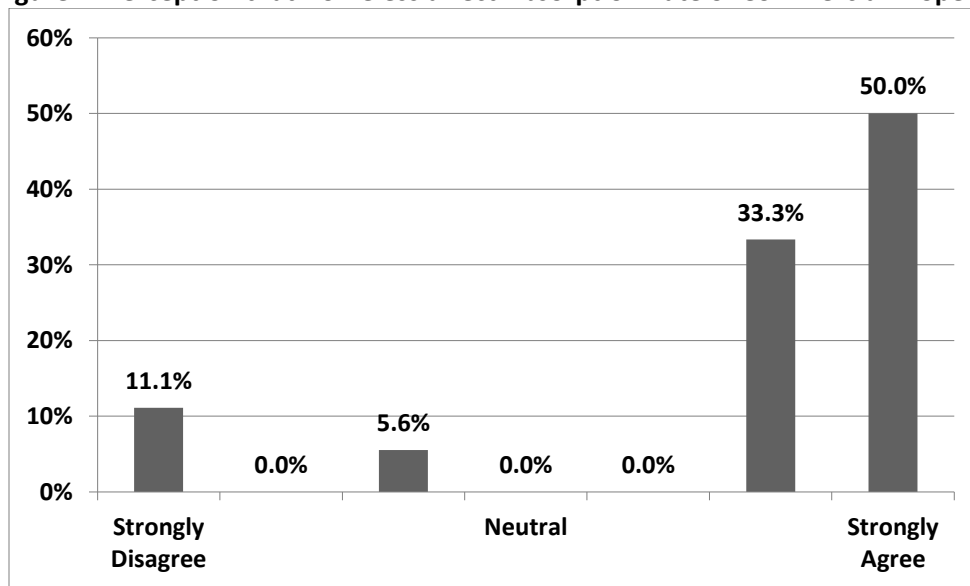
**Figure 6: Additional Cost Paid to Mitigate Homelessness**



Note: These results are for those that responded to Figure 4's Question to the right of "Neutral"

Because lost business revenue is difficult to measure in terms of each individual company, the survey instrument provided a way for local businesses to state an estimate in terms of a range of losses. Any additional costs then trigger effects on other businesses that both supply the affected firms but are also patronized by the affected firm's workers who may see wage reductions or lost jobs due to the costs of individual homelessness rising.

**Figure 7: Perception that Homeless affect Absorption Rate of Commercial Property**



Note: These results are for those who identified themselves as commercial property owners or agents

These lost revenues create negative economic impacts on Marin County. Individual homeless people can change the current economics of the businesses affected, and also reduce the potential of those businesses, commercial spaces and local governments in how they use their funding. As part of this study, Marin Economic Forum contacted local merchants through chamber connections to hear views in more depth and breadth.

### *Interviews, Written Submissions and Other Opinions*

There were three major themes that emerged from the discussions. First, merchants understood the dichotomy of chronic and non-chronic homelessness. As a result, the location of social services and non-profit organizations may both cause and exacerbate the effects of homelessness on Marin County businesses. Second, there is a recognition that the homeless maintenance cost comes in many forms and is borne by local businesses directly. For example, one merchant wrote that there are effects of the homeless population on businesses during business hours **and** after hours. Trash is left next to merchant entrances and left for merchants to clean up and dispose of otherwise daily due to the homeless searching through the trash or leaving debris in their wake. There are also times when property is damaged because something valuable is taken, or an attempt to take it causes damage (a copper pipe was damaged in one example as a result of someone trying to remove it overnight). During the day, the homeless problem is a detraction and distraction for businesses that also impose costs.

Finally, local businesses suggested that putting an actual number to the lost revenue or higher costs is difficult and perhaps futile. The recognition that additional costs, including lower business revenues, exist is not in question. In fact, those costs can be so large that some businesses are driven out of business (there was an example of this from a survey respondent). However, to put a precise dollar figure on lost revenues or higher costs of property maintenance (lost labor time otherwise) was tricky. What this study does instead is use a one percent loss to specific areas of Marin County as a tool and gauge for what is lost due to homeless interactions with local businesses.

### *Summary*

The assumption here is that the individual homeless issue becomes a private business issue as there are both increased costs and lost revenue that results from the overt presence of these individuals. The next section looks at better mitigation of homelessness like the lifting of a tax on local businesses, allowing them to recover lost revenue.

#### 4. Economic Impacts from Lost Business Revenue

If business revenue is artificially lower due to a tax or fee or external cost that is generated by their location or social conditions around a location, the business receives lower revenue versus what it could make otherwise. In a sense, we can think of the individual homelessness issue as creating an “externality”, or an external effect that spills over onto local merchants, professional services, and other businesses in an area where the individual homeless are active and overt.<sup>15</sup> Some simple examples are:

- Reduced number of patrons to a local restaurant;
- Reduced tourism foot traffic to historic locations and specific businesses;
- Reduced patrons of a theater, bar or café; or
- Reduced retail sales due to fewer customers and more competition.

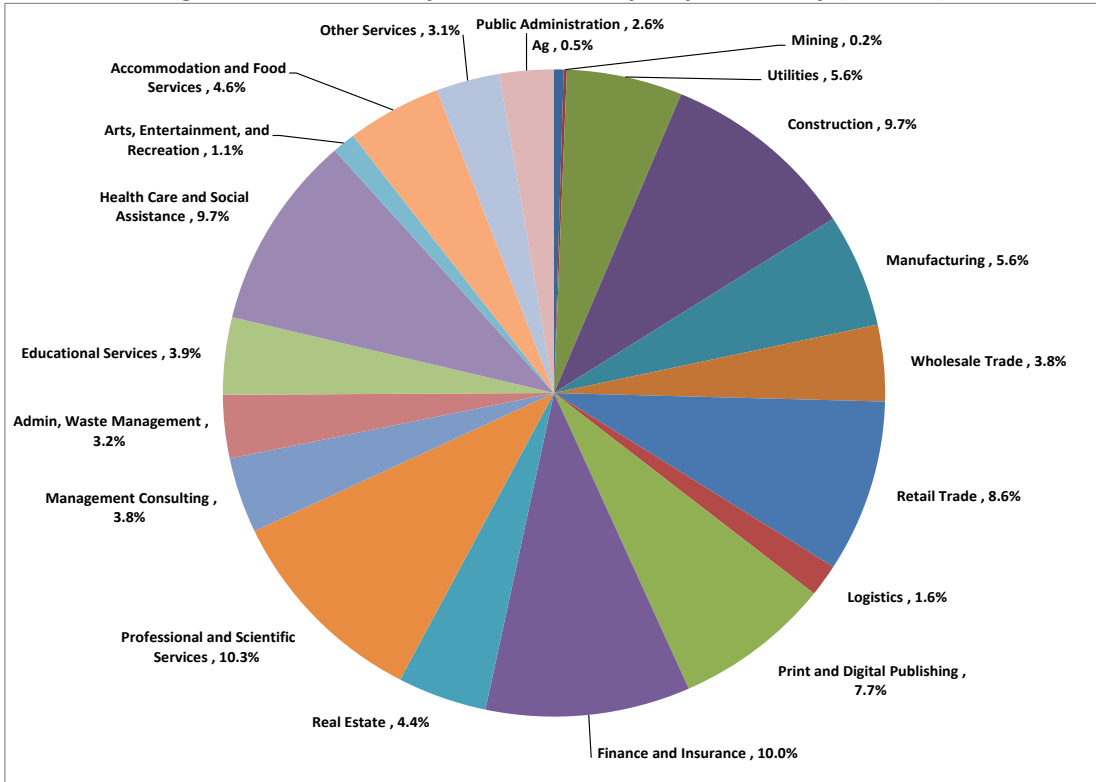
The tax analogy works here because taxes are social costs imposed on private businesses or households. A tax distorts behavior in the markets where the taxes exist. In this case, the tax is implicit and does not provide government revenue. Individual homelessness acts like a tax on the business’ ability to generate profits when a detriment to local businesses. For example, a restaurateur may want to locate in downtown Sausalito due to tourism flows and because Sausalito provides a niche location for their business. If the individual homeless population encamps close to or in front of this restaurant, customers may choose another business to patronize simply because there is less cost in doing so.

The cost is implicit because homelessness created in one market spills over onto other markets, increasing the economic cost of dining at the new restaurant. If the restaurant fails to generate enough income due to an artificially lower number of sales, the restaurant may not survive or decide to move where homelessness is less a factor. It is important to see homelessness as a cost for both local businesses and their employees, not just the local businesses. In Marin County, the business mix is very diverse in terms of employment and business revenue, but the business revenue. Figures 8 through 11 provide a comparison of 2010 data among the proportions of business revenue among major industry classifications for Marin County overall, San Rafael, Novato, and Sausalito respectively.

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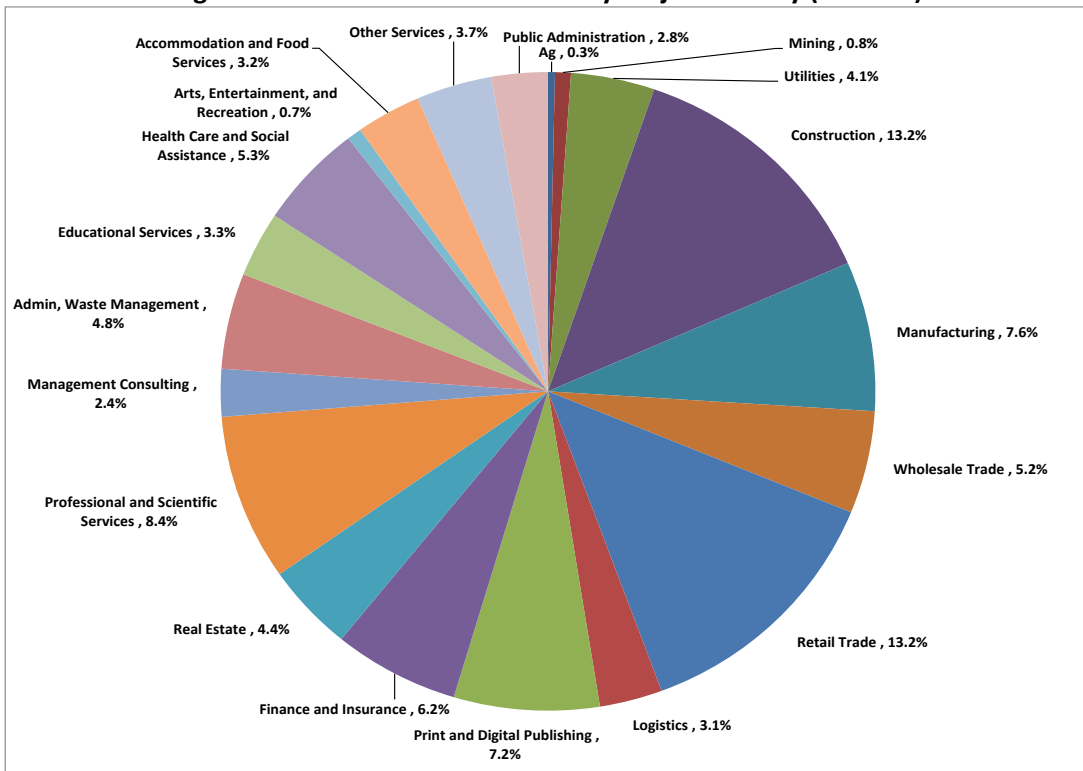
<sup>15</sup> In a recent symposium held by Westside Economic Alliance in Portland, Oregon, a similar study as this was proposed to provide a way for the business community to understand the problem of homelessness on the local economy and society. Our study here focuses more on the individual homeless situation and the economic impacts primarily.

**Figure 8: Marin County Revenue Mix by Major Industry (NAICS 2)**



Sources: LEHD, MIG, Census Bureau

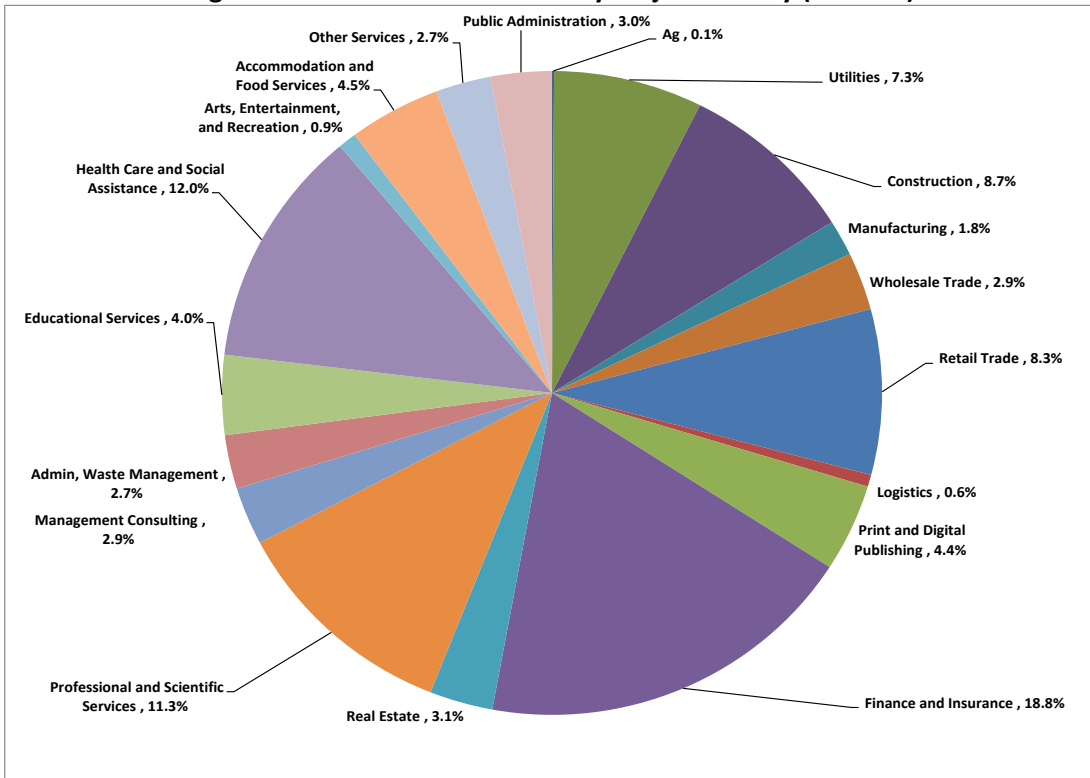
**Figure 9: San Rafael Revenue Mix by Major Industry (NAICS 2)**



Sources: LEHD, MIG, Census Bureau

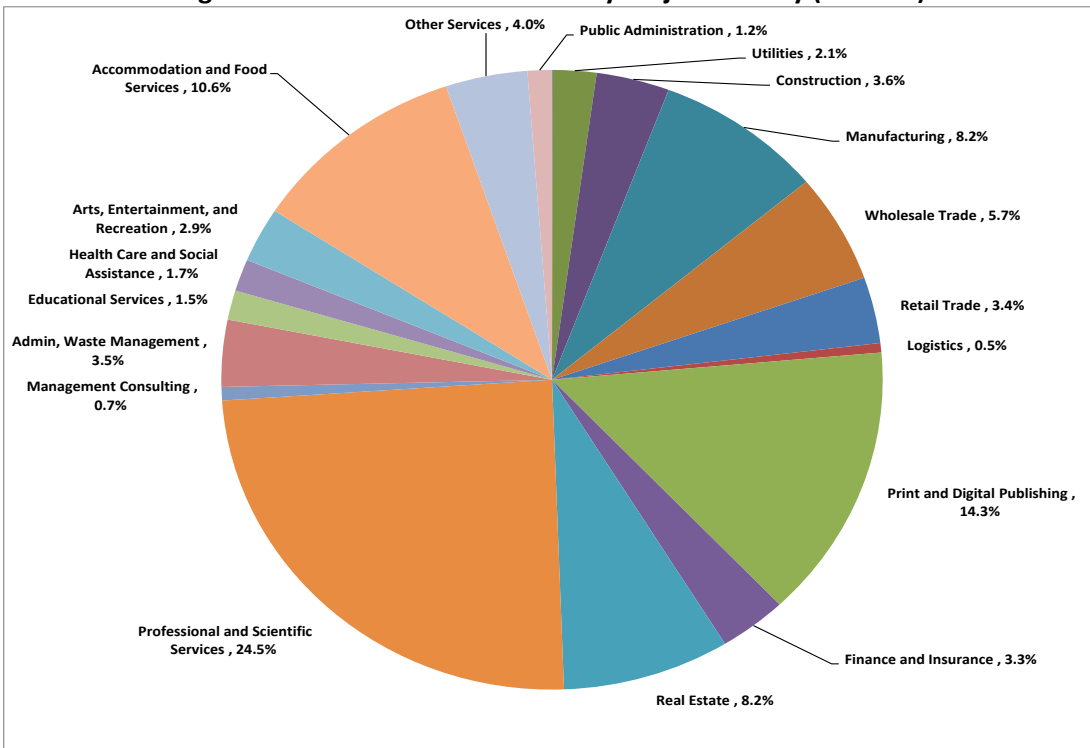


**Figure 10: Novato Revenue Mix by Major Industry (NAICS 2)**



Sources: LEHD, MIG, Census Bureau

**Figure 11: Sausalito Revenue Mix by Major Industry (NAICS 2)**



Sources: LEHD, MIG, Census Bureau

The data in Figures 7 through 11 are generated from 2011 business revenue per worker estimated for Marin County across these industries and subareas from Bureau of Economic Analysis and MIG (who makes the IMPLAN multipliers for Marin County) data.

If a certain amount of revenue came back into the local area due to individual homeless activity being less detrimental on local businesses. An assumed increase of business revenue to downtown areas of Marin County will not only generate more business revenue for those areas, but also surrounding area businesses throughout the county. A gap exists in the local economy due to the individual homeless issue. Better mitigation and transition of individual homeless people off the streets and back into productive, homed residents closes that gap by providing higher ROI.

#### *Direct Effects and Economic Impact Estimations*

The estimates are based on a one-percent gain to business revenues in Marin County's downtown areas (Novato, San Rafael and Sausalito specifically) as a result of transitioning individual homelessness on the street to housing in a way that reduced social problems. The gains would be ongoing; the economic impact results should be seen as annual averages in 2012 dollars.

These data are used below to estimate the broader effects of individual homelessness issue on Marin County. The ultimate uses of these data are as a planning tool and to show how one type of business is affected and transmits effects onto other businesses. There is a large amount of economic connectivity among businesses in Marin County, such as a legal firm's growth in clientele that may lead to more retail and restaurant sales located in the same downtown area as growing the legal firm. Census-tract level information was used to determine the economic flows for each area and industry sector. Table 2 shows these data, estimated to the nearest thousands of 2012 dollars. Using the economic impact methodology shown below, the mitigation of individual homelessness in Marin County would affect the for-profit business community, local governments, and workers if there was additional revenue gained due to a positive change.

The economic impact analysis below also provides the reader with an algorithm for specific businesses to estimate effects for homelessness and how many workers in Marin County are affected by individual homelessness. Also, the model can show how the recovery of business revenue also generates local and state tax revenues used by Marin County's city and county governments. Table 2 provides the initial estimates for the economic impact analysis.

**Table 2: Estimated Gain for Selected Downtown Areas in Marin County  
New Business Revenue, 1% gain due to Individual Homeless Problem Mitigated**

<b>Industry</b>	<b>Downtown Novato</b>	<b>Downtown Sausalito</b>	<b>Downtown San Rafael</b>	<b>Totals By Industry</b>
Utilities	\$0	\$332,000	\$0	<b>\$332,000</b>
Construction	303,000	172,000	123,000	<b>598,000</b>
Manufacturing	159,000	709,000	303,000	<b>1,171,000</b>
Wholesale Trade	90,000	619,000	237,000	<b>946,000</b>
Retail Trade	236,000	187,000	649,000	<b>1,072,000</b>
Logistics	20,000	24,000	24,000	<b>68,000</b>
Print and Digital Publishing	337,000	1,011,000	312,000	<b>1,660,000</b>
Finance and Insurance	2,438,000	173,000	706,000	<b>3,317,000</b>
Real Estate	166,000	667,000	373,000	<b>1,206,000</b>
Professional and Scientific Services	391,000	1,703,000	759,000	<b>2,853,000</b>
Management Consulting	172,000	73,000	122,000	<b>367,000</b>
Admin, Waste Management	161,000	180,000	144,000	<b>485,000</b>
Educational Services	75,000	110,000	103,000	<b>288,000</b>
Health Care and Social Assistance	363,000	92,000	730,000	<b>1,185,000</b>
Arts, Entertainment, and Recreation	5,000	128,000	144,000	<b>277,000</b>
Accommodation and Food Services	194,000	740,000	418,000	<b>1,352,000</b>
Other Services	879,000	611,000	318,000	<b>1,808,000</b>
Public Administration	405,000	105,000	548,000	<b>1,058,000</b>
<b>Totals by Area</b>	<b>\$6,394,000</b>	<b>\$7,636,000</b>	<b>\$6,013,000</b>	<b>\$20,043,000</b>

**Sources: Employment Development Department of CA, Bureau of Economic Analysis, MIG**

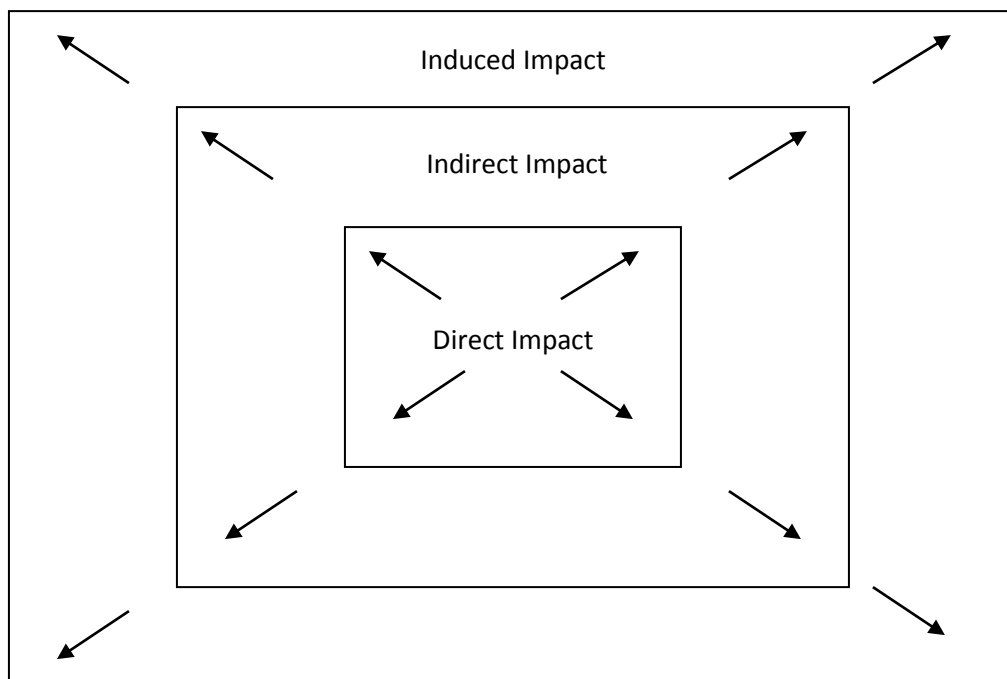
*Brief Overview of Economic Impact Methodology*

Like dropping a rock into a pond, an industry’s expansion has ripple effects on a local economy and beyond based on new jobs created. The IMPLAN<sup>®</sup> model used here, which stands for IMpact analysis for PLANning, is a model by which municipalities worldwide analyze the employment, revenue, wage, and tax effects of economic events. This model has three impact classifications, summing to a total effect. The **direct** effects are those specific to the event. For example, when revenue rises for a local restaurant due to individual homeless people no longer living or making a day of being directly in front of the restaurant and occupying its entryway, this increase generates a positive economic effect on local employment, tax and business revenues. The restaurant hires more workers, or purchase more supplies and services from other businesses. **Indirect** effects come from such gains for the new workers and businesses that supply the growing business (linen services, food distributors, farmers). These revenue gains further increase the spending of indirectly-affected businesses and lead to rising employment, wages, revenues, and taxes throughout Marin County. When linen-cleaning businesses experience larger revenues than expected, those businesses may consider growing in the local area that

provides demand. Such decisions, including the linen cleaning business hiring to its potential, increase the broader, county economy as a whole. These additional revenues and jobs create **induced** effects.

The induced effects are similar to indirect effects, but come from indirectly-affected workers and firms and their economic gains; the affected workers and business owners increase their spending on a variety of businesses. For example, a linen-service worker, that recently got a job due to an increase in her employer's revenue, may go to the grocery store, dry cleaners, or the doctor's office more often, which further increases growth in local business revenues, employment and taxes.

**Figure 12: Economic Impact Concept**



The sum of these effects is the total or overall economic impacts. The tables below are split into such categories, where the top industries affected are shown explicitly beyond the directly-affected industries.<sup>16</sup> The lost jobs and income are shown by the top-ten industries affected; new receipts and costs for the City of San Rafael are shown by specific categories. Figure 12 illustrates the ripple effect of this multiplier process.

By using a one-percent gain as a guide and planning tool, city and county governments, as well as local chambers of commerce or concerned business owners and citizens, can analyze the industries

<sup>16</sup> Appendix 1 shows data for some of the most-affected businesses within each industry category.

affected by such gains and the magnitude of those effects. An important aspect of these effects is how they stretch across all industries and have a multiplicative effect on themselves. For example, retail gains create more retail gains because hiring and paying retail workers provides an income for spending on retail items. These multiplier effects are generated across all businesses in an economy. Tables 3 through 5 show the figures for selected downtown areas in Marin County.

**Table 3: Estimated Economic Impact for Selected Downtown Areas in Marin County  
New Employment, 1% gain due to Individual Homeless Problem Mitigated**

<b>Industry</b>	<b>Downtown Novato</b>	<b>Downtown Sausalito</b>	<b>Downtown San Rafael</b>	<b>Industry Totals</b>
Ag, Utilities	0.3	0.8	0.1	1.2
Construction	2.1	1.2	1.0	4.3
Manufacturing	0.9	2.8	1.4	5.1
Wholesale Trade	1.1	4.3	2.3	7.7
Retail Trade	6.3	4.0	10.2	20.5
Logistics	0.5	0.6	0.8	1.9
Print and Digital Publishing	1.1	2.3	1.4	4.8
Finance and Insurance	14.7	4.0	6.9	25.6
Real Estate	1.6	3.4	2.6	7.6
Professional and Scientific Services	6.2	14.5	8.8	29.5
Management Consulting	1.1	0.7	0.9	2.7
Admin, Waste Management	5.5	4.3	3.7	13.5
Educational Services	1.3	2.6	2.6	6.5
Health Care and Social Assistance	5.4	1.7	10.4	17.5
Arts, Entertainment, and Recreation	0.7	2.7	3.1	6.5
Accommodation and Food Services	4.8	13.2	8.3	26.3
Other Services	16.5	9.3	6.8	32.6
Public Administration	1.0	0.7	0.9	2.6
<b>Totals by Area</b>	<b>71.1</b>	<b>73.1</b>	<b>72.2</b>	<b>216.4</b>

**Sources: Employment Development Department of CA, Bureau of Economic Analysis, MIG**

Table 3 shows that the employment gains for the selected downtown areas if each were to experience an increase of one percent of its business income generation due to the mitigation of the individual homeless issues. Table 4 shows the business revenue gains and Table 5 shows the state and local tax revenue gains from the same one-percent increase. For example, in Novato there would be a total of approximately 71 new jobs created by the companies (and potentially new companies) that the one percent increase in business revenue would finance. The one percent of business revenue, approximately \$6.394 million, due to the multiplicative effects on downtown Novato, would create \$9.95 million overall in economic stimulus for downtown Novato. Further, the new business revenue

and employment would create over \$550,000 in new state and local taxes revenues originating from Novato.

**Table 4: Estimated Economic Impact for Selected Downtown Areas in Marin County  
New Total Business Revenues, 1% gain due to Individual Homeless Problem Mitigated**

<b>Industry</b>	<b>Downtown Novato</b>	<b>Downtown Sausalito</b>	<b>Downtown San Rafael</b>	<b>Industry Totals</b>
Ag, Utilities	\$106,000	\$504,000	\$113,000	\$723,000
Construction	361,000	215,000	177,000	753,000
Manufacturing	192,000	727,000	393,000	1,312,000
Wholesale Trade	189,000	725,000	375,000	1,289,000
Retail Trade	493,000	351,000	949,000	1,793,000
Logistics	106,000	45,000	79,000	230,000
Print and Digital Publishing	446,000	1,374,000	513,000	2,333,000
Finance and Insurance	3,447,000	682,000	1,388,000	5,517,000
Real Estate	881,000	1,421,000	1,061,000	3,363,000
Professional and Scientific Services	863,000	2,281,000	1,213,000	4,357,000
Management Consulting	230,000	165,000	193,000	588,000
Admin, Waste Management	353,000	441,000	348,000	1,142,000
Educational Services	82,000	165,000	185,000	432,000
Health Care and Social Assistance	698,000	155,000	1,098,000	1,951,000
Arts, Entertainment, and Recreation	42,000	222,000	221,000	485,000
Accommodation and Food Services	323,000	975,000	552,000	1,850,000
Other Services	1,044,000	778,000	548,000	2,370,000
Public Administration	95,000	73,000	92,000	260,000
<b>Totals by Area</b>	<b>\$9,951,000</b>	<b>\$11,299,000</b>	<b>\$9,498,000</b>	<b>\$30,748,000</b>

Sources: Employment Development Department of CA, Bureau of Economic Analysis, MIG

The gains follow the types of businesses that are dominant within that downtown area. From a planning standpoint, these data show the widespread effects; Appendix 1 provides the top industries affected by a one-percent loss in a specific industry.<sup>17</sup>

**Table 5: Economic Impacts: 1% of Downtown Novato Census Tract Business Income  
New State and Local Tax Revenue, Annualized, 2011 Dollars**

<b>Type of Tax</b>	<b>Downtown Novato</b>	<b>Downtown Sausalito</b>	<b>Downtown San Rafael</b>	<b>Industry Totals</b>
Employment Taxes	\$12,000	\$381,000	\$12,000	\$405,000
Sales taxes	155,000	382,000	178,000	715,000
Property taxes	171,000	785,000	196,000	1,152,000
Personal Income	128,000	813,000	122,000	1,063,000
Other Taxes and Fees	91,000	414,000	94,000	599,000
<b>Total Tax Receipts</b>	<b>\$557,000</b>	<b>\$2,775,000</b>	<b>\$603,000</b>	<b>\$3,935,000</b>

<sup>17</sup> For example, Tables A1 through A9 shows how gains in retail businesses affect other businesses and local governments beyond those located where individual homeless activity is most problematic for local businesses

The results for Sausalito show that over \$7.6 million is gained by a one-percent increase to local business due to more efficient mitigation of individual homeless issues. There would be a total of over 73 jobs created from the approximately 49 new jobs generated due to the \$7.6 million boost in business revenue. That \$7.5 million would also create over \$11.2 million in total new revenue for Sausalito businesses due to the multiplicative effects. Finally, the new business income and subsequent hiring generate an approximate boost to state and local tax revenues derived by Sausalito businesses of over \$2.77 million annually.

It is important that reader recognize that these numbers are annual averages and ongoing under the assumption that the ongoing gains are due to individual homelessness being better mitigated and remaining that way over time in Marin County. Downtown San Rafael is a place where the individual homeless issues in Marin County are obvious and overtly interacting with local businesses; the corners of 4<sup>th</sup> and A streets are examples. However, it is important to recognize that individual homelessness in San Rafael is not just within the plaza area but move throughout the downtown area. For our purposes, we focus on the census tract that defined downtown and its environs west of US Highway 101. As a result, the business mix potentially affected by center on the immediately downtown, but goes down the major streets.

For downtown San Rafael, the effects are similar in magnitude to downtown Novato due to the industry mix being similar. One percent of the current, estimated amount of business revenue for that census tract is approximately \$6.01 million. That amount of new business revenue would create approximately 72 jobs from 43 jobs directly related to the new business income (hired by those businesses directly affected by new demand due to the individual homelessness issue being better mitigated) and generate a total of \$9.5 million in overall business revenue. The additional \$4 million in revenue that would come to downtown San Rafael would come from multiplicative effects of more economic activity. San Rafael would also generate an additional \$603,000 in state and local tax revenue due to this increase in activity.

### *Summary*

These data provide two ways for policy makers to consider the business effects of mitigating the individual homeless issues in Marin County. First, these figures show the potential breadth and depth of business-specific effects, beyond the effects to the public sector, in terms of the industries and businesses affected and the lost revenue. Further, these estimates allow the public policy maker to consider local effects of different magnitudes; for example, if one percent is not lost, but 0.5% is lost,

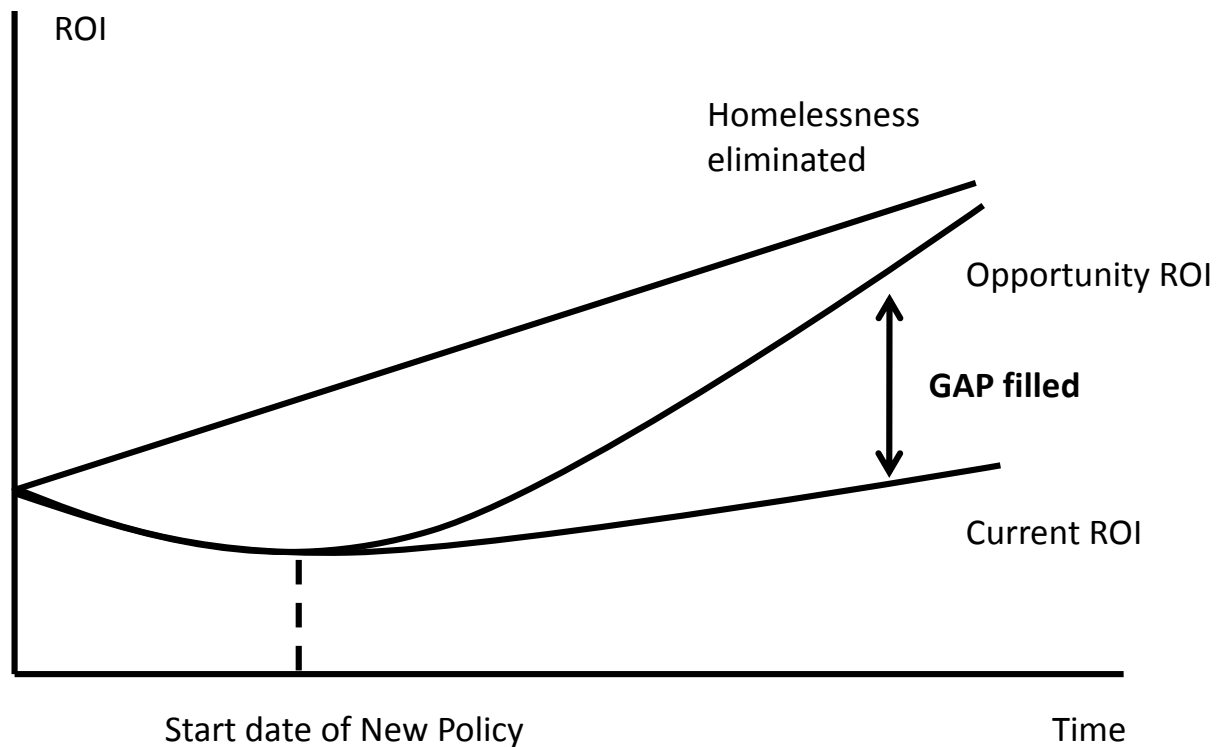
then the policy maker can simply halve the numbers above and find a set of estimates. Table 6 provides a summary of the potential gains due to one percent of revenue coming back to businesses in these areas for Marin County overall, assuming the effects are constrained to just the downtown areas shown here.

**Table 6: Summary of Economic Impact Results**

Place	Direct Business Income Gained	Total Business Revenue Gained	Total Jobs Supported	Total State and Local Tax Revenue
Downtown Novato	\$6,394,000	\$9,951,000	71.1	\$557,000
Downtown Sausalito	\$7,636,000	\$11,299,000	73.1	\$2,775,000
Downtown San Rafael	\$6,013,000	\$9,498,000	72.2	\$603,000
<b>Marin County</b>	<b>\$20,043,000</b>	<b>\$30,748,000</b>	<b>216.4</b>	<b>\$3,935,000</b>

In all cases, the economic impact figures show how the business sector effects of this social issue transcend the specific businesses affected and affect other businesses through the multiplier effects. The additional impacts generate larger costs for public agencies and non-profit organizations to fund over time, and also suggest a community investment gap exists that can be closed more quickly when considering how local businesses are part of an overall solution to these issues.

**Figure 13: Closing the Resource Allocation Gap**





## 5. Closing the Return on Community Investment Gap

A gap between the return on community investment (ROI) currently in individual homeless issues in Marin County and what could be generated with the same amount of resources. To identify what may exist between the current and potential ROI, let's summarize the "investments" themselves in Marin County:

- Public sector investment of \$21 million in multiple programs and funding for local non-profits with a mission to mitigate the costs of homelessness for homeless residents themselves;
- Non-profit sector funding of \$20 million in multiple agencies beyond the funding provided by the public sector in Marin County (other government grants may occur from state and federal sources); and
- The private sector (local businesses) pay an implicit cost due to assumed losses of one percent of revenue, specific to the three downtown areas in direct terms but including broader economic impacts; this is approximately \$31 million in business revenue, 217 full-time equivalent jobs, and over \$3.8 million in local and state tax revenues.

Local businesses make explicit and implicit "investments" in the individual homeless issue through maintenance costs of their place of business augmented by the presence of the homeless and lost revenue opportunities. It is critical to recognize that Marin County's economy makes a "social investment" in the individual homeless situation when businesses are not able to generate as much revenue as possible. By lifting this constraint on local businesses, there are more tax revenues to be gained by the local municipalities and more potential investment in non-profit organizations that currently does not exist.

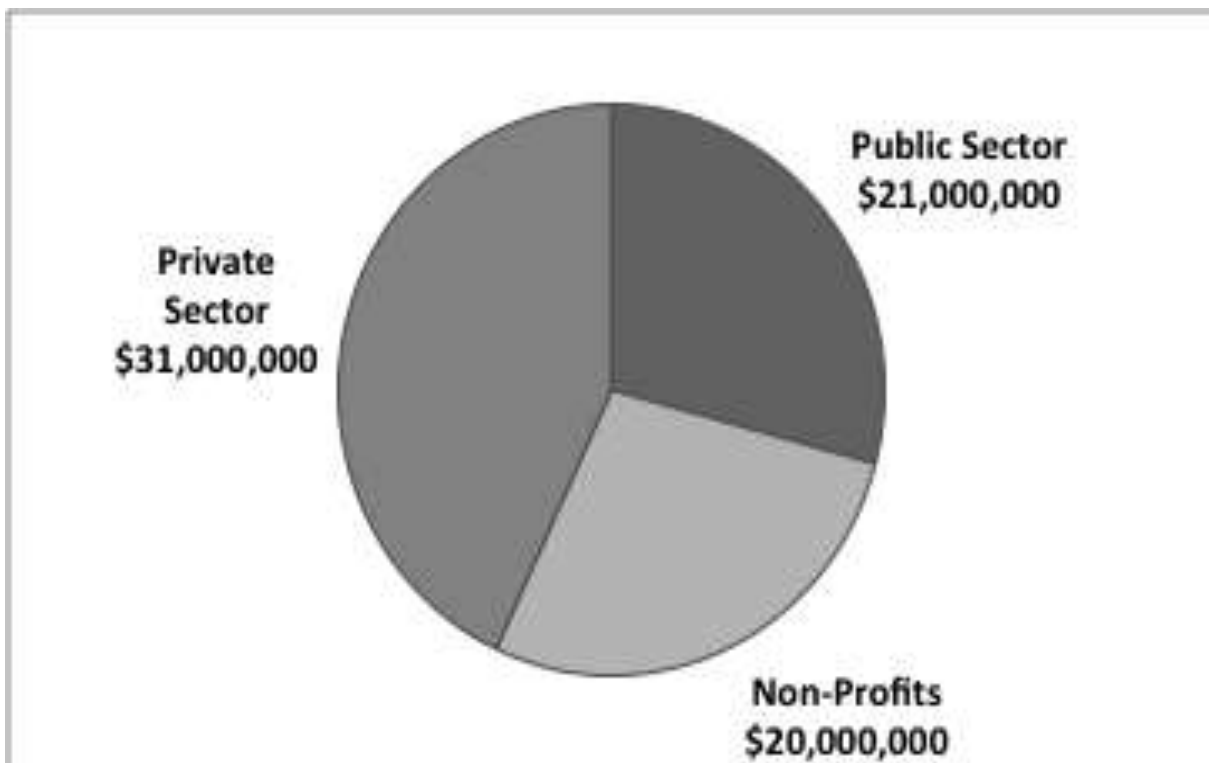
The measure of ROI here is incremental. By reducing the amount of individual homelessness in Marin County, lost business revenues and opportunities, higher costs, and negative economic impacts are reversed. This reversal becomes augmented ROI. Figure 13 shows a simple way of considering the issue and why a reorientation of resource use may be in order. Notice the figure has three curves, where each curve represents a different societal choice. The top line, which represents costs of homelessness minimized, has the largest ROI per dollar invested of all choices shown.

Over time, Marin County gets better and better at mitigating issues that arise due to the presence of individual homelessness, and thus the ROI rises at a constant rate over time. This line represents the growth of ROI from using public funding to mitigate homelessness problems when

efficiency is maximized. The other two curves show the current situation and the possibilities. The “current ROI” curve suggests that there is a gap between the ROI where individual homelessness is minimized and the current use of the resource array to minimize the issues. Notice that we have this gap widening over time; the ROI curve shows faster growth of ROI once there is more focus on housing and transitional services solutions as discussed in the literature. Assuming that individual homeless reduce the costs on residents and businesses by using these resources, the higher costs and lost revenues are reversed, and new benefits (including positive economic impacts) come from the reversal. Over time, the funding becomes more efficient and approaches the ROI that would come from homelessness being minimized. Individuals that are homeless are negatively impacted by a widening gap in Figure 13.

Another way to see this gap being filled is by the removal of the pie slice in Figure 14 that shows the private-sector costs of individual homeless if status quo remains in Marin County. By removing this gap, resources spent on individual homeless will not include that implicit cost to local businesses.

**Figure 14: What Marin County Pays for Status Quo Homelessness Services and Maintenance**



## 6. Conclusions

A ROI gap exists in Marin County's social investment in the individual homeless. Surveys of local businesses, as well as interviews with business owners and managers, show clearly that there are perceived losses in Marin County's downtown areas. Homelessness slows down revenue for business owners and property owners alike, which slows down general business activity, job creation and tax revenues as a result.

Three simple conclusions come from the literature and this study. First, housing those who are able and willing to be and remain homed is a crucial first step. Second, health care is a cost that will generate most of the unforeseen costs shocks for the public and non-profit networks in the future concerning a reactive system of solutions for the individual homeless (and potentially for homeless overall). Finally, the housing solutions need to have supportive services in place to facilitate a successful transition. Homeless issues rarely include discussions of how local businesses and local economies where the individual homeless reside and interact with businesses, are affected by the individual homeless not being successfully transitioned. The presence of homelessness may have effects on the revenue generation of local businesses, ultimately affecting jobs creation and support in the affected communities.

The data show in downtown Novato, Sausalito and San Rafael, the loss of one percent of business revenue by local merchants may generate as much as \$30 million per year in terms of total business revenue lost. This assumes only one percent of business revenue in these specific areas is constrained from being made by local businesses due to individual homelessness driving away customers. This revenue, based on the industry mix in each downtown area, would support over 216 jobs annually across many sectors and over \$3.3 million in local and state tax revenue for city and county governments in Marin County.

This report's data is a guide and a call to action concerning the true costs and benefits of mitigating these problems. Like unemployment, individual homelessness will always be a part of our society, but can be mitigated. That mitigation has a return on investment that involved local businesses directly. Some recommendations come from this study include:

- Link housing strategies to cost savings for the public sector;
- Engage and interact with local businesses concerning housing solutions in affected areas;
- Strengthen government-housing partnerships and leverage resources;
- Improve retention rates for individuals in supportive housing; and
- Produce information for developing comprehensive strategies and improving outcomes.

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## Appendix I: Economic Impact Analyses in Detail

This appendix provides detailed information for the economic description of Marin County and the economic impact estimates shown in Section 4.

**Table A1: Bank and Credit Union Impacts: 1% of Downtown Novato Census Tract Business Income, Number of Full-Time Equivalent Workers**

Industry	Direct	Indirect	Induced	Total
Banks and Credit Unions	4.42	0.44	0.03	4.89
Lenders and Check Cashing		0.66	0.06	0.72
Bars and Restaurants		0.44	0.21	0.65
Investment Banking		0.6	0.04	0.64
Services to buildings and dwellings		0.4	0.03	0.43
Commercial construction and maintenance		0.25	0.01	0.26
Advertising and related services		0.24	0.01	0.25
Legal services		0.17	0.04	0.21
Employment services		0.18	0.02	0.2
Accounting, tax, bookkeeping, and payroll services		0.16	0.01	0.17
All others		1.2	1.46	2.66
<b>Totals</b>	<b>4.42</b>	<b>4.74</b>	<b>1.92</b>	<b>11.08</b>

**Table A2: Bank and Credit Union Impacts: 1% of Downtown San Rafael Census Tract Business Income, New Business Income, Thousands of 2011 Dollars, Annualized**

Industry	Direct	Indirect	Induced	Total
Banks and Credit Unions	\$1,960,000	\$193,000	\$ 12,000	\$2,165,000
Lenders and Check Cashing		\$113,000	\$ 11,000	\$ 124,000
Investment Banking		\$ 67,000	\$ 4,000	\$ 71,000
Rental Income for Property Owners			\$ 60,000	\$ 60,000
Bars and Restaurants		\$ 29,000	\$ 14,000	\$ 43,000
Commercial construction and maintenance		\$ 39,000	\$ 1,000	\$ 40,000
Advertising and related services		\$ 34,000	\$ 2,000	\$ 36,000
Real estate agencies		\$ 17,000	\$ 16,000	\$ 33,000
Legal services		\$ 27,000	\$ 6,000	\$ 33,000
Telecommunications		\$ 23,000	\$ 5,000	\$ 28,000
All Others		\$202,000	\$149,000	\$ 351,000
<b>Totals</b>	<b>\$1,960,000</b>	<b>\$744,000</b>	<b>\$280,000</b>	<b>\$2,984,000</b>

**Table A3: Bank and Credit Union Impacts: 1% of Downtown Novato Census Tract Revenue Gained Effects on State and Local Tax Revenue, Annualized, 2011 Dollars**

Type of Tax	Amount
Employment Taxes	\$ 2,409
Sales taxes	23,161
Property taxes	25,611
Personal Income	29,312
Other Taxes and Fees	14,482
<b>Total Tax Receipts</b>	<b>\$ 94,975</b>

What the details provide are a summary of the type of businesses that are affected by the increased costs and lower revenues due to the individual homeless per this study. Further, the economic impacts can be detailed in terms of the public finance lost, the types of taxes in specific.

**Table A4: Retail Impacts: 1% of Downtown San Rafael Census Tract Business Income, Number of Full-Time Equivalent Workers**

<b>Industry</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
Health and Personal Care Retail	2.96		0.01	2.97
Bars and Restaurants		0.01	0.07	0.08
Real estate agencies		0.05	0.02	0.07
Wholesale trade businesses		0.01	0.03	0.04
Private household operations			0.03	0.03
Medical and Dental Offices			0.03	0.03
Private and professional schools			0.02	0.02
Investment Banking		0.01	0.02	0.03
Grocery Stores			0.03	0.03
Services to buildings and dwellings		0.02	0.01	0.03
All others		0.2	0.31	0.51
<b>Totals</b>	<b>2.96</b>	<b>0.3</b>	<b>0.58</b>	<b>3.84</b>

**Table A5: Retail Impacts: 5% of Downtown San Rafael Census Tract Business Income, New Business Income, Thousands of 2011 Dollars, Annualized**

<b>Industry</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
Health and Personal Care Retail	\$ 252,000		\$ 1,000	\$ 253,000
Rental Income for Property Owners			16,000	16,000
Real estate agencies		10,000	4,000	14,000
Wholesale trade businesses		2,000	4,000	6,000
Bars and Restaurants		1,000	4,000	5,000
Cable television installs		4,000	1,000	5,000
Insurance carriers		2,000	3,000	5,000
Banks and Credit Unions		2,000	2,000	4,000
Medical and Dental Offices			4,000	4,000
Telecommunications		2,000	1,000	3,000
All Others		30,000	42,000	72,000
<b>Totals</b>	<b>\$ 252,000</b>	<b>\$ 53,000</b>	<b>\$ 82,000</b>	<b>\$ 387,000</b>

**Table A6: Retail Impacts: 5% of Downtown San Rafael Census Tract Revenue Gained Effects on State and Local Tax Revenue, Annualized, 2011 Dollars**

<b>Type of Tax</b>	<b>Amount</b>
Employment Taxes	\$680
Sales taxes	19,720
Property taxes	21,590
Personal Income	5,010
Other Taxes and Fees	7,920
<b>Total Tax Receipts</b>	<b>\$54,920</b>

**Table A7: Restaurant Impacts: 1% of Downtown Sausalito Census Tract Business Income, Number of Full-Time Equivalent Workers**

<b>Industry</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
Restaurants	9.64	0.07	0.15	9.86
Real estate agencies		0.1	0.03	0.13
Wholesale trade businesses		0.04	0.03	0.07
Advertising and related services		0.06	0.01	0.07
Management of companies and enterprises		0.05		0.05
Investment Banking		0.01	0.04	0.05
Private household operations			0.04	0.04
Accounting, tax, bookkeeping, and payroll services		0.04		0.04
US Postal Service		0.03		0.03
Employment services		0.02	0.01	0.03
All Others		0.24	0.4	0.64
<b>Totals</b>	<b>9.64</b>	<b>0.66</b>	<b>0.71</b>	<b>11.01</b>

**Table A8: Restaurant Impacts: 1% of Downtown Sausalito Census Tract Business Income, New Business Income, Thousands of 2011 Dollars, Annualized**

<b>Industry</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
Restaurants	633,000	4,000	10,000	647,000
Real estate agencies		21,000	6,000	27,000
Rental Income for Property Owners			20,000	20,000
Electric Utilities		10,000	3,000	13,000
Wholesale trade businesses		7,000	5,000	12,000
Management of companies and enterprises		10,000	1,000	11,000
Advertising and related services		9,000	1,000	10,000
Accounting, tax, bookkeeping, and payroll services		5,000	1,000	6,000
Leasing Agents		5,000		5,000
Investment Banking		1,000	4,000	5,000
All Others		35,000	43,000	78,000
<b>Totals</b>	<b>633,000</b>	<b>107,000</b>	<b>94,000</b>	<b>834,000</b>

**Table A9: Restaurant Impacts: 1% of Downtown Sausalito Census Tract Revenue Gained Effects on State and Local Tax Revenue, Annualized, 2011 Dollars**

<b>Type of Tax</b>	<b>Amount</b>
Employment Taxes	\$ 968
Sales taxes	21,900
Property taxes	24,035
Personal Income	9,790
Other Taxes and Fees	10,201
<b>Total Tax Receipts</b>	<b>\$ 66,894</b>