The Cost of Homelessness in Dallas:
An Economic and Fiscal Perspective

Prepared for Central Citizens Association

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Introduction

The Dallas economy has never been stronger. Over the past decade, more than 700,000 jobs have been created in the Metroplex, many within Dallas County and the City of Dallas. Nonetheless, homelessness remains a serious problem in the central city. According to the 1999 Single Point Homeless Count, about 3,100 homeless persons reside on the streets of Dallas. Because Dallas shelters report serving as many as 6,000 clients during a year, the actual number of homeless is probably much higher than the census tally.

Dallas' homeless population is concentrated in the southern half of the central business district (DCBD), mainly because most of the shelters and service providers are located in this part of town. It has been suggested that the visible presence of a large homeless population in the southern sector of the DCBD has been a factor in retarding commercial and residential redevelopment compared to the northern half of the DCBD.

In this report, we first briefly describe the system of service delivery to homeless persons in Dallas. We then examine how other cities deal with their homeless populations, particularly those that have centralized service delivery. Finally, we document the growing disparities in property values between the northern and southern sectors of the DCBD and calculate the potential tax revenues, jobs and income that could be generated by a revitalized southern sector.

How Dallas Deals with the Homeless

The City of Dallas, along with a slew of voluntary, charitable and faith-based organizations, has been extraordinarily diligent in recognizing the needs of the city's homeless. More than 45 agencies, in addition to various departments of the City of Dallas, Dallas County and the state of Texas, are currently providing a wide range of housing, food, medical and employment services to these individuals. Dallas' delivery system can be best described as "fragmented" in that homeless persons must visit a number of different sites in order to avail themselves of the full range of services.

A "Continuum of Care" approach has evolved over the past few years with the establishment of a Homeless Consortium to bring together diverse groups into one planning body. The Consortium is overseen by a steering committee that includes members from business, local governments, nonprofit agencies and two formerly homeless persons. The Consortium also determines priorities for federal grant funding each year from the Department of Housing and Urban Development (HUD).

The "official" homeless programs administered by the City of Dallas are managed by the Department of Environmental and Health Services (DEHS). In fiscal 1999-2000, the department reportedly spent $4,329,913 on eight different programs funded primarily by HUD. Less than seven percent of this total—$301,907—came from own source revenues. According to the DEHS, expenditures in fiscal 1999-2000 were allocated to the following programs:

1.	Day resources	$757,163
2.	Compensated work therapy	82,268
3.	Emergency shelter	680,000

4.	Homeless health care	787,473
5.	Shelter plus care	1,290,456
6.	Transitional housing	249,890
7.	Supportive housing	157,663
8.	Home rental assistance	325,000

However, these amounts represent only a portion of city outlays related to homeless individuals and families.

Homeless persons use a number of services provided by voluntary and faith-based institutions as well as Dallas County. For example, most homeless persons and families receive medical care from Parkland Hospital, a county facility. They also impose "costs" on the city and county to the extent they utilize police time, spend time in local jails, or wind up in court or a detoxification center. ***The Central Citizens Association has estimated that the total public and private costs of providing services to Dallas' nearly 4,000 homeless persons is more than $20 million annually*** (see Table 1).

Homeless clients appear to be quite satisfied with the services provided by the city and other providers. Of 800 persons queried in the Single Point Homeless Count as to "How do you rate overall services for the homeless in Dallas?" 635 responded excellent and 102 good. What is unknown, of course, is whether this array of services could be delivered even more effectively—and at less than $20 million per year—from a centralized location.

Table 1

Outlays for Dallas Homeless Programs: 1999-2000

City of Dallas (HUD)*	$2,000,000
Austin Street Shelter @ $10 x 200 p/day (DMNC)[s/350]	700,000
Dallas Life Foundation @ $10 x 200 p/day [s/500]	700,000
Trinity Works @ $10 x 100 p/day (DF, DMNC)*	350,000
Union Gospel Mission @ $10 x 200 p/day (HUD, DF)[s/200]	700,000
Stewpot (est) (DF, DMNC, MF)*	350,000
Vogel Alcove (990)	1,500,000
Housing Crisis Center (990)	877,000
Methodist Breadbasket (DF, DMNC/est)*	200,000
Family Gateway (HUD, DF, DMNC)*	323,000
Salvation Army @ $10 x 200 (DF, UW, HF)*	700,000
YMCA Casa DLA (990/est)	50,000
Promise House (HUD, UW)	619,000
Lifenet (HUD, DF, HF, MF %est)*	375,000
Legal Services (990/est)	100,000
FEMA (CCGD) (est. $1,200,000)*	500,000
Rainbow Days (HUD)	250,000
Central Dallas Ministries (DF, DMNC, MF)	63,000
VA (VA)*	1,950,000
DISD (est)*	300,000
DART (est)	50,000
AIDS (HUD)	1,600,000
Metrocrest (est + UW)*	250,000
DCHD/Parkland (% formula + HOMES)*	1,575,000
Streets/Sanitation/Code Enforcement $750 x 3 x 52 wks (est)*	117,000
DPD @ 3 x 3.5 hrs.x $80 p/day*	294,000
DFD @ 3 x 3.5 hrs. x $80 p/day*	294,000
Jail @ 1.5 x $100 p/day*	52,000
Courts @ misdmnr. = 3 x $108 x 365 + felony 1 x $1,240 x 52 wks*	177,000
Junior League (990/est)	25,000
County Detoxification Center @ 1,000 p/mo (budget x 50%)	500,000
Family Place (990/est)	500,000
Mainstream governmental funds (city, county, state/C of Care)	2,300,000
	$20,341,000

* = Probable low estimates
DF = Dallas Fdn.
DMNC = Dallas New Charities
HUD = U.S. Housing/Urban Development

x = Further investigation in progress
HF = Hoblitzelle Fdn.
FF = Fikes Fdn.
990 = IRS

UW = United Way
MF = Meadows Fdn.
[s/] = shelter capacity

Source: Central Citizens Association

How Other Cities Deal with the Homeless

Homeless populations have become commonplace in virtually all medium- and large-size cities across the U.S. The causes of homelessness include substance abuse, mental illness, domestic violence, and variety of other social and individual pathologies. When the problem first became evident in the 1970s, government agencies and volunteers viewed homelessness as a temporary problem requiring an "emergency response," and the "solution" was to provide temporary housing and food to those in need. In recent years, however, homelessness has been recognized as a complex social phenomenon requiring a variety of responses; and thus the concept of "integrated services" has evolved.

How best to provide integrated services is a challenge in itself. Many large cities, including Dallas, have followed the HUD model and developed a Continuum of Care. As mentioned earlier, a plethora of social services are now available to homeless persons in Dallas—though the delivery of these services is quite fragmented, both institutionally and geographically. By contrast, other communities have viewed "centralized delivery" as an important complement to integrated services. The experience of several cities taking this approach is discussed below.

Miami

Miami-Dade is about the same size as Dallas County, with a population slightly more than two million. Like Dallas, the city of Miami has a sizable homeless population. During the 1970s and 1980s, the provision of services to homeless individuals and families resembled that of Dallas in that a variety of public, private, and non-profit agencies ministered to the homeless from several different downtown locations. But in the early 1990s, city and community leaders became convinced that homeless services could be provided more effectively if integrated and delivered to the homeless at centralized locations. In 1993, the Community Partnership for the Homeless was created with the goal of constructing two Homeless Assistance Centers that would provide the full array of housing and other services to homeless clients.

It took two years to overcome strong organized opposition to the concept; but in 1995 the zoning commission approved the construction of the two centers. One center is located just outside the central business district and the other is located in South Miami-Dade. Each center has a capacity of 650 beds, which are filled on most nights. The average stay is 60 days, though some families remain longer. In addition to temporary housing, the centers provide case management, vocational education, health care, child care, legal aid, and an array of other social services to assist residents' return as productive members of the community. The centers have received generous private support in addition to HUD and other federal funds.

The operating results of these centers have been impressive. Nearly 19,000 individuals have been served over the past five years, and almost 60 percent of them have been successfully out-placed. Though initially opposed by many segments of the Miami community, the centers now receive broad community support, including many of those who attempted to block construction. The Miami Homeless Assistance Centers have been recognized by service providers across the U.S., and the U.S. Department of Housing and Urban Development has hailed the concept as a "national model."

New Orleans

On a somewhat smaller scale, several years ago a partnership was forged in New Orleans for the development of the Legacy Project. An organization consisting of homeless people, service providers, architects, the business community, neighborhood associations, and government agencies came together to create a development that coordinates and centralizes services and housing for the homeless. The City of New Orleans leased a 7.5-acre parcel to the Legacy Corporation, and Legacy bought several adjacent properties to add to its footprint. Today, the Legacy Project serves as both a "first-stop" and "full-service" facility for homeless individuals and families.

New York

Because of its size and density, New York is unlike any other American city and centralization of all services for its tens of thousands of homeless would be impractical. Still, some of New York's experiments may hold lessons for Dallas and other cities. Two in particular bear mention.

Even New York has come to recognize that meals, temporary lodging, and scattered services provided by emergency shelters are not enough to guarantee that homeless individuals and families won't find themselves back on the streets. An organization called Homes for Homeless believes that to effectively break the cycle of homelessness and poverty, the interrelated issues of homelessness must be address simultaneously. To this end, the organization has developed the innovative American Family Inn.

Centered on the belief that lack of education is the root cause of homelessness, four American Family Inns offer transitional housing as well as comprehensive and integrated on-site childcare, adult education, job training, health care, and family support. About 540 families are served each day.

The success of the American Family Inn demonstrates that shelters need not serve merely as waiting rooms between temporary bouts of housing. As a result of education-based programs—provided at the same cost as operating a traditional shelter—94 percent of all families who "graduate" from American Family Inns remain in permanent housing.

Common Ground is another model Dallas should consider for assisting the homeless. Created in 1990, Common Ground took over a dilapidated hotel housing several hundred low-income residents and transformed it into a supportive and sanitary facility that provides comprehensive on-site social services as well as a decent living environment. Today, Common Ground manages three residential facilities with more than 1,250 housing units. By pooling revenues from a variety of federal, state, local and charitable sources, Common Ground is able to provide mental health services, substance abuse recovery, vocational counseling, and community referral services to tenants.

In 1994, the Common Ground Training Corporation, an affiliate of Common Ground, was created to operate an extensive job training and placement service for tenants of supportive housing programs throughout New York City. The placement rate for "graduates" of these training programs is 86 percent, and the average wage after placement is $9.66 per hour. What's more, 74 percent of participants are still employed after six months.

Several long-term government studies have shown that more than 83 percent of homeless individuals placed in supportive housing are able to reintegrate themselves into mainstream society. And a recent study sponsored by the Rockefeller Foundation found that formerly homeless individuals in supportive housing experience a 50 percent increase in earnings and a $1,500 per person decrease in the use of public benefits within two years.

Fort Worth

Several years ago, the City of Fort Worth in cooperation with the Tarrant County Community Development Division created a consolidated service delivery system for the county's homeless population. The "Homeless Coalition," comprised of area agencies providing services to the homeless, was established at the same time to help avoid duplication of services.

Most of Fort Worth's homeless shelters, missions, and assistance centers are concentrated in the same neighborhood just southeast of downtown along East Lancaster Avenue. As recently reported in the *Dallas Morning News*, Tarrant County's homeless population has increased nearly 40 percent over the past three years. Some experts say one reason Fort Worth has become a magnet for the homeless is that services for them are superior to other cities' because of their accessibility. This may or not be the case. Still, very few homeless persons are found in Fort Worth's central business district, which may help explain why their CBD has become attractive for commercial and residential development.

<u>Central Business District Property Valuation Comparison: North vs. South</u>

Any visitor to downtown Dallas is struck by the disparities in development between the northern and southern halves of the Central Business District (DCBD). The northern half is dominated by relatively new high-rise office buildings while the southern half is characterized by older low-rise structures and vacant land. Though some redevelopment is occurring in the southern sector, the pace of growth has been extremely slow. The visible concentration of Dallas' homeless population may be one impediment to the commercial revival of the southern sector.

To illustrate the disparities between the two halves of the DCBD, we conducted a comparison of taxable property valuations in the northern and southern sectors of the DCBD. Valuations are based on real and business personal property for entities and enterprises subject to local property tax levies. Data utilized for this analysis were obtained from the Dallas County Central Appraisal District.

For purposes of this comparative analysis, the DCBD is defined as the area bounded by IH 30 to the south, IH 35E to the west, US 75 to the east, and Woodall Rogers to the north. Main Street generally demarcates the northern and southern sectors with buildings located on Main Street being included in northern sector totals.

As noted above, only properties subject to local property tax levies are included in this analysis. Therefore, any public buildings such as City Hall, the Earl Cabell Federal Building, museums, churches, and other similar structures are excluded. What's more, some buildings—such as the old Southwestern Life building and other properties that are currently generating little to no property tax revenues due to renovation/remodeling—are not included in assessing average property valuations for this analysis.

Overall, the DCBD has enjoyed a resurgence of interest by businesses wishing to locate or expand existing operations in downtown since the mid-1990s. The record high vacancy rates recorded in the early 1990s have retreated. Several Class C properties have been or are currently being renovated as downtown residences, and there have even been sightings of the long-absent city bird of Dallas, the "building crane." Real property valuations in the DCBD increased by more than 80 percent between 1995 and 2000. However, there is growing disparity between property values in the northern half of the DCBD and the southern half.

Comparative Property Valuations

For the current tax year, real property valuations in the northern half of the DCBD averaged $78.75 per square foot of building space, while properties in the southern sector are valued at an average of $59.83 per square foot. At first glance, when business personal property valuations are added to total taxable values, this gap appears to narrow. Including real and business personal property, valuations in the southern sector average $75.23 per square foot while the northern sector averages $93.32 per square foot. However, almost two-thirds of the southern sector's $80+ million business personal property valuations are located in one building, Two Bell Plaza. When this "outlier" is removed, total average taxable property valuations in the southern sector fall to $63.54 per square foot, about two-thirds the average value of properties in the northern sector (see Table 2). In addition, this gap in property valuations has been growing.

Table 2

Taxable Property Valuation Comparison
Northern and Southern Sectors of the Dallas Central Business District

Description	Northern Sector	Southern Sector
Total Real Property Value in 2000*	$ 2,467,627,140	$ 313,224,870
Percentage Change in Real Property Valuations 1995-2000#	98.2%	71.3%
Total Building Square Footage*	31,336,486 sqr.ft.	5,234,189 sqr.ft.
Total Average Real and Business Personal Property Valuation per Square Foot of Building Space	$93.32	$ 63.54+

Source: Dallas County Central Appraisal District, Authors' estimates.

* Does not include properties listed as having no taxable value. # Historical values were not available for some properties and were not included in the percentage change calculations. + Does not include business personal property value in Two Bell Plaza.

As previously stated, total real property valuations in the DCBD grew by more than 80 percent in the last half of the 1990s.[1] However, while real property valuations in the northern sector almost doubled between 1995 and 2000, valuations in the southern sector increased by only 70 percent. Though the southern sector's recent valuation growth rate is

[1] Historical business personal property valuations were not available for this analysis.

stronger than during the 1985 to 1994 time period, slower growth means that the disparity in taxable values between the sectors will continue to widen.

In addition, planning and urban renewal efforts have not been particularly successful in reversing a long-term trend of slower development in the southern half of downtown. Building space densities are much higher in the northern sector compared to the southern part of the DCBD. Even allowing for the preponderance of public buildings in the southern half, and accounting for low building-to-land-area land uses such as the convention center, development in the northern sector, as measured by land to building space ratios, is between three and four times as dense as the southern sector. This suggests even greater disparities in taxable property valuations between the sectors.

Tax Revenue Losses from Lagging Development in the Southern DCBD

There are three major consequences for properties (and owners) in the southern sector not fully enjoying the resurgence in market demand being experienced by the northern half of the DCBD. First, there is less justification for encouraging new development in vacant land areas. Second, lower market performance of southern sector properties inhibits property owners' interest in investing in significant renovation of older properties. Perhaps most importantly, at a time of increasing demands on public services, the southern sector's comparatively poor performance means lower revenues for local taxing entities.

Based on current year tax rates and total average real and business personal property valuations, ***the City of Dallas, Dallas County, and the Dallas Independent School District are losing at least $4.1 million per year due to valuation disparities from a lack of development in the southern sector.*** In other words, if existing southern sector properties were valued by the marketplace as highly as properties in the northern sector on a per-square-foot basis, the City of Dallas would add a little over $1 million per year to its revenues. Similarly, the Dallas Independent School District, struggling to afford major upgrades in facilities, equipment, and teaching personnel at its most distressed schools, would realize over $2.3 million in new revenues each year (see Table 3). Moreover, if the southern sector could enhance its attractiveness for *new* development and increase its building-to-land area densities, revenues to local taxing jurisdictions would rise substantially more (see discussion below).

Table 3

Estimated Annual Tax Losses Due to Lower Average Property Valuations in The Southern Sector of the Dallas Central Business District

Taxing Entity	Annual Tax Revenue Losses
City of Dallas	$ 1,061,000
Dallas County	$ 320,000
Dallas County Community College District	$ 79,000
Dallas County Hospital District (Parkland)	$ 311,000
Dallas Independent School District	$ 2,321,000
Total	**$ 4,092,000**

Potential New Taxes and Jobs from Build-out of the Southern DCBD

Most plans and proposals for build-out of the southern sector of the DCBD envision a mix of residential, office, retail and hospitality developments. Commercial/office building development is likely to be limited, consisting mainly of three-story buildings, while residential projects will be composed of mixed-use properties that include apartments and condominiums located in the same buildings with retail and commercial space. A convention center hotel is likely to materialize sometime in the future along with specialized retail and restaurants for conventioneers and tourists.

We estimate conservatively that ***the southern half of downtown could potentially support more than 2.6 million square feet of additional commercial, office and residential space.*** A likely mix would be 870,000 square feet of mixed-use development, 1.3 million square feet of low- to moderate-density office space, and about 450,000 square feet for a new conference hotel. We further project that at build-out, more than 5,500 new full-time-equivalent jobs will be based in the southern half of the DCBD.

Direct and indirect[2] property valuations associated with this new development will exceed one-half billion dollars and generate more than $14 million per year for local taxing entities (see Table 4). In addition, the City of Dallas and DART will each enjoy more than $5.2 million per year in direct and indirect retail sales taxes supported by new southern DCBD businesses. Finally, a new conference hotel in the area would produce almost $1.9 million per year in city hotel occupancy taxes.

Table 4

New Tax Revenues Supported by Potential Property Developments in the Southern Sector of the Dallas Central Business District (millions)

Taxing Entity	Property Tax Revenues	Sales Tax Revenues	Hotel Tax Revenues	Total Tax Revenues
City of Dallas	$ 3.5	$ 5.2	$ 1.9	$ 10.6
Dallas Independent School District	$ 8.1	-----	------	$ 8.1
Dallas County	$ 1.1	-----	------	$ 1.1
Dallas County Community College Dist.	$ 0.3	-----	------	$ 0.3
Dallas County Hospital District (Parkland)	$ 1.3	-----	------	$ 1.3
Dallas Area Rapid Transit	-------	$ 5.2	------	$ 5.2
Totals	$ 14.3	$ 10.4	$ 1.9	$ 26.6

[2] Indirect sales and property taxes are based on new employees spending a portion of their earnings for retail goods and housing in the City of Dallas.

Conclusion

The northern and southern halves of the Dallas central business district present a stark contrast. Whereas the northern sector will soon be built out with commercial, residential, and entertainment venues, the southern sector is languishing with comparatively little development activity and depressed property values. Without question, the concentration of homeless persons is contributing to the slow pace of re-development in the southern sector. And despite more than $20 million spent annually on programs for the homeless, their numbers have not declined.

If these individuals and families could be served from a central location near the DCBD, commercial and residential development in the southern sector would likely accelerate dramatically, with attendant economic and fiscal benefits to local taxing jurisdictions. Indeed, the new economic activity and tax revenue resulting from revival of the southern sector would actually enable to City to broaden its programs targeted to the homeless. At the same time, the experience of other cities suggests that providing services to the homeless at a centralized location helps to avoid duplication, hold down costs, and enhance the quality of life for these individuals and families.

As the discussion above has emphasized, the "social costs" of homelessness are far greater than the $20 million in annual governmental, private and non-profit spending. Because the concentration of homeless persons in downtown Dallas is inhibiting economic development, the city, county, school district and hospital district are foregoing millions in property and sales tax revenues each year. If property values in the southern sector of the DCBD today were equivalent to those in the northern sector on a per square foot basis, an additional $4.1 million in property taxes would be generated each year. If the southern sector were fully developed with a mix of residential, commercial, retail and hospitality projects, property and sales tax revenues would rise by a further $26.6 million annually.

In short, ***the economic cost of a languishing southern DCBD is the absence of 5,500 jobs and almost $31 million in annual tax revenues to the City of Dallas, Dallas County, the Dallas Independent School District, the Dallas County Hospital District, the Dallas County Community College District and DART.***