

THE COST OF
HOMELESSNESS

Cape Town



**SUMMARY REPORT
2020**

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THE COST OF HOMELESSNESS IN CAPE TOWN – *Summary Report*

Introduction

Homelessness exacts a great cost, both to individuals on the street and also society at large. Living on the street causes a decline in physical and mental health, and an increase in trauma and injury because of a lack of safety.ⁱ Housed residents face an increase in begging and littering as well as a perceived decrease in safety. All of this has a cost, whether it is a human, social or financial cost.

Costing studies are not new, they have been conducted in many cities and countries around the world since the early 2000's. The financial cost of homelessness encompasses direct costs, including shelters and services, as well as indirect costs, such as increased use of health services, policing and the criminal justice system. Early research in New York City in 2002 tracked nearly 10,000 people who were homeless with a severe mental illness and found the average cost of their service use was \$40,500 per person per year (in 2002 dollars). This included time spent in hospitals, shelters and prison. Once housed, these costs were reduced to the extent they effectively offset the entire costs of providing people with housing subsidies and intensive supportive services.ⁱⁱ

Despite multiple costing studies completed globally,ⁱⁱⁱ to date, no costing studies of homelessness have been completed in South Africa. This study therefore builds on the best practice and methodologies from other studies to uncover the true cost of homelessness in Cape Town. The purposes of the study are four-fold:

1. Gain a more accurate understanding of the total financial cost of homelessness annually in Cape Town
2. Enable all role players to motivate for more effective investment into the sector (financial, land & buildings, skills and resources) with a focus to long term solutions
3. Highlight the realities experienced on the street
4. Guide planning and support policy development

This study is for everyone, including role players at all levels of government, organisations working within the sector, and housed and non-housed residents. Knowing the true cost of homelessness will help us to evaluate, plan, prioritise and advocate more effectively to solve homelessness in the 'Mother City'.

Definitions

- **STREET HOMELESSNESS** - Refers to an individual, who for any reason use the outdoors as a place of abode for a lengthy period of time. The term "street" includes all areas of open spaces and river banks.
- **CHRONIC HOMELESSNESS** - used to describe people who have experienced homelessness consistently for at least a year — or repeatedly over several years — while struggling with a disabling condition such as a serious mental illness, substance use disorder, or physical disability.

Important note: The costs in this study refer to the latest financial year available at time of research, in most cases 2019/20 or 2019. No data is included that covers the period after March 2020 as it is currently too early to ascertain the impact of the Covid-19 lockdown on spending in the homeless sector.

Costing studies in other cities and countries

Costing studies of homelessness have been conducted in numerous countries in Europe and North America, as well as Australia. No two studies were exactly the same with each adapted to the local context and including a slightly different array of costs. These included:

- *Costs to the government:* such as homeless services, criminal justice, welfare grants, healthcare, and temporary and permanent housing solutions;
- *Costs to the economy:* such as house depreciation values and losses of tax revenues, and loss of potential of tax expenditure in other areas resulting from the high economic burden of the cost of homelessness;
- *Costs to the homeless individual:* in terms of wellbeing, quality of life and life expectancy.

The different studies all show high total costs of homelessness. In the UK it was estimated to be over £1 billion annually (US\$1.2bn),^{iv} and in Canada CA\$7.05 billion in 2013 (US\$6.7bn)^v. In Australia a study by AHURI calculated youth homelessness alone to be AUS\$574 million annually^{vi}. In Orange County, California in the United States – which has a population of 3.2 million^{vii} – the cost was US\$299 million in 2014/15.^{viii}

As well as total costs, and cost per person, a number of studies took the analysis further and looked at the cost-effectiveness of different interventions. Studies in the UK, Canada and Australia found that taking no action, as well as temporary and short-term solutions, have a heavy financial burden. Significantly, the studies found that investing in longer-term solutions that provide a sustained pathway off the street resulted in substantial gains – financially, as well as socially.^{ix}

Methodology

As this was the first cost of homelessness study to be conducted in South Africa, it was decided to focus on clearly definable costs to the government or Cape Town residents. The costs that were included were:

- *Developmental:* These are costs of providing direct services to the homeless such as shelter, food, ablutions, social support, skills development and economic empowerment. These services are provided by non-profit shelters and service providers; the City of Cape Town Social Development and Early Childhood Development Department; the Western Cape Department for Social Development; and Community Improvement District social development teams.
- *Reactive and Punitive:* These are costs for reacting to homelessness, either through an urban management requirement (e.g. cleaning), a security-based response, or increased demand on the criminal justice system. These costs include the City of Cape Town Displaced People's Unit, Community Improvement District security and urban management spending, and Criminal Justice costs.
- *Humanitarian:* These are the cash handouts given to homeless people every day from Cape Town residents who support them either out of concern or compassion.

The costs were sourced directly from service providers or published financial records. When this was not possible, costs were calculated using available data. The level of cash handouts, and the criminal justice costs were based on the findings of a street people survey of 350 street people commissioned as part of the study and conducted under the auspices of the HSRC.

Careful attention was given not to double count any costs. As one might imagine, there is significant overlap between

some of the expenditures listed above (e.g. government and non-profit spending). This was kept front of mind throughout the calculations. A detailed methodology on how each of the costs were derived is available in the full report.^x

Several costs were not included as they were deemed too difficult to accurately determine. Costs not able to be included were:

- *Developmental:* Substance use disorder rehabilitation, support from faith-based organisations, smaller soup kitchens and Community Action Networks (CANs)
- *Punitive/reactive:* Healthcare (physical and mental), Private Security; Government grants to individuals

Also not included – for methodological reasons were economic costs such as loss of revenue due to tourism, property devaluations, or the cost to the individual homeless person, such as poorer quality of life and lowered life expectancy.

The study uses the latest reliable data available. In most cases this was the 2019/20 financial year and occasionally it is the 2018/19 financial year. No data is included that covers the period after March 2020 as it is currently too early to ascertain the impact of the Covid-19 lockdown on spending in the homeless sector. Significant funds were spent during and since locking on both temporary housing and food for street people in Cape Town.

A word of caution – how to understand the findings

As for all costing studies – it is important to understand what the numbers can and cannot tell us. This understanding is important so the findings are correctly applied. For example:

1. **This study does not assess the savings that would accrue if homelessness was ended.** Although some of the spend might be saved on services like policing homelessness and humanitarian costs, much of the current expenditure will be redirected elsewhere. For example, shifting away from spending on cleaning and security to maintain the status quo, to spending on improving and beautifying urban spaces to encourage more visitors.
2. **The study does not measure cost-effectiveness.** As mentioned in the methodology, the study focuses on total costs and does not include cost comparisons on different interventions. However, this study lays the foundation for a future comparative study to assess the cost-effectiveness of different interventions in addressing homelessness.
3. **This is not the total cost of homeless in Cape Town but a minimum cost.** The study is conservative in all calculations. There were costs, such as healthcare, drug rehab and private security, that were excluded due as the required costing data could not be obtained. Thus, language such as, “We spend in excess of...” should be used when talking about the cost findings in this study.

7 RESEARCH FINDINGS

1 ON AVERAGE, THEY'VE LIVED ON THE STREETS FOR 8.5 YEARS

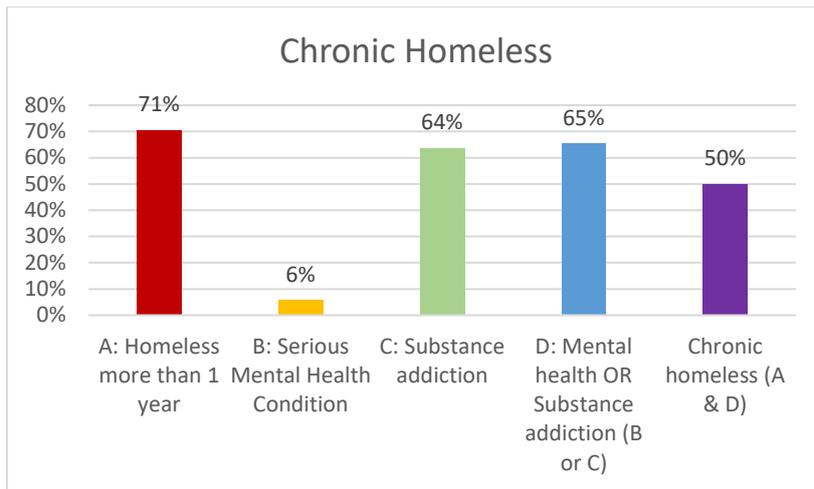
Street homeless people in Cape Town have spent a mean average of 8 years and 7 months living on the street – this is accordingly to the Street People survey conducted as part of the study. The median average is 4 years and 7 months – slightly lower than the mean given the long periods of time some have spent on the street, but still incredibly high. The majority (71%) have spent more than one year on the street with 45% spending more than 5 years on the street (figure 1). Only 29% reported being on the street under one year. The shortest someone had been on the streets in the sample was four days, the longest was over 40 years.

Figure 1 : Length of time living on the streets



2 HIGH LEVEL OF CHRONIC HOMELESSNESS 50%

“Chronic homelessness” describes people who have experienced homelessness consistently for at least a year – or repeatedly over several years – while struggling with a disabling condition such as a serious mental illness, substance use disorder, or physical disability.^{xi} In Cape Town, the survey found that 71% of the street homeless population have been on the streets more than one year, 6% have a serious mental health condition such as schizophrenia, dementia, bipolar disorder or post-traumatic stress disorder (PTSD) and 64% have a current drug or alcohol addiction. Taken together, 50% were found to have been homeless more than one year and have a serious mental health condition or a substance addiction (see figure 2). To put this figure into context – 24% of the homeless population in the US is classified as Chronic Homeless – less than half the Cape Town figure.^{xii}



Does this matter? Yes. Apart from the human suffering that is taking place on the streets, it also matters from a cost perspective. It is well established in the research that some of those who become long-term homeless start off physically and mentally well, but living on the street leads to deteriorations in their health and well-being.^{xiii} The chronic homeless become more expensive for the public sector over time, and their homelessness is increasingly costly to resolve as their needs become more complex.^{xiv} The longer someone is on the streets, the more costly and harder it is to help them to leave the streets long term.

3 OVER 14,000

PEOPLE ARE HOMELESS IN CAPE TOWN

The City of Cape Town conducted a count of street people in 2015^{xv} and 2018.^{xvi} These counts followed international best-practice and provide a useful insight into the number of street people. However, as academic literature shows, a street people census will inevitably miss a significant number of people living on the streets no matter how well it is conducted.^{xvii}

Ascertaining the exact level of the undercount is difficult but by using other data sources, such as from service providers, it has been found in the UK that the actual number of street people is between 2.5 and 5 times higher than the census count.^{xviii} Due to the geographic nature of Cape Town with the mountain and township areas that were considered too dangerous for City researchers to enter, after lengthy discussions among the research team, a multiplier of three times the number of people counted on the street in the most recent census plus was used, plus the number of people sleeping in a shelter. The total number calculated and the methodology were both validated and accepted by the peer reviewers from the sector who reviewed the research findings before publication.

The 2018 count by the City of Cape Town found 4091 people who were sleeping on the street and 2084 people in shelters. The estimated total is therefore somewhere between 12,312 and 22,539 depending on which multiplier is used. With the multiplier of three times the number of street people counted, the estimated total of people living on the street and in shelters is therefore 14,357.^{xix}

4

LAST YEAR HOMELESSNESS COST CAPE TOWN

Over **R744 million**



The total cost of homelessness in Cape Town is R744m a year. Per person, this equates to R51,811 per year (R4,318 per month or R142 per day).

This is a conservative figure as there are many costs not included in this total such as healthcare, substance use disorder rehabilitation, private security, Government grants to individuals, and spending by community and faith based organisations.

5

CAPE TOWN IS SPENDING MOST ON REACTIVE / PUNITIVE RESPONSES TO HOMELESSNESS

R335.3 million



Spending on street homelessness in Cape Town is primary focused on reactive / punitive spending (45%), followed by humanitarian spending (39%) and lastly developmental spending (16%) - see table 1.

Table 1 : Cost of homelessness in Cape Town by category

HUMANITARIAN	REACTIVE / PUNITIVE	DEVELOPMENTAL
Support from the public R286.6 M	COCT DPU R14.0 M	Shelters R30.7 M
	CID Security R28.6 M	Service providers R17.6 M
	CID Urban Mgt R5.9 M	CoCT Social Dev R31.6 M
	Criminal Justice costs R286.7 M	Provincial DSD R34.7 M
		CID Social Dev R7.3 M
R286.6 M	R335.3M	R121.9M
39%	45%	16%
R19,966	R23,355	R8,491
PER PERSON	PER PERSON	PER PERSON

The largest category of spending on homelessness is reactive or punitive spending accounting for R335.3m a year, which equates to R23,355 per person per year. These costs are focused on reacting to the current problem, such as urban management costs (see Case Study) or addressing the problem in a punitive manner through a law enforcement based approach.

A law enforcement based approach to homelessness – such as issuing fines for begging or sleeping in public spaces – is both expensive and counterproductive.^{xx} The study found the homeless in Cape Town are arrested on average once every three years giving a 33% chance of arrest each year. This is 11 times higher than amongst the general population where there is a 3% chance of arrest per year.^{xxi} With the knock-on effects of court time, incarceration and parole, the cost to the criminal justice system alone is R19,971 per street person per year.

There is a growing body of research from other countries that demonstrates that the relationship between homelessness and prison is bi-directional.^{xxii} People who are homeless are much more likely to be arrested and in prison than those who are housed, and without adequate discharge planning and supports, people in prison are more likely to become homeless upon release. Therefore, effectively addressing homelessness through the provision of rehabilitation and housing, reduces the chances of someone being involved with the criminal justice system. At the same time, effective discharge and planning from prison saves money in the long run, and makes communities safer.^{xxiii}

Case Study

Reactive spending due to Cape Town's homelessness: The CCID experience

Street homelessness within the Cape Town central business district (CBD) is exacting a high cost for the Cape Town Central City Improvement District (CCID). The improvement district exists to make the Cape Town CBD a safe, clean and caring urban environment but this is being made more difficult due to over 870 people sleeping on the streets each night.

For example, a lack of public toilets open 24 hours a day mean that the unhoused population of the CBD have no choice but to use the street as their toilet. The CCID therefore sends out a cleaning team in the early hours of the morning each day to clean up the mess created in over 70 locations, costing R380,000 per year. This money could be saved if public toilets were made available.

Similarly, in 2019, each month the CCID received more than 1000 complaints from businesses and members of the public relating to homelessness, each which had to be responded to by security officers, increasing the number of officers that have to be on duty at any one time and taking time away from keeping the CBD safe and secure from crime.

These are all reactive costs – costs incurred because of the current high numbers of street people in the CBD, and focusing on keeping the streets clean and residents feeling 'safe' but not actually addressing the root cause of the problem, and helping the homeless to leave the streets.

6

HIGH UNTREATED NEED FOR HEALTHCARE AMONG STREET PEOPLE

85%



Living on the street is bad for your physical and mental health.^{xxiv} However, healthcare access for those on the street is limited. The street people study found 59% of those interviewed had been to clinic and/or hospital in the last three months. Yet, as a comparison, in the Strandfontein temporary camp set up during lockdown, it was reported that 1,352 homeless persons (approx. 85% of the 1600 residents) were provided with chronic and clinical treatment for conditions such as TB, HIV, Diabetes, Hypertension and Epilepsy.^{xxv} This 'gap' in healthcare utilisation shows the level of untreated chronic and clinical conditions among the homeless population which exacts a high human cost, but also has a negative impact on extended community health. While some people become homeless because of mental illness, it is known that the experience of homelessness can exacerbate existing problems and lead to new mental health problems, including addictions. 16% of the survey respondents reported mental health issues but this is an under representation of reality as obvious mental illness was one of the factors which excluded people from the survey.

An estimated cost on the healthcare system due to street homelessness has not been calculated as part of this study due to problems in accessing reliable health service costing data. However, during the study peer review, links were provided to the UCT Health Economics Department and it is hoped this costing component can be added at a later date.

7

WE'RE REACTING TO THE PROBLEM

Not solving it

The current response to homelessness within Cape Town is not working. At least 50% of the Cape Town population are chronic homeless and the longer someone spends on the street, the more it costs in terms of emergency service use for healthcare, mental health, law enforcement, urban management, and humanitarian support. By maintaining the status quo, residents of Cape Town are spending in excess of R744m each year and without investment in programmes and policies that actively work to end homelessness, the costs of homelessness will continue rising.

Beyond financial costs, there is a large opportunity cost of the current costs of homelessness. Opportunity cost is the potential benefits an individual, investor, or business misses out on when choosing one alternative over another.^{xxvi} There is an opportunity cost for spending money on a law enforcement approach to homelessness as this choice of spending means it cannot be spent elsewhere on long term solutions to homelessness. It is important to understand the potential missed opportunities foregone by choosing one type of spending over another. This allows for better decision-making.

What now?

The cost of solving homelessness is cheaper than doing nothing. In order to change the status quo the following needs to happen:

1. *Research into cost effectiveness:* Further research is needed into the cost-effectiveness of different interventions in helping a street homeless person to leave the streets. This will look at the cost comparison between different interventions, for example, short term shelter vs longer term housing, or different work-based programmes.
2. *Develop evidence-based policies and strategies:* The best social and economic policies are based on research and evidence. Policy and strategy development at all levels of government need to consider the true costs of homelessness and focus on interventions that are the most cost-effective in supporting more people to leave the streets long term, even if it appears 'more expensive' in the short term. This will also enable better social outcomes.
3. *Impact investment:* There is currently a growing crisis of chronic homelessness in Cape Town. Increased investment is needed in programmes that are proven to show the greatest cost-effectiveness and impact in helping homeless people to leave the streets long term. These programmes must break the cycle of chronic homelessness and poverty and help individuals reintegrate into society. This will require multiple models and pathways to ensure everyone on the street has the ability to access the services they require to move away from street life permanently.

We spend more on homelessness than we realise. Maintaining the status quo is both ethically and financially unviable and unsustainable. To end homelessness requires everyone working together in a coordinated and integrated fashion including all levels of government, non-profits and the private sector.

Let's stop reacting to the problem but start working together to solve it.

Endnotes

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Not solving it