

The Economic, Fiscal and Developmental Risks from Locating a Homeless Assistance Center in Downtown Dallas

By

Bernard L. Weinstein, Ph.D. and
Terry L. Clower, Ph.D.*

August 2005

*The authors are professors of applied economics at the University of North Texas in Denton. Views expressed are the authors' alone and not necessarily those of the university, its officers, or its Board of Regents.

Executive Summary

Homelessness has long been recognized as a serious problem in many American cities, and Dallas is no exception. What's more, the homeless tend to congregate where service providers are located.

Though homelessness is typically considered a social problem, it also has economic consequences. The latest homeless census for the City of Dallas totaled 6,000, and annual outlays by governmental, non-profit, charitable, and faith-based organizations to provide them with services probably exceed \$50 million. But the true *economic cost* of homelessness is much greater.

Research has shown that *the visible presence of homeless persons deters shoppers, visitors and residents from the central business district while imposing additional costs on downtown merchants.* Further, an examination of downtown properties using Dallas County Appraisal District (DCAD) records reveals that average values in the southern sector, where most of the homeless are concentrated, are well below those in the northern half of downtown. Land prices in the southern sector are less than half those in the northern sector. Consequently, the City of Dallas, Dallas County, and the Dallas Independent School District are losing at least \$2.4 million per year due to valuation disparities from a lack of development in the southern half of the central business district (CBD).

Recognizing the need to provide a central facility for delivering services to homeless persons, the Dallas City Council is currently considering a proposal to locate a homeless assistance center (HAC) inside the downtown loop. *While the Council's intentions are laudable, locating the HAC across from the Farmers Market would be a*

serious mistake that could have negative consequences for the multifaceted efforts currently underway to revitalize downtown and turn it into a 24-hour residential, commercial and entertainment hub. Indeed, the experience of Miami and other cities that have successfully revitalized their downtowns indicates that providing services to homeless persons at a site close to, but away from, the central business district is the single most important factor in stimulating downtown renewal.

Much is at stake. Our research has determined that the southern half of downtown can potentially support at least 2.2 million square feet of new commercial, office and residential space, and this development scenario would create more than 5,000 new jobs and generate about \$6.6 million per year in much-needed revenue for local taxing entities. *But such development is likely to be discouraged if a HAC is located in downtown.*

The City of Dallas has been economically stagnant for more than a decade. For example, over the past year only about 700 jobs have been added to local payrolls. By contrast, Fort Worth has gained more than 13,000 jobs. Dallas' unemployment rate, at 5.8 percent, is higher than the Metroplex average and above Fort Worth's as well. And the office vacancy rate in Dallas' CBD has been the highest in the nation for years.

As recently reported by the Dallas County Appraisal District, commercial real estate as a percentage of the City's tax base has slipped from 51 percent in 1985 to only 37 percent in 2005. Thus total City taxes paid by homeowners continue to rise while the percentage paid by business continues to slip. Indeed, for the first time ever single-family homeowners are paying more in City property taxes than commercial establishments. Though total property valuations rose 4.4 percent in the City of Dallas

between 2004 and 2005, this increase pales by comparison to Fort Worth's 9.5 percent growth. Consequently, the City faces a \$22 million budget shortfall for the next fiscal year.

Downtown revitalization is the key to making City of Dallas attractive again to residents and businesses, not to mention expanding its tax base. Indeed, downtown is much of what Dallas has to "sell" in its competition with suburban municipalities. Older urban areas, mostly on the eastern seaboard, have used revitalized downtown areas as catalysts for business retention and new business development that, in turn, have helped to expand the tax base.

Private developers are planning in excess of \$500 million of new construction and rehabilitation projects within the Dallas CBD, and the proposed Dallas Center for the Performing Arts will pump another \$275 million into downtown. To encourage these developments, the City of Dallas has established tax increment financing zones within and adjacent to downtown totaling \$243 million. The City has also allocated \$2.5 million from its Main Street Retail Incentive Program to subsidize rental rates and build-out and is pushing ahead with an urban parks initiative in downtown. Unfortunately, *all of these investments—private, non-profit, and public—will be at risk if a homeless assistance center is constructed within the CBD.*

Introduction

Homelessness has long been recognized as a serious problem in the City of Dallas, most especially in the central business district (CBD). For example, back in 1990 the Community Council of Greater Dallas formed a 64-member Homeless Services Task Force to research and recommend a comprehensive, coordinated service delivery system for homeless persons. At the time, the Dallas homeless count was estimated to be 4,000, comprised of 3,000 adults and 1,000 children.

A much broader range of services is available to homeless persons today than 15 years ago, but homelessness persists in Dallas and other large American cities. The most recent homeless count, conducted in January of 2004 by the Metro Dallas Homeless Alliance, recorded nearly 6,000 homeless persons in Dallas County, with the vast majority residing within the city limits.

In 2003, the City received a record \$11 million in federal grants to provide housing and other services to homeless persons, with most of the funds coming from a competitive “Continuum of Care” grant. Dallas voters approved a \$3 million bond issue in May 2003 to be applied toward land and/or building acquisition for a homeless assistance center (HAC). In 2004, the Mayor appointed a homeless task force to identify a location for the HAC, and a tentative site in downtown, across from the Farmers’ Market, was selected in the spring of 2005. A second bond issue of \$15.7 million to pay for construction of the HAC may be put to Dallas voters in a November 2005 election.

Dallas’ business and political leaders recognize that solving the city’s homeless problem is a critical component of downtown revitalization. The tax increment financing zones (TIFs), the proposed urban parks, condo and apartment conversions, and the rebirth

of retail in the CBD are all encouraging signs. But *locating a HAC within the downtown loop may derail this nascent renewal of the urban core.*

The economic costs of homelessness in Dallas: A 5-year perspective

Homelessness is typically considered a social problem. But it has economic consequences as well. In 2000, the authors examined the economic and fiscal “costs” of homelessness in Dallas. Using the limited data made available at that time, we estimated the *direct* cost of providing services to the homeless—that is, expenditures on homeless programs by governments, non-profits, and faith-based institutions—to be more than \$20 million annually.

More importantly, we documented the disparity between real property valuations in the northern and southern sectors of the CBD. While property valuations had risen almost 100 percent in the northern half of the CBD between 1995 and 2000, they rose only 70 percent in the southern half, where most of the city’s homeless are concentrated. The cost in terms of foregone potential property tax receipts was several million dollars.

In 2003 and 2004 we conducted a follow-up study. This time, in addition to updating the estimate of tax revenue losses, we took an in-depth look at Miami’s homeless programs. We also surveyed downtown Dallas businesses to ascertain what costs, if any, they were bearing in dealing with homeless persons. And a survey of service providers was undertaken to get a sense of the types of services that are being provided as well as their annual outlays.

1. How property values are affected by homelessness

As mentioned above, our 2000 report examined in detail disparities in property values between the northern and southern halves of the downtown district and concluded that the concentration of Dallas' homeless population in the southern part of downtown was a major impediment to commercial redevelopment. Using data from the Dallas Central Appraisal District (DCAD), we found that average real property values for improvements in the southern sector amounted to only \$59.84 per square foot compared to \$78.75 per square foot in the northern sector in 2000.

Property values fell citywide between 2000 and 2004, a result of the national recession, the meltdown of the telecom industry, and the aftermath of September 11. But looking at the same properties we examined in 2000, and updating the values with the most recent appraisals from DCAD, we find that disparities between the northern and southern halves of the CBD remain. In 2003, average real property values came to only \$47.23 per square foot in the southern sector compared with \$63.30 in the north (see Table 1).

Table 1
Property Valuations in the Dallas Downtown District: 2003

	North Downtown Dallas	South Downtown Dallas
Total Real Property Value in 2003	\$1,805,662,136	\$247,271,400
Total Building Square Footage	28,570,731	5,235,189
2003 Prop. Value/Sq. Ftg.	\$63.20	\$47.23

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 \$2.4 million per year due to valuation disparities from a lack of development in the southern half of the CBD. Put differently, if the marketplace valued

existing southern sector properties as highly as properties in the northern sector, the City of Dallas would add almost \$600,000 per year to its revenues. Similarly, the Dallas ISD, struggling with rapidly rising enrollments, would gain \$1.4 million annually in new revenue while Dallas County entities would reap an additional \$450,000 (see Table 2).

Table 2
Estimated Losses to Local Taxing Entities from Depressed Property Values in the Southern Sector of the Dallas CBD

Taxing Jurisdiction	Estimated Tax Loss
City of Dallas	\$ 585,000
Dallas Independent School District	\$ 1,371,000
Dallas County	\$ 170,000
Dallas County Community College District	\$ 65,000
Dallas County Hospital District	\$ 212,000

In our 2000 study, we estimated that the southern half of downtown could potentially support more than 2.6 million square feet of additional commercial, office, and residential space, including a convention center headquarters hotel. While we remain convinced that the southern half of the CBD would see substantial new development if the visible presence of the homeless population were reduced, we have removed the impacts of a convention hotel from this analysis. This is largely due to changes in the convention market in Dallas and the increasing likelihood that the City of Dallas will have to play a dominant financial role in the development of a downtown hotel property, thus making problematic any estimates of net fiscal benefits that would be enjoyed by the city and other taxing jurisdictions.¹ However, *even without the hotel, there is still potential development of almost 2.2 million square feet in office, residential,*

¹ There has been no public release of plans specifying if a city-owned hotel would make any payments in lieu of taxes to DISD or other taxing jurisdictions. Of course, there would likely be new ancillary retail sales spurred by the hotel, should it be able to compete successfully.

commercial, and mixed-use properties. For purposes of this analysis, we have assumed that a likely mix would be 870,000 square feet of mixed-use development (residential, retail, commercial and office) and 1.3 million square feet of low- to moderate-density office space (low-rise and mid-rise buildings). *This magnitude of development would support more than 5,000 new jobs and generate about \$6.6 million per year for local taxing entities through direct and indirect property and sales taxes.*² (See Table 3 for projected gains in revenue by taxing entity).

Table 3
Fiscal Impacts of Potential New Development in the Southern Half of the Dallas CBD

Description/Taxing Jurisdiction	Impact
Total direct and indirect property values	\$ 211,616,000
Total direct and indirect taxable sales	\$ 25,302,000
Revenues by taxing entity:	
City of Dallas (property and sales taxes)	\$ 1,734,000
Dallas Independent School District	\$ 3,469,000
Dallas County	\$ 431,000
Dallas County Community College District	\$ 165,000
Dallas County Hospital District	\$ 537,000
Dallas Area Rapid Transit	\$ 253,000

2. The impact of homelessness on downtown businesses

In our 2004 study, a survey was mailed to 299 establishments located in central Dallas (identified as zip codes 75201 and 75202). We received 62 responses to the survey, which equates to a 20% response rate—a very respectable rate of return for an unsolicited survey. The results conform to our general understanding of homeless issues as well as other research we’ve performed on the problems facing downtown Dallas.

² Indirect sales and property taxes account for new tax generation supported by spending in the City of Dallas of earnings paid to new downtown workers and residents.

The largest number of responses came from retailers—24.2%—while professional services and restaurants/bars were tied for second with 16.1% each. The next highest was property management/real estate firms at 11.3% followed by builder/developers (8.1%), parking services (6.5%), arts and entertainment (3.2%), and lodging (1.6%). Approximately 13% of respondents self-classified their business as “other”.

In terms of length of time the business has been located in central Dallas, 34.4% had been there less than 10 years while 29.2% had been there 10-19 years, 22.2% had been there 20-40 years, and 13.6% had been there 50+ years. The longest noted time was 118 years. The majority of businesses, 55.7%, reported between one and 15 employees while 18% have 100+ employees, 11.5% have 30-49 employees, 9.8% have 16-30 employees, and 4.9% have 50-99 employees.

Respondents were asked to indicate how the presence of homeless persons affected their business. The first question simply asked them to indicate what effect, if any, does the presence of homeless persons have on their business. The responses are summarized in the Table 4 below.

Table 4
Responses to Business Survey

Customers/employees are frightened or uncomfortable	34.4%
Negative effect on appearance of property	18.8%
Loss of customers	9.4%
need for increased security	7.8%
Shoplifting/theft	6.3%
Negative effect, unspecified	4.7%
Lower Rents, Embarrassment, loss of tenants, Unpleasant general appearance	3.1%
Loss of employees, effect on type of products being stocked, Caused business to decide to move	1.6%
Positive effect (valet services)	1.6%

Respondents were also asked if their business incurred additional expenses due to the presence of homeless persons. Forty-five percent indicated yes while 55% said no or that they were not sure. Of those who answered yes, 23.6% indicated that additional costs were less than \$1,000 per month, while 41.3% claimed additional costs of \$1,000-\$3,000 per month and 35.3% estimated costs of \$5,000 or more per month related to the presence of homeless persons. Overwhelmingly, these expenses were incurred for additional cleaning, additional security, or both.

We also singled out retailers and asked them whether their sales were affected by the presence of homeless persons. Of those who responded, 43.3% indicated no while 56.6% indicated yes. Retail respondents were also asked if homeless persons were a part of their customer base. About ninety-six percent answered no while 3.5% answered yes.

Lastly we wanted to know whether any of the responding businesses had considered relocating out of the CBD due to the presence of homeless persons. The vast majority, 76.3%, said no while 23.7% said yes. We then asked those who answered yes to tell us why they had decided not to move. Each respondent had their own reasons for staying downtown, but the majority states their current location was critical to their business.

3. Service provider survey

Sixty-nine providers of homeless services were identified, and surveys were mailed to each of them. The groups ranged from government agencies to religious groups and non-profits. Thirty surveys were returned for a response rate of 43.4%.

Part one of the survey asked the respondents to indicate the types of services they provided for the homeless. Respondents could indicate more than one type of service, and their responses are listed in Table 5.

Table 5
Schedule of Services Provided

Shelter	43.3%
Clothing	66.7%
Health Care (other than mental)	16.7%
Educational Assistance (adult)	50%
Educational Assistance (child)	43.3%
Transitional Housing	46.7%
Transportation	53.3%

Food	76.7%
Job Training/Assistance	46.7%
Mental Health Care	30%
Child Care	30%
Counseling (family, personal, etc.)	66.7%
Substance Abuse Assistance	33.3%
Financial Assistance	33.3%

Respondents were also asked to indicate in what areas of the city they were providing services. Their responses are listed in Table 6 below. Again, respondents could pick more than one location.

Table 6
Locations from which services are provided

Central Dallas (inside the loop)	63.3%
North Dallas	43.3%
South Dallas	56.7%

East Dallas	70%
West Dallas	43.3%

About seventy-seven percent of the respondents provide services to women, 73.3% provide services to children, 73.3% provide services to families, and 66.7% provide services to men. Forty-six percent provide services to fewer than 100 people each week while 26.8% provide services for 100-200 people, 15.2% provide services for 201-400 people and 11.4% provide services to more than 1,000 people per week. The

providers who responded to the survey spent approximately \$22.2 million on homeless programs in 2003.

Based on our survey responses and findings, *total spending on homeless programs by all of Dallas' service providers—public, non-profits, and faith-based—likely exceeds \$50 million per year. That is equivalent to about \$10,000 per year for each of Dallas' homeless persons.*

The Miami model: combining effective service delivery with downtown renewal

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 recognized that the needs of homeless persons could be more effectively addressed through a comprehensive and integrated approach achieved by a partnership among the city, the county, existing service providers, and the business community. Miami also recognized the importance of delivering services at centralized locations where practical.

In 1993, Miami-Dade County's governing body adopted a continuum of care plan entitled the *Miami-Dade County Community Homeless Plan*. The plan outlined a strategy for the delivery and coordination of homeless housing and services including temporary housing, transitional housing, and permanent housing. The Miami-Dade Homelessness Trust (MDHT) was formed to administer and implement the plan. MDHT receives about

\$5 million annually in HUD grants plus receipts from a one percent local sales tax on restaurant meals and beverages that currently produces about \$8.5 million a year.

A central feature of the plan was the proposed construction of two Homeless Assistance Centers (HACs) that would provide a range 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. The first center opened in October of 1995 and is located just outside the downtown district. The second Center began operations in South Miami-Dade County at the former Homestead Air Force Base in October 1998.

The Community Partnership for Homelessness (CPHI), which is a private sector partner of the Miami-Dade Homelessness Trust, operates both centers. In addition to temporary housing, the centers provide case management, vocational education, health care, childcare, legal aid, and an array of other social services to assist residents' return as productive members of the community. The centers have received nearly \$50 million in gifts from individual donors, corporations, religious organizations, and non-profits in addition to HUD and other federal funds. Some organizations that used to operate outdoor feeding stations now prepare and serve meals in the HAC cafeterias. Still others continue to provide meals and other services at different locations but under the general guidance of the CPHI.

Since its inception, the Miami-Dade Homelessness Trust has created, or helped to create, 769 emergency beds, 1483 transitional beds, and 1444 permanent beds. In addition, the HACs have been extraordinarily successful, serving nearly 5,000 clients

annually. And CPHI boasts an 80 percent success rate in getting clients into jobs and transitional housing.

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. Service providers across the U.S. have recognized the Miami Homeless Assistance Centers as a great success, and the U.S. Department of Housing and Urban Development has hailed the concept as a “national model.”

In addition, the City of Miami operates a Homeless Assistance Program (MHAP) with the mission of providing outreach, assessment, placement, information, referral, and transportation services to homeless individuals and families. MHAP sponsors a dozen outreach teams, known as “greenshirts,” who intercept homeless persons on the street and inform them of available services. MHAP makes most of the referrals to the HACs and helps clean up the waste left behind by homeless persons and feeding stations. What’s more, if a downtown merchant calls to complain about a homeless persons interfering with their business or harassing customers, MHAP immediately dispatches a team of greenshirts to encourage that individual to seek assistance from one of the HACs. Operating with a modest budget of \$1.2 million, MHAP only hires persons who were formerly homeless themselves.

MHAP provides additional outreach services including:

- a. An 800 number that can be dialed to learn about homeless assistance;
- b. A program at the courthouse and county jail to intercept homeless persons before they get back on the street;

- c. The provision of blankets and emergency services to those “hard core” homeless who refuse to go to the HACs or other service providers.

In the course of a year, MHAP may have 4,000 intercepts; and their efforts have significantly reduced the number of homeless persons on the street. A census taken in early December of 2003 counted only 941 homeless persons in the City of Miami with 350 in the downtown area.

Interviews with private and public business development organizations, including the Downtown Miami Partnership, the Downtown Development Authority, and the Miami Community Redevelopment Agency, confirmed the importance of effectively addressing homelessness as an important ingredient in downtown revitalization. Miami’s downtown district is in the midst of a building boom, with construction cranes everywhere, and downtown retail activity is strong and growing. In recent years, Marshall’s, Old Navy, and several other suburban-type retailers have opened stores in Miami’s CBD. *The city’s business and political leaders point to a decrease in the number of homeless, a significant reduction in crime, and improved parking facilities as the keys to this renaissance.*

Though the Miami story is not an unqualified success, the city has significantly reduced the homeless count and greatly improved service provision to those willing to be served. But several facts are abundantly clear that Dallas must keep in mind:

1. Service provision must be coordinated. The city, county, state, churches, voluntary organization, etc. should coordinate efforts through an umbrella trust or agency to ensure effective service delivery while avoiding unnecessary duplication and overlap of services.

2. Providing services to the homeless is expensive. In the case of Miami-Dade, it is currently about \$11,500 per client year compared to about \$10,000 in Dallas.
3. Outdoor feeding stations should be discouraged or prohibited.
4. Involvement by the business community is imperative. Homelessness must be elevated as a community and an economic development issue. And the private sector will have to come up with most of the funding for homeless services.
5. *The proposed central intake facility should be located on the periphery of the CBD and be easily accessible by the homeless.*

Downtown revitalization: the key to Dallas' economic future

The City of Dallas has been economically stagnant for nearly a decade. For example, over the past year only about 700 jobs have been added to local payrolls. By contrast, Fort Worth has gained more than 13,000 jobs. Dallas' unemployment rate, at 5.8 percent, is higher than the Metroplex average and above Fort Worth's as well.

As recently reported by the Dallas County Appraisal District, commercial real estate as a percentage of the City's tax base has slipped from 51 percent in 1985 to only 37 percent in 2005. Thus total City taxes paid by homeowners continue to rise while the percentage paid by business continues to slip. Though total property valuations rose 4.4 percent in the City of Dallas between 2004 and 2005, this increase pales by comparison to Fort Worth's 9.5 percent growth. Consequently, the City faces a \$22 million budget shortfall for the next fiscal year.

Downtown revitalization is the key to making City of Dallas attractive again to residents and businesses, not to mention expanding its tax base. Indeed, downtown is much of what Dallas has to “sell” in its competition with suburban municipalities. Older urban areas, mostly on the eastern seaboard, have used revitalized downtown areas as catalysts for business retention and new business development that, in turn, have helped to expand the tax base. Dallas is trying to do the same.

Private developers are planning in excess of \$500 million in new construction and rehabilitation projects within the CBD, and the proposed Dallas Center for the Performing Arts will pump another \$275 million into downtown. To encourage these developments, the City of Dallas has established tax increment financing zones within and adjacent to downtown totaling \$243 million. The City has also allocated \$2.5 million from its Main Street Retail Incentive Program to subsidize rental rates and build-out. Unfortunately, *all of these investments—private, non-profit, and public—will be at risk if a homeless assistance center is constructed within the CBD.*

Conclusion

Homelessness has significant economic as well as social consequences for the City of Dallas. While offering our compassion to the homeless, we should also acknowledge that the overwhelming presence of homeless persons on the streets of downtown has negative economic impacts on individual businesses, the prospects for redevelopment, and the city’s finances.

As the discussion above has emphasized, the “costs” of homelessness extend far beyond the \$50 million currently spent by governmental, private, faith-based, and non-

profit institutions to deal with their plight. Many shoppers avoid downtown retail establishments because they don't want to be confronted by the homeless. What's more, many businesses incur higher costs for security and cleaning because of homeless activity. The visible presence of homeless persons is also discouraging new business startups in the CBD.

A number of efforts are underway to revive downtown, including several tax increment financing zones (TIFs) and plans for four new parks inside the loop. But *unless the City and the many service providers can deal more effectively with Dallas' 6,000 homeless—and in particular serve them from a location or locations away from but accessible to the CBD—a sustainable downtown economic revival will be problematic.*