



August 31, 2016

Regulations Division
Office of General Counsel
451 7th Street SW., Room 10276
Department of Housing and Urban Development
Washington, DC 20410-0500

SUBJECT: 24 CFR Part 578, Docket No. FR-5476-N--04 entitled, Continuum of Care Program: Solicitation of Comment on Continuum of Care Formula

To Whom It May Concern:

The Downtown San Diego Partnership (“Partnership”) appreciates the opportunity to comment on the U.S. Department of Housing and Urban Development’s (HUD) the Federal Continuum of Care Funding Formula. The Partnership is a member-based, non-profit organization that serves more than 350 member businesses and 11,500 property owners. The Downtown San Diego Partnership serves as the leading advocate for the economic vitality and growth of Downtown San Diego.

Downtown San Diego is a diverse, vibrant community with nearly 35,000 residents, 85,000 employees, and millions of tourists visiting annually. Downtown is a regional employment center, a public transportation hotspot and a high-density, urban residential neighborhood. It’s an urban core that ignites the economic engine of greater San Diego.

However, downtown San Diego is severely affected by chronic homelessness and the disproportionate share of unsheltered homeless community members that reside throughout the county. Since 2012 Downtown’s average unsheltered homeless population has increased by 72 percent. Since August 2015 Downtown’s unsheltered homeless population has increased by 110 percent from 657 homeless individuals to 1,386 homeless individuals. According to the 2016 HUD Point in Time Count for San Diego, 995 homeless individuals were counted just within Downtown census tracts (51.00, 52.00, 53.00, 54.00, 55.00, 56.00 and 58.00), accounting for 12 percent of the regional total.¹

¹ Downtown San Diego Partnership, Monthly Homeless Count, <http://www.downtownsandiego.org/clean-and-safe/pbid-meetings-reports/>, (August 31, 2016).

The Partnership is encouraged by the HUD's efforts to revise the Federal Continuum of Care Funding Formula. However, after evaluation of the four proposed formulas, our recommendation is in support of a fifth proposal, Formula E, which would more equitably distribute Continuum of Care (CoC) funds across regions experiencing the highest levels of homelessness. Formula E is based on the San Diego region's experience with homelessness and the high cost of housing. The San Diego CoC is ranked 22nd in Federal homelessness funding despite having the fourth highest homeless population in the nation, according to the 2015 Annual Homeless Assessment Report to Congress in November 2015 and the Fiscal Year 2016 Continuum of Care Program Competition report.

OVERVIEW & RECOMMENDATION SUMMARY

We have reviewed the proposed changes to the HUD Continuum of Care Program (24 CFR Part 578, Docket No. FR-5476-N--04 entitled, "Continuum of Care Program: Solicitation of Comment on Continuum of Care Formula), issued on July 25, 2016. We compared the impact of each of the four proposed formulas, and that of the proposed Formula E, to the 10 Continuums of Care in major cities with the largest homeless populations, as well as the indicators we believe are most correlative to rates of homelessness.

Our recommendation is HUD consider the following as part of the Homeless Emergency Assistance and Rapid Transition to Housing Final Rule:

1. The fifth proposed Formula E with Annual Renewal Demands as the baseline for funding;
2. If HUD adopts one of the four originally-proposed funding formulas, we recommend HUD Formula D, with Annual Renewal Demands as the baseline for funding. Of the four proposals originally provided, Formula D best identifies community needs in relation to rates of homelessness.
3. The adoption of a rule to revisit the formula every five years, ensuring the formula does not again become outdated; and
4. New funds to be added to the total HUD CoC appropriation within the next three years

RECOMMENDATION DETAILS

Partnership staff began by review the four existing HUD proposals and conducting a preliminary analysis. Staff then reached out to local community stakeholders to receive additional information and analysis from community partners. Using the data provided by HUD including the "CoC [Preliminary Pro Rata Need (PPRN)] Alternate Formula Testing Tool," the San Diego Regional Continuum of Care (RCCC) reviewed the four HUD proposals and the weight of each factor. Based on that assessment, the RCCC developed Formula E, incorporating the experience of major CoCs with homelessness.

In reviewing the economic climate of each of the 10 CoCs with the largest homeless populations, the common thread was issues of housing affordability. The Pearson's Correlation analysis conducted by HUD, also cites three housing indicators most connected to homelessness:

- **Renter-occupied units:** 65percent (0.444 correlation to homelessness)
- **Affordability gap:** 30 percent (.310 correlation to homelessness)
- **Rent-burdened Extremely Low Income (ELI) households:** 5 percent (0.336 correlation to homelessness).

Chief Economists from across the country agree the developing housing shortage is one of the most important housing market trends. San Diego's housing market continues to tighten and become more expensive, so significant increases in home ownership are not expected in the next five years. For example, representatives from Moody's Analytics, Clear Capital, realtor.com, Fannie Mae, and Windermere indicate, while the development of new housing has increased in recent years, it is still well below what is needed across most regions.

A result of this trend will be the continued decline in vacancy rates, which has the potential to quickly increase rental rates and home prices. These factors, combined with minimal affordable housing options in many communities, will create more rent-burdened ELI households and widen the affordability gap, all of which could lead to greater rates of homelessness.

This trend also impacts the number of renter-occupied units, including affordable rental housing units, perpetuating the problem and creating even more rent-burdened ELI households, leading to greater rates of homelessness. Due to these trends, the Partnership believes the proposed Formula E will have the greatest positive impact on homelessness in the most impacted cities, however, if HUD selects one of its four originally-proposed formulas, the Partnership recommends HUD Formula D.

Finally, the Partnership requests that HUD perform a standard review of the formula and allocate further CoC dollars to ensure all communities have adequate levels of funding to address homelessness in their region. Your thoughtful consideration of the recommendations outlined above, is very much appreciated.

Sincerely,

Kris Michell
CEO & President
Downtown San Diego Partnership