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# Basic Income Grants to Reduce Homelessness in Los Angeles

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# Introduction

According to official policy, Los Angeles prioritizes helping chronically homeless people with serious mental illness (SMI) or substance abuse disorders (SUD)<sup>1</sup> for both humanitarian and fiscal reasons. These unhoused people are most likely to die on the streets without help. While on the streets, they are frequent users of expensive public services: shelters, ambulances, hospitals, police, jails, courts, etc. Overwhelming evidence suggests that providing housing and services needed to maintain housing—a Housing First approach—is effective and reduces public costs.<sup>2</sup>

Although SMI and SUD are more prevalent among unhoused people, it is wrong to assume that these conditions are the sole cause of their homelessness. In Los Angeles County, about 95.3% of adults with SMI<sup>3</sup> and 97% of people with SUD<sup>4</sup> are housed. In a recent survey included in the annual homelessness count, about 42% of unhoused people said they had neither a SMI nor SUD problem. When asked why they lost their housing, 27% cited an SMI or SUD problem, but 73% cited other reasons, including 48% who blamed unemployment or another financial reason.<sup>5</sup> Put simply, many unhoused people in Los Angeles—about 32,000, disproportionately people of color<sup>6</sup>—have a central problem much more easily addressed than SMI or SUD: They are extremely poor.<sup>7</sup>

Public policy in Los Angeles regarding homelessness has long been blind to this fact. For many years, public policy has focused almost entirely on short-term responses that still leave people homeless and on the shortage of affordable housing, with virtually no attention given to income—the factor that determines the meaning of affordable. The consequence of this focus on only half the problem is that Los Angeles has created a very complex, bureaucratic, and expensive system that struggles to find even “interim” housing for those

who are unhoused. That system ignores the potential of many unhoused people to solve their housing problems if they had a little more money.

The current system in Los Angeles<sup>8</sup> has increasingly relied on housing navigators to help unhoused people seek very scarce subsidized housing subject to strict criteria. Finding vacancies with owners willing to participate and then documenting eligibility for the few heavily subsidized units in buildings of appropriate size<sup>9</sup> is a lengthy and expensive process. In 2023, 12,725 Section 8 housing vouchers allocated to the city and county went unused—16% of the total.<sup>10</sup> The Los Angeles Homeless Services Authority reported that in the first quarter of FY 2023–2024, it took an average of 284 days to move 12 people per day into permanent housing.<sup>11</sup> Providing interim housing during this process can be very costly, as is adding to the supply of housing. The City of Los Angeles has been spending about \$3,400 per month for single hotel rooms as part of the Inside Safe program.<sup>12</sup> Adding one studio unit of extremely low income housing requires a subsidy of \$574,645 and an additional \$575 per month to operate.<sup>13</sup>

By contrast, an unhoused person with money has immediate access to both the standard and informal housing markets. Informal housing, once a subject of study only in developing countries, means housing that does not conform to the standards of the formal housing market. It includes shared housing arrangements, housing that does not meet all code requirements, rooms rented in single-family homes, etc. Notably, only 32% of a very large sample of unhoused people in California<sup>14</sup> had been tenants in ordinary housing before becoming homeless; most were last housed in a unit rented by someone else—i.e., the informal housing market. If they were required to pay rent, their median monthly rent was \$450.<sup>15</sup> No government subsidies are available to create this housing or voucher programs to cover ongoing costs, but neither are there any complicated eligibility and documentation requirements. All that is missing is a relatively modest amount of money.

The notion of improving the lives of people in poverty with direct cash subsidies is not new. Indeed, both the city and county of Los Angeles are currently conducting basic income pilots, though neither is focused on reducing homelessness.<sup>16</sup> But a 2022 Urban Institute survey<sup>17</sup> of guaranteed income

programs with a focus on housing needs summarized some of the advantages of this approach as compared to distributing benefits through bureaucracies:

- Cash subsidies provide more flexible housing support at a lower cost. The current dominant model entails considerable overhead to pay for government employees and contractors to manage relationships between landlords and people in need.
- They afford more choice and dignity by allowing unhoused or housing-insecure people to be treated like any other prospective tenant or lodger.
- They avoid voucher discrimination by landlords, some of which is motivated by the not irrational reluctance to deal with government bureaucracies to receive payment.
- These subsidies can be provided to people excluded from other government-funded voucher programs, including immigrants and formerly incarcerated people.

These results are similar to those reported in an early assessment of a more recent basic income pilot in Denver.<sup>18</sup>

In May 2022, researchers at the University of Southern California's Center for Homelessness, Housing and Health Equity Research began a randomized controlled trial to assess the impact of providing unhoused people in Los Angeles with \$750 per month for 1 year. Although the study is ongoing, initial results show that after 6 months, almost 30% of people who received basic income exited homelessness, which is approximately twice the rate of people who did not receive money.

This result is consistent with the experience and opinions of unhoused people. In a very large study reported in 2023 by researchers with the Benioff Homelessness and Housing Initiative at the University of California, San Francisco, 70% of those surveyed said that they could have avoided homelessness if they had an additional income of \$300 to \$500 per month.<sup>19</sup>

# Objections and Responses

## **Unacceptable housing**

One reasonable objection is that depending on the amount of the direct cash subsidy, an unhoused person will not be able to find a minimally decent apartment. The current fair market rent for a one-room apartment in Los Angeles County meeting the U.S. Department of Housing and Urban Development's standards is \$1,777 per month. But housing need not be an apartment; people can share housing and a single person can rent a room in a single-family home or boarding house.<sup>20</sup> Generally speaking, it is true that the lower the subsidy, the worse the housing an unhoused person will be able to find. But there is no reason to think that housing will be worse than the last stable housing they had before becoming homeless. A better response to the objection would be to provide more assistance and ensure better code enforcement. No unhoused person should remain on the streets while we work to achieve either or both.

## **People make bad choices**

One of many long-standing stereotypes about poor people in this country is that if they have resources, they spend them on what economists call "temptation goods" like tobacco, alcohol, or drugs. This is only one dimension of the overall belief that the cause of poverty is poor people themselves, particularly if they are Black.<sup>21</sup> Empirical evidence from cash subsidy studies, however, counters that stereotype. Scholars from Stanford University and the World Bank examined findings from 19 studies around the world and found that cash subsidies had the opposite effect on expenditures on temptation goods.<sup>22</sup> This is also true for unhoused individuals who began receiving basic income through the University of Southern California's current randomized controlled trial.

## **We already have General Relief**

Yes, we do. Under California statutes, when a person is destitute, unemployed, and ineligible for any other form of assistance, the county in which they reside must provide some minimal assistance.<sup>23</sup> Los Angeles County provides not one dollar more than the statutory minimum, \$221 per month, the lowest in the state. That amount has not increased in the past 40 years, during which time the rent for a one-room unit increased by 456%.<sup>24</sup> Unsurprisingly, the County's Department of Public Social Services reports that about 75% of the more than 100,000 General Relief recipients are homeless and have no stable address.<sup>25</sup>

## **We cannot afford it**

The truth is, we cannot afford not to do better than the current system, which spends a huge amount of money to house a small fraction of those in need. There is every indication from multiple pilot projects that a very significant number of unhoused people can accomplish more for less. With a stable place to live, formerly unhoused people have an improved chance to find employment<sup>26</sup> or apply for federal disability income benefits,<sup>27</sup> which can make a subsidy unnecessary.



# Conclusion

The strategy outlined here will not be enough to help all currently unhoused people move into housing. But if properly implemented, it could help move tens of thousands of currently homeless Angelenos into housing at a far lower cost per person than our current system. Those savings, in turn, could be focused more on those less able to help themselves.

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# Notes

1. Most government funding requires a coordinated entry system that prioritizes potential recipients of assistance according to a “vulnerability index,” using a screening tool, VI-SPDAT. In current practice, however, these priorities are subordinate to a higher priority of housing people displaced by sweeps of homeless encampments.
2. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8513528/>
3. California Health Care Foundation, Mental Health in California Almanac 2022, Estimates of Need For Behavioral Health Services (Serious Mental Illness), Table for Los Angeles County.
4. Estimated from SAMHSA NSDUH Report, Metro Brief on SUD prevalence for people aged 12 or older in the Los Angeles, Long Beach, and Santa Ana metropolitan statistical area and census population estimates for 2022.
5. Statistics in this paragraph were compiled by Dan Flaming from 2023 Los Angeles Homeless Services Authority demographic survey data collected as part of the homelessness count mandated by Congress, available on the Economic Roundtable website. The data reported do not include data from Pasadena, Long Beach, or Glendale.
6. The roots of homelessness lie in historic racist policies. We acknowledge that although writing this essay required assuming a stance of being anti-racist with which we are comfortable, we also acknowledge that our ability to write this essay reflects, to varying degrees, opportunities afforded to us by White privilege.
7. Of course, not all extremely poor people become homeless. Important aggravating factors include race and the nature and capacity of family and social networks.
8. By “system,” as used here and later, we include organizations and institutions whose primary stated objective is reducing or responding to homelessness: Los Angeles Homeless Services Authority, County of Los Angeles (including the Homelessness Initiative), City of Los Angeles, and all related nonprofit grantees and contractors. This system was created and has evolved long before the employment of virtually any of the generally admirable people who now direct and staff its constituent parts.

9. The size of the buildings is a constraint because of the per-unit administrative costs of dealing with many small buildings.
10. [https://www.huduser.gov/portal/datasets/assthsg.html#2009-2022\\_data](https://www.huduser.gov/portal/datasets/assthsg.html#2009-2022_data) (2023)
11. LAHSA data for the first quarter of FY 2023-2024.  
<https://www.lahsa.org/documents?id=7769-2023-11-01-interim-housing-kpi>
12. <https://www.latimes.com/california/story/2023-07-28/bass-plan-to-buy-mayfair-hotel-comes-with-a-big-price-tag>.
13. LA Planning Department, 2022 Affordable Gaps Study, pp. 2, 13.
14. Benioff Homeless and Housing Initiative at the University of California, San Francisco, Toward a New Understanding: The California Statewide Study of People Experiencing Homelessness, June 2023.
15. Ibid. p. 5.
16. The county's BREATHE program provides 1,000 eligible residents with \$1,000 per month for 3 years and an additional 200 former foster youth with \$1,000 per month for 2 years. The program is slated to end in August 2025. The city's BIG:LEAP program provided approximately 3,200 individuals with \$1,000 per month for 12 months. The program ended in 2023. The city's research partner, the Center for Guaranteed Income Research at the University of Pennsylvania, has assisted with the collection and analysis of data, but no results have yet been made public. The cities of Compton and Long Beach have also experimented with guaranteed income programs.
17. An Urban Institute study examined the results of these programs: Project Independence in Alameda County, California; DC Flex in Washington, DC; Austin Annual Guaranteed Income Pilot in Austin, Texas; Chicago Resilient Communities Pilot in Chicago, Illinois; and Arlington's Guarantee in Arlington County, Virginia.
18. The Denver Basic Income Project issued an interim report in October 2023, reporting that after 6 months, 35%–40% of participants were renting an apartment or home. Participants in Denver included people in motels or camping grounds or sharing housing out of necessity and not choice.
19. See Note 12, p. 7.
20. In this arrangement, the person is not a tenant under the law but has many of the same protections as a lodger.
21. For an overview, see Durante F, Fiske ST, 2017, How social-class stereotypes maintain inequality, *Current Opinion in Psychology* 18, 43–48.

- 22.** Evans DK, Popova A, 2017, Cash transfers and temptation goods, *Economic Development and Cultural Change* 65, 189–221.
- 23.** Welfare and Institutions Code Section 17000.
- 24.** See Fair Market Rents Residential Rental Properties Los Angeles County: Years 1983-2024.
- 25.** Homeless general relief recipient numbers (78,801) are for December 2023, as reported in a Department of Public Social Services response dated February 8, 2024, to CPRA request from Flaming. Total general relief caseload (104,544) data are for September 2023 and are the latest available as reported to the California Department of Social Services as of April 1, 2004.
- 26.** See Pickens S, Flaming D, Gomez M, Alvarez A, The work behind work: combatting homelessness with jobs. *Economic Roundtable*; 2024.  
<https://economicrt.org/publication/the-work-behind-work/>
- 27.** For those with qualifying disabilities, the current monthly payment for Supplemental Security Income for single people in California ranges from \$874 to \$1,575, depending on living situation.