



MISSOULA
ECONOMIC PARTNERSHIP

Fast Action
Conversations:
*Helping Leaders Navigate
Missoula's Headwinds*

Policy Analysis 101

(1) Where are we?

(2) Where would we like to be?

(3) Why are we where we are (and not where we want to be)?

(4) How do we get from where we are to where we'd like to be?

Where are we?

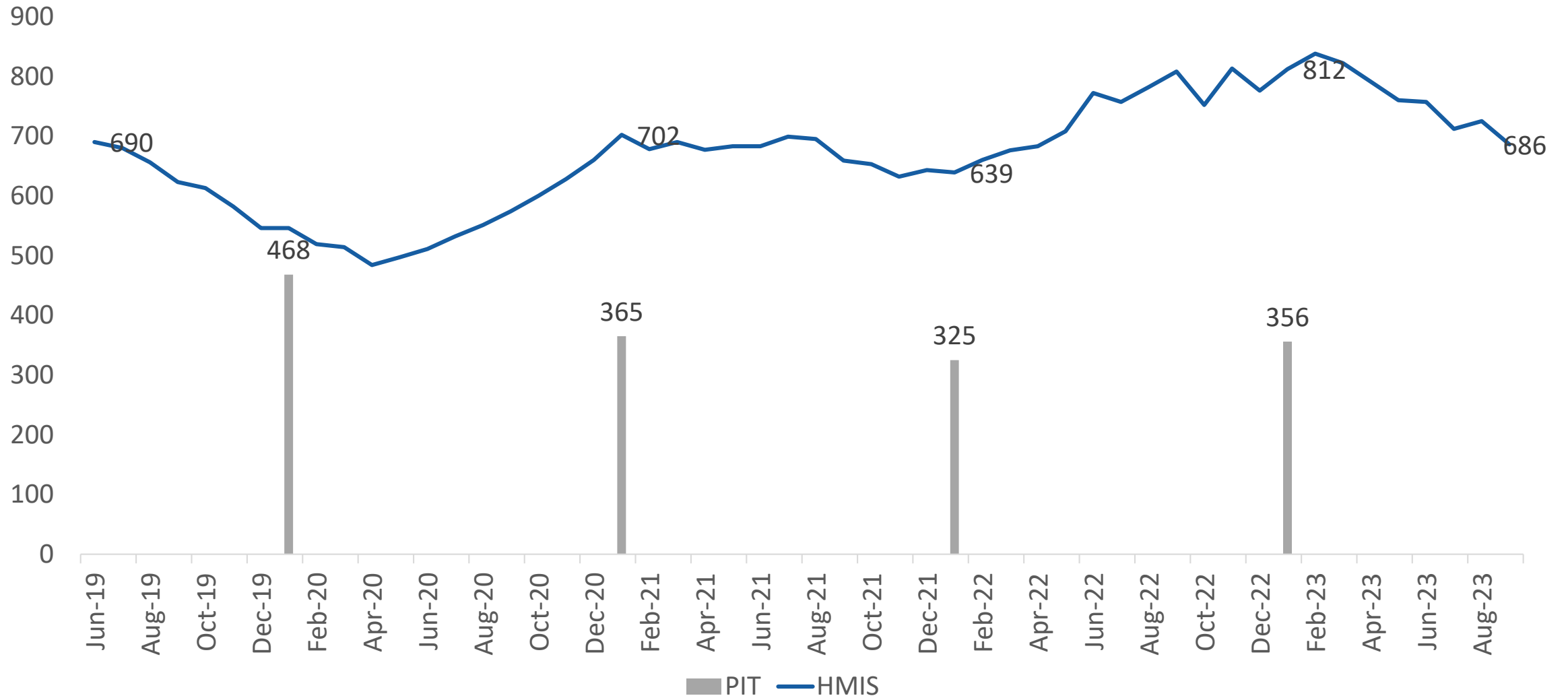
	Count	% of County population
Point in time (2023 PIT)	365	0.3%
Accessing services in given month (HMIS Sept 2023)	686	0.6%
Annual unique clients (HMIS 2023)	839	0.7%

How does this compare to other places?

- Pretty close to other urban areas in MT
- A bit above US level
- Well below areas with highest rates (0.5 percent in PIT)



Measures of homelessness in Missoula, 2019-2023



Where would we like to be?

Less homelessness (functional zero) because homelessness is very costly to the community.

What are the costs of homelessness to the community?

- (1) Homelessness imposes fiscal costs on local government.
- (2) Homelessness increases crime.
- (3) Homelessness affects quality of life, changes behavior, reduces economic activity, and reduces the value of private and public property.
- (4) Homelessness is bad for those experiencing it.

- (1) Fiscal costs – Approx. \$4M for city and county. Studies find that service costs per homeless person fall in the \$7,500-\$10,000 per year. However, the highest cost individuals regularly exceed \$100,000.
- (2) Recent evidence from quasi-experimental papers finds that homelessness increases crime. Crime is very costly. Total economic costs per crime: \$150,000/assault, \$50,000/robbery, \$10,000/theft, \$5,000/act of vandalism. Crime costs the U.S. over \$3 trillion annually (\$9,000 per person). Costs include protection, prevention, recovery, etc.
- (3) Community members do not like homelessness. It changes people's behavior. Economic losses occur when behavior changes from what it would otherwise be. Economic value is lost when homelessness causes people to skip a visit to a park, avoid a trail, forgo transit, not visit a business, forgo a trip to Missoula or admittance to the University, or pass up a job opportunity here.



(4) The costs of homelessness to the community include the costs to the homeless.

People experiencing homelessness are part of the community. Vast majority were last housed here. Migrants are frequently returning “home.”

Vast majority also do not want to be homeless. While poor health, etc. contribute to homelessness, homelessness takes a toll. Studies find:

- 36% report impairment (3.6x housed rate), including 25 percent who report cognitive impairment (5.5x housed rate), 76% have a current mental health issue (nearly half with substance use issues and homelessness increases drug use for some)
- 25-50% victim of violence while homeless;
- 40-year-old homeless person has same mortality risk as 60-year-old housed person;
- Unsheltered homeless average 21 police contacts and 7 jail spells over 6 months;
- High rates of homeless population report significant barriers to healthcare, employment, housing, etc.



Thus, while difficult to quantify precisely, the costs to the community are significant.

Importantly, they are not evenly distributed. Those experiencing homelessness and those in closest proximity face larger costs (e.g., a study in LA found property values fall within 0.3 miles of encampments, a study in Vancouver found crime increases within 0.25 miles of emergency shelters).

Localized costs create tension and conflict. When it comes to homelessness, most people are NIMBYs. They do not want to bear the brunt of the localized costs. They want to shift those costs to some (generally unspecified) other. However, it is also costly for the community to shift around (law enforcement, clean-up, displacement).

Thus, the community must decide how to manage the localized costs (which places will bear them, how to minimize them, etc.). This is hard.



Reducing the size of the homeless population, reduces the costs to the community. So how do we do that?

Answer the last two questions of policy analysis 101:

Why are we where we are (and not where we want to be)?

How do we get from where we are to where we'd like to be?



Why?: People become homeless when the net cost of housing (red) exceeds their available resources (blue)

Market	Cost of housing available to person x at time t	Wages – other expenses (food, healthcare)
Formal Safety Net	- Subsidies (e.g. rental voucher, rent subsidy, free shelter)	+ Benefits (e.g., SNAP, Medicaid, SSI, Emergency Assistance)
Informal Safety Net	- Favors/gifts (e.g., stay with friends or family for free or submarket)	+ Financial support (e.g., gifts/donations from family/friends/neighbors)

Who?: Individual factors (e.g., health, market skills, social skills) shape market outcomes and ability to access safety net.



What causes homelessness to rise and fall?

- Shocks to market forces, formal and informal safety net, or changing individuals.

What can we do to reduce homelessness?

- Create more favorable market conditions, increase the availability and accessibility of resources in the formal and informal safety nets, create stronger individuals (better health, more skills)

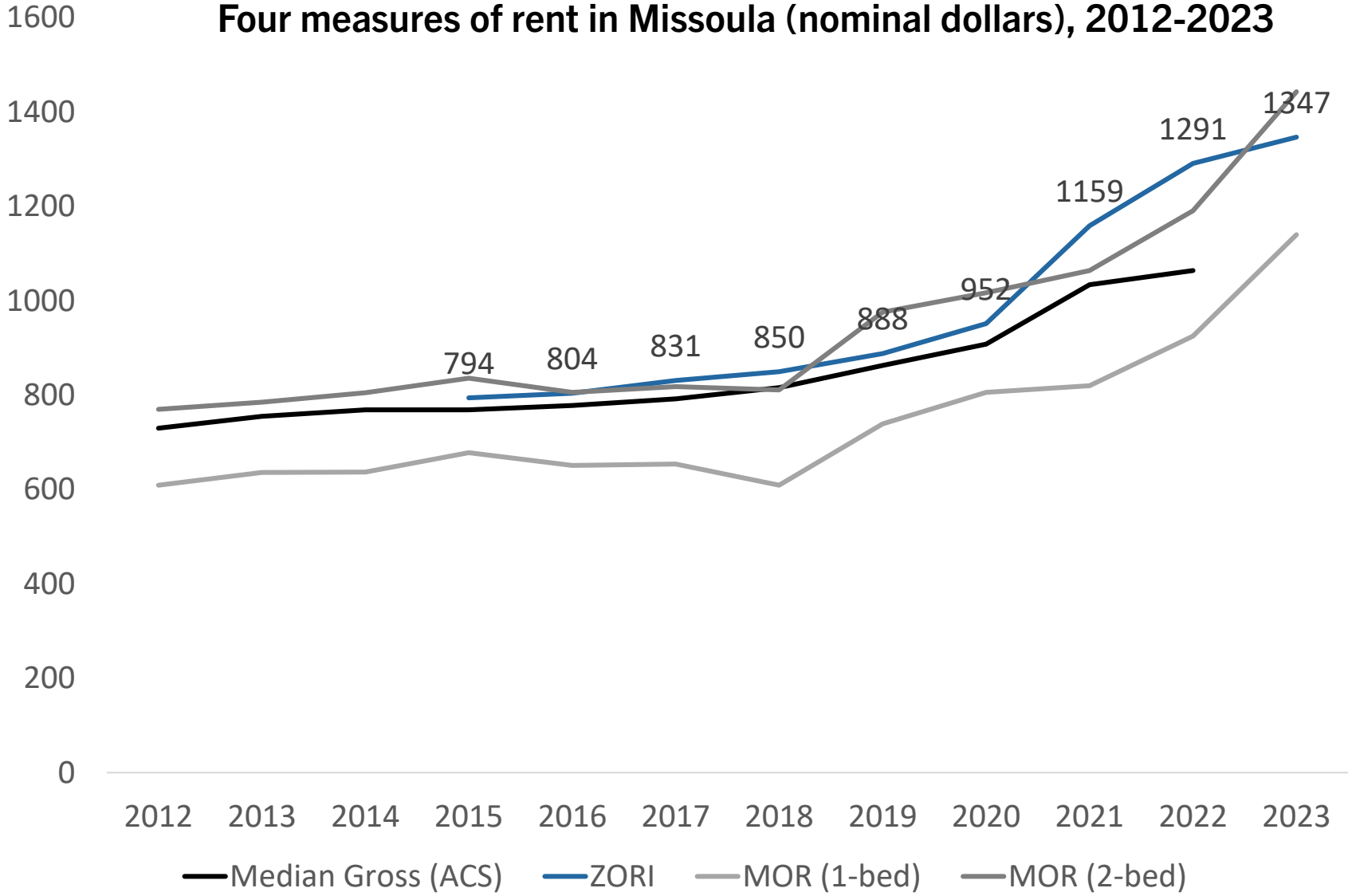
Market

Housing affordability drives homeless rates.

Housing is more expensive.

In nominal terms, up approximately \$7,000/yr between 2015-2023.

Four measures of rent in Missoula (nominal dollars), 2012-2023

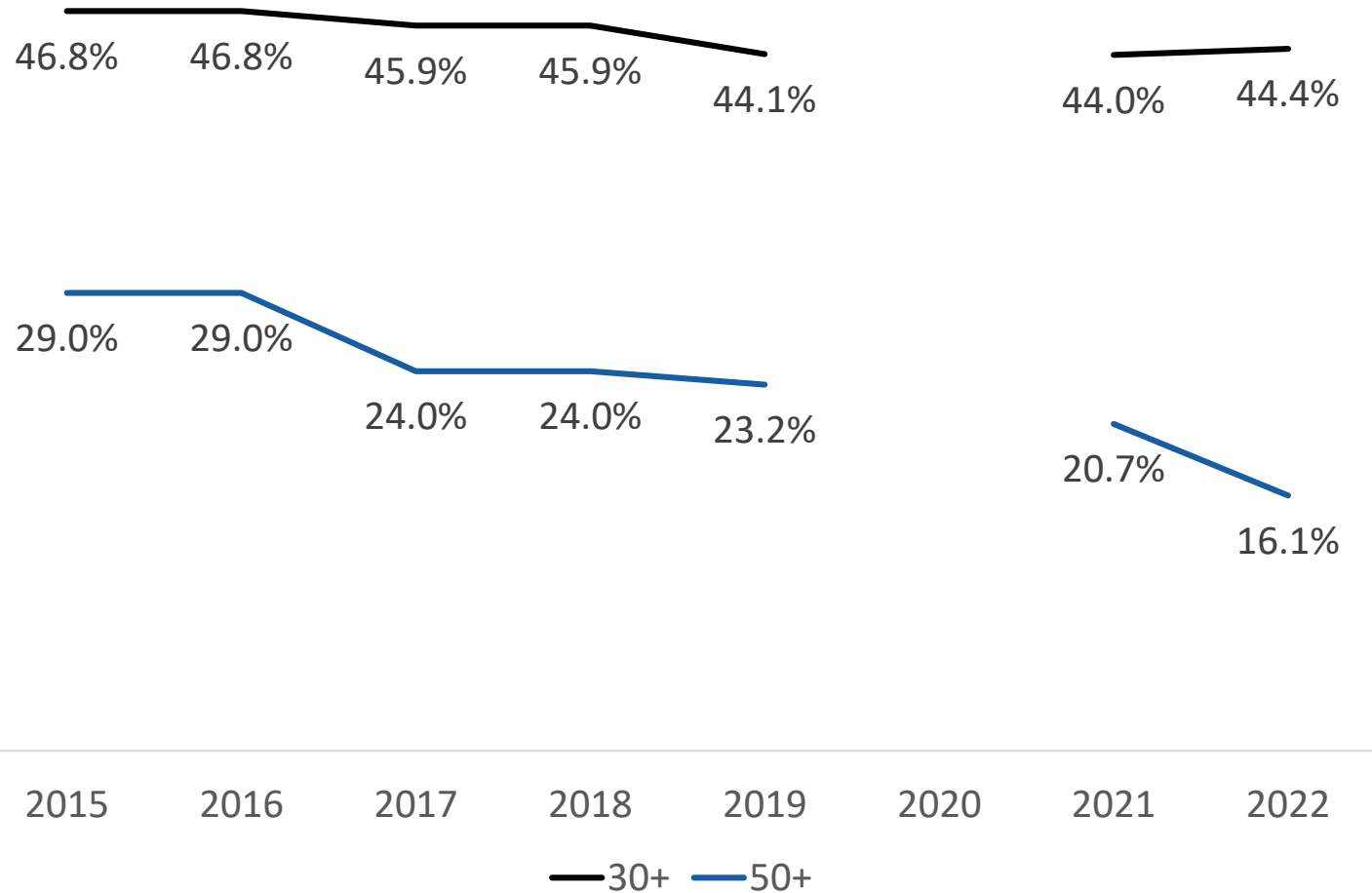


However, income has also risen by a lot.

Between 2015 and 2022, median household income in Missoula increased by \$25,490 (\$16,027 for renters). Local cost-of-living adjusted personal income per capita increased by over \$12,000 per person (or 25 percent), ranking Missoula 28th out of 385 metro areas

So standard affordability metrics have not worsened.

Percent of Missoula renters spending more than 30% or 50% of income on rent, 2015-2022.

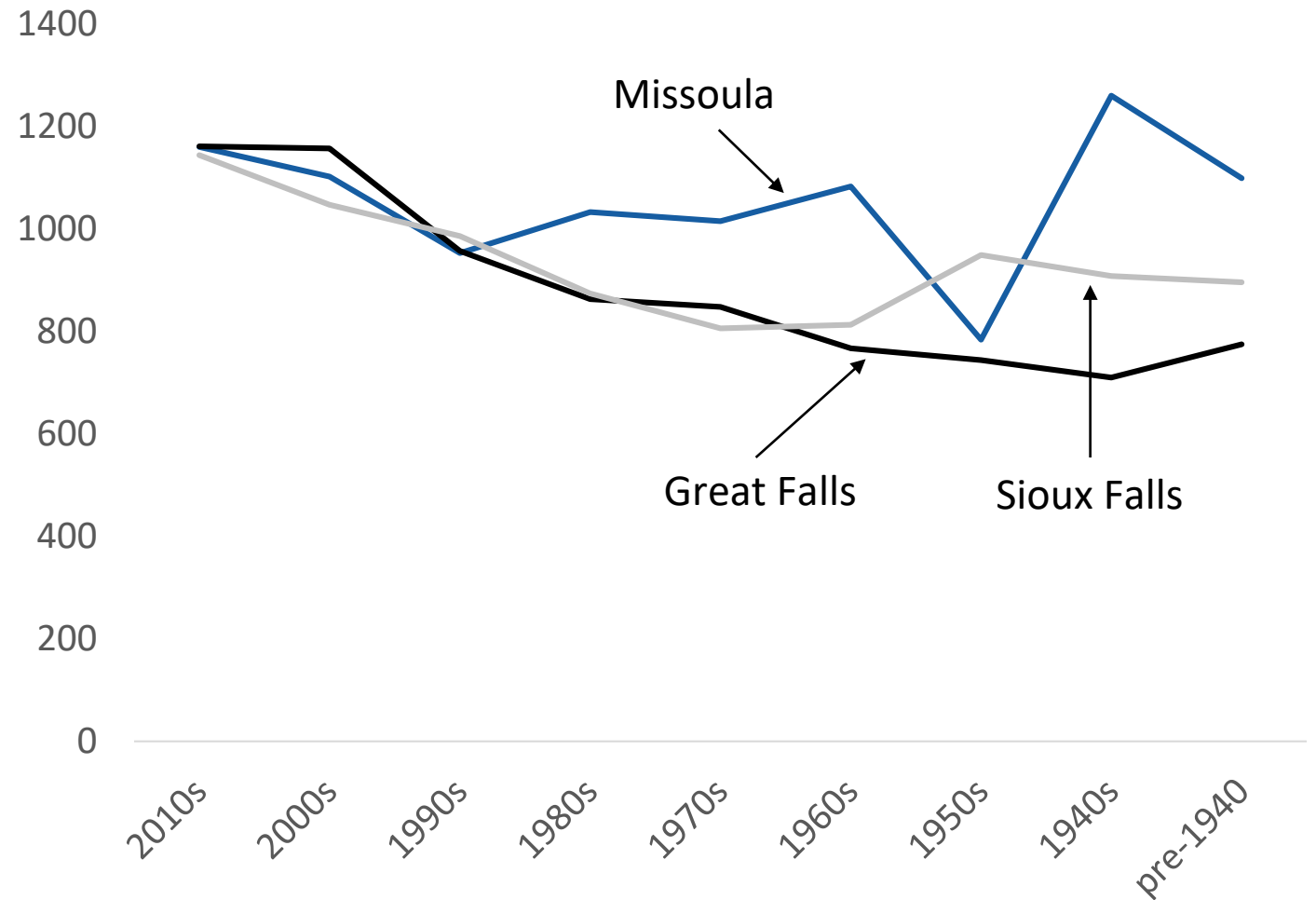


Of course, some people are squeezed by rising housing prices. Their income does not rise with the overall level.

The fundamental policy challenge is ensuring the availability of housing at the bottom rungs of the housing ladder.

The challenge in Missoula is that cheap housing is usually old housing, but in Missoula the relationship between rent and age is weak.

Median gross rent by year structure built, 2018-2022



Formal safety net

Federal dollars are the main driver of the formal safety net.

However, state and local efforts matter.

Primary local efforts:

- Prevention (emergency assistance)
- Shelters
- Rehousing (rapid rehousing, permanent supportive housing)



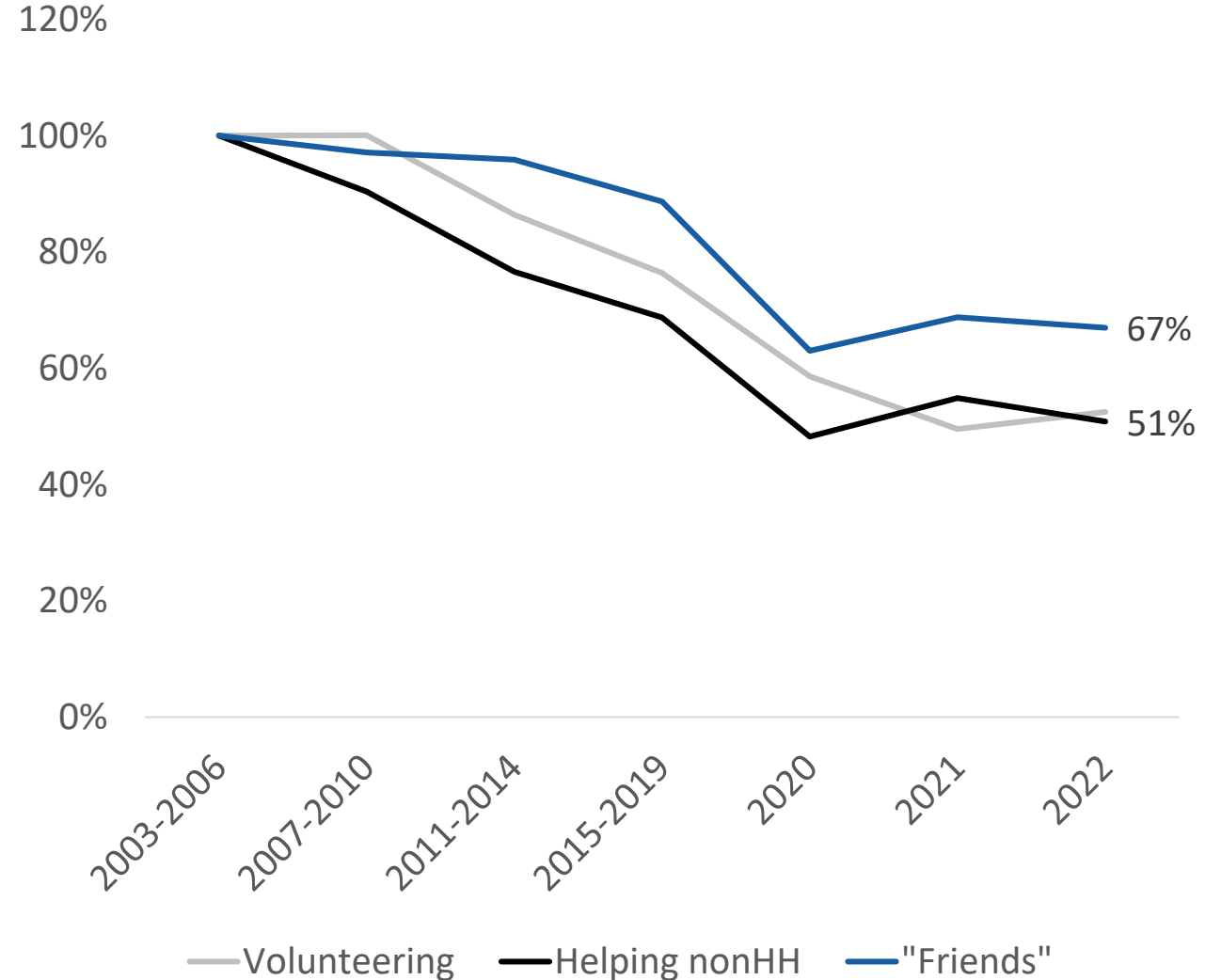
Informal safety net

Many people stay with friends/family before/during homelessness.

When asked what tipped them into homelessness, social reasons (relationship end, conflict with others, worries about imposing) are common.

People are less embedded in social networks. This suggests declining social capital (i.e., less access to resources/support) via informal safety net.

Days with any time spent with friends, helping people in other HHs, or volunteering as % of 2003-2006, ages 15-54



Individuals' traits shape the odds of experiencing homelessness.

Homeless populations have very low income (median formal wages and benefits <\$7,000 (\$2018)). While employment is relatively common (52% of sheltered and 40% of unsheltered have formal income during year observed homeless), hours are erratic and total earnings are low (median of \$8,300 among employed). Income was low for several years before homelessness. Small economic shocks can tip people into homelessness. Furthermore, main reason for becoming homeless often social (conflict among residents, partner, landlord, not wanting to impose are commonly reported reason).

Low income and challenges remaining housed are often linked to health issues (including physical disability, mental health challenges, and substance use issues), lack of education, and weak social networks. Helping individuals become healthier and more capable could help reduce homelessness.



Thus, broadly, the menu of options for addressing homelessness involves:

- Improving market outcomes (strong labor markets, cheaper housing)
- Strengthening the formal safety net (more generous benefits that are easier to access)
- Strengthening the informal safety net (ensuring that people have supportive social networks)
- Helping individuals become healthy, more skilled, and able to consistently make positive contributions to a community.

However, even while working toward functional zero, the issue must be managed, requiring difficult conversations about who bares the costs.





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