A Master Leasing Strategy for Transitional Housing: Assessing Costs, Benefits, & Alternatives

City of Pasadena Human Services Commission

July 8, 2026

I. Preface

One of the three objectives for the Pasadena Human Services commission is to focus on those experiencing homelessness. As a way to invigorate a city process to help those most vulnerable on the street, this report is meant to illustrate the pros and cons of year-round shelter and transitional/bridge housing. While the original idea was to present the case for support in favor of transitional housing over shelter, with the understanding that the city of Pasadena is now considering a year-round shelter, we want to share the facts about each of these options independently, and then speak to the best practice of having both options available as a way to facilitate the most positive outcomes for our unhoused neighbors.

Year-round shelter is a huge undertaking, as it requires significant funding, staffing, logistics, including food, restrooms, showers, laundry, security, and the ability to provide a safe and supportive environment. We want to make sure we're providing both a compelling narrative for investing in our community as it relates to our neighbors, experiencing homelessness and vulnerability, and also to provide data, statistics and national studies, to support our arguments.

While the number of unhoused folks on the streets of Pasadena is more than we would like, it is actually a number that we feel can be reduced to functional zero. Even though we don't have enough permanent housing, we do have the ability to move a majority of our chronically homeless individuals off the street and into transitional housing, even if the first step is year-round shelter. We believe that the opportunity exists to replicate what other cities in our state and country are doing. While these ideas may seem new and innovative to Pasadenans, they are actually well-researched, tested and successfully implemented, including in neighboring Monrovia. Our hope is that this report will be a catalyst for taking significant steps to achieve these results in our city.

We all love Pasadena, and as residents we feel our city is unique. In many ways it is, but in many ways, it is just like other cities in our nation. Other cities have successfully implemented projects that have moved people off the streets and under a roof. It takes leadership to take risks, and it takes leadership to move the community in the direction of success. The same arguments cannot be continued to be made while continuing to decry the

same issues that we wish to solve. We hope that the leadership of our council can implement these ideas, which are both bold and yet practical and already succeeding in other places. The Human Services Commission stands ready to assist and support these efforts.

II. Executive Summary of Findings

The City of Pasadena confronts a homelessness crisis that requires more options for safe, stable shelter to house its residents. One option, which has received attention in early policy discussions, is an emergency shelter. In this report, we present a second option, and we compare its operations, outcomes, and costs with the shelter. This second option is "transitional housing," a transitional type of housing that affords more stability and privacy than an emergency shelter in the hope of creating a pathway to permanent housing and, ultimately, an end to the experience of homelessness. The report identifies a "master leasing" strategy for the City of Pasadena to offer transitional housing without the need for expensive and time-consuming acquisition or development of real estate.

In writing this report, the Human Services Commission proceeded from the goal of providing temporary, safe places for people to stabilize and move toward permanent housing. The analysis in this report suggests that transitional housing is an effective way to achieve this goal. It does not suggest that an emergency shelter is entirely ineffective or unhelpful. Rather, the two approaches have different strengths. The emergency shelter is useful to solve an acute crisis on a given night. It prioritizes immediacy over privacy, short run over long run, and "light-touch" referrals over in-depth case management. However, if the City wishes to make serious progress in *reducing* homelessness and helping residents to address underlying health conditions, then transitional housing has a much stronger track record.

Because these two approaches are designed to achieve slightly different goals, it is not possible to construct an apples-to-apples comparison of costs versus benefits. The analysis below suggests that costs are likely to be higher initially for the emergency shelter, which requires more substantial renovations to the physical space, compared to a ready-made motel for master leasing. In the long run, though, costs for the two approaches are likely to

be similar, maybe even slightly higher for transitional housing due to the rental costs in an expensive market like Pasadena.

This report does not suggest that these two approaches are the *only* options that the City of Pasadena may pursue. More permanent supportive housing—and, in general, more affordable housing—are necessary to solve the homelessness crisis. Funding for these solutions is likely to come from different sources that take several years to cobble together and transform into a new development. At present, the city itself is focused on temporary solutions that can be implemented quickly as a bridge toward these long-term developments. This report focuses on building this bridge. What awaits us on the other side is an important topic for future conversations and future reports.

III. Pasadena Homelessness & Affordable Housing

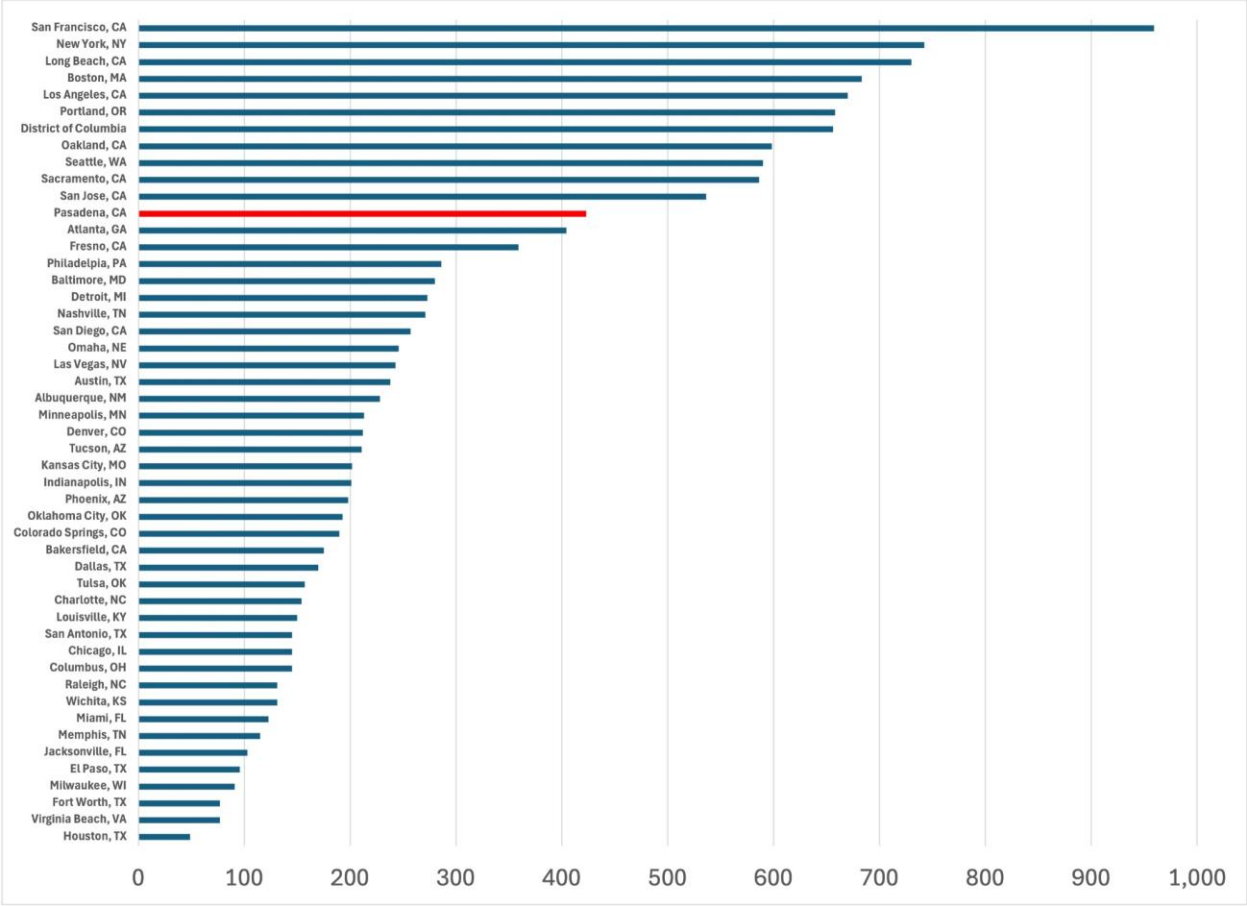
This section documents the problem plainly: The City of Pasadena faces a twin crisis of homelessness and affordable housing. These crises are inextricably linked. Without more affordable housing, it will be impossible to resolve the homelessness crisis. Moreover, this solution, by itself, is necessary but not sufficient. Affordable housing must also be safe, stable, and supportive enough to facilitate the provision of social services that various unhoused subpopulations need. As a case in point, we highlight one subgroup in particular: domestic violence (DV) survivors, for whom service providers have conveyed a specific need for more transitional housing in Pasadena.

The Homelessness Crisis in Pasadena

To put the homelessness crisis in perspective, we have used the data from the Department of Housing to calculate the number of unhoused individuals per 100,000 people in the overall population, a standard measure to compare across cities of different sizes. Using the 2025 Point-in-Time Count, which is typically used by other cities, Pasadena has a homelessness rate of 423 per 100,000 residents. As shown in the graph below, this is lower than Long Beach and Los Angeles, but it still ranks as one of the highest rates in the United States. It is double the rate in cities like Denver, Phoenix, and Bakersfield and quadruple the rate in cities

like Memphis, Jacksonville, and Houston. If we use the 2024 Annual Count, which adds up all people experiencing homelessness throughout the entire year, the homelessness rate rises to 763 per 100,000 residents.

Figure 1. Homelessness Rates, per 100,000 Residents, by City, 2025



Data source: US Department of Housing & Urban Development

The Affordable Housing Shortage in Pasadena

Why does Pasadena have such a large population of unhoused residents, compared to most other cities in the United States? One important reason, supported by a substantial body of empirical evidence, is a lack of affordable housing. Although this report is not analyzing *permanent* housing approaches to homelessness, it is important to understand the connection between homelessness and affordable housing in order to underscore the need for safe, stable shelter, even in temporary form.

The researchers Gregg Colburn and Clayton Page Aldern have done the most extensive work comparing rates of homelessness across all major cities and counties throughout the United States to uncover what differentiates high-homelessness localities from low-homelessness localities. Across US cities and counties, they find that the factor that has the most significant positive correlation with homelessness rates is *housing costs*.[1] Pasadena has higher homelessness rates than most other cities because housing is more expensive in Pasadena.

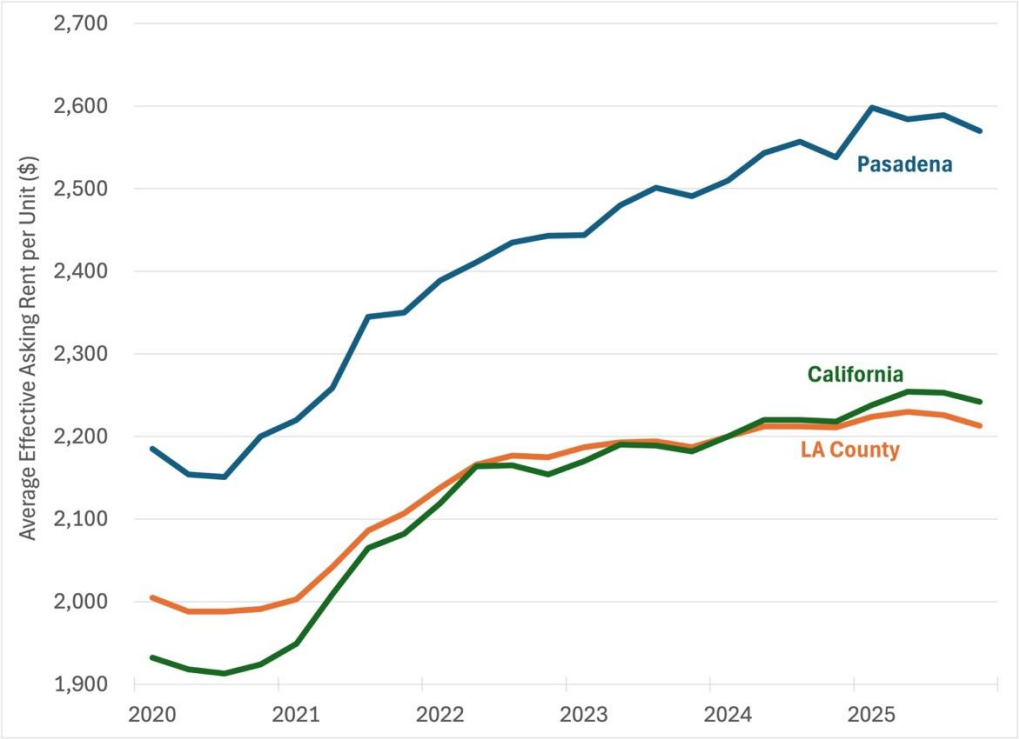
Importantly, this evidence does not indicate that factors such as mental illness and substance abuse do not matter. On the contrary, these vulnerabilities are important triggers that make it more difficult for individuals to manage the cost of housing. However, in cities where housing is more affordable, it is easier for these individuals to remain housed because the burden placed on them is so much less severe.

Even compared to our expensive state and region, Pasadena is significantly more expensive. Figure 2 shows the average effective asking rent per unit for apartments in Pasadena, compared to California and Los Angeles County, from the beginning of 2020 to the end of 2025. Six years ago, Pasadena apartments were $180 per month ($2,160 per year) more expensive than the average throughout Los Angeles County and $253 per month ($3,036 per year) more expensive than the average throughout California. By the end of last year, Pasadena apartments had become $357 per month ($4,284 per year) more expensive than Los Angeles County overall and $328 per month ($3,936 per year) more expensive than California overall.

Note, in particular, that the average LA County apartment has not increased in effective asking rent over the past two years, as the housing market has weakened with high interest rates. However, Pasadena has bucked this trend, with a 2.3% increase since the beginning of 2024, diverging further from the rest of Southern California.

Figure 2. Average Effective Asking Rent per Multifamily Unit, 2020-2025

[1] *Homelessness Is a Housing Problem: How Structural Factors Explain U.S. Patterns* by Gregg Colburn and Clayton Page Aldern (2022, University of California Press).



Data source: CoStar

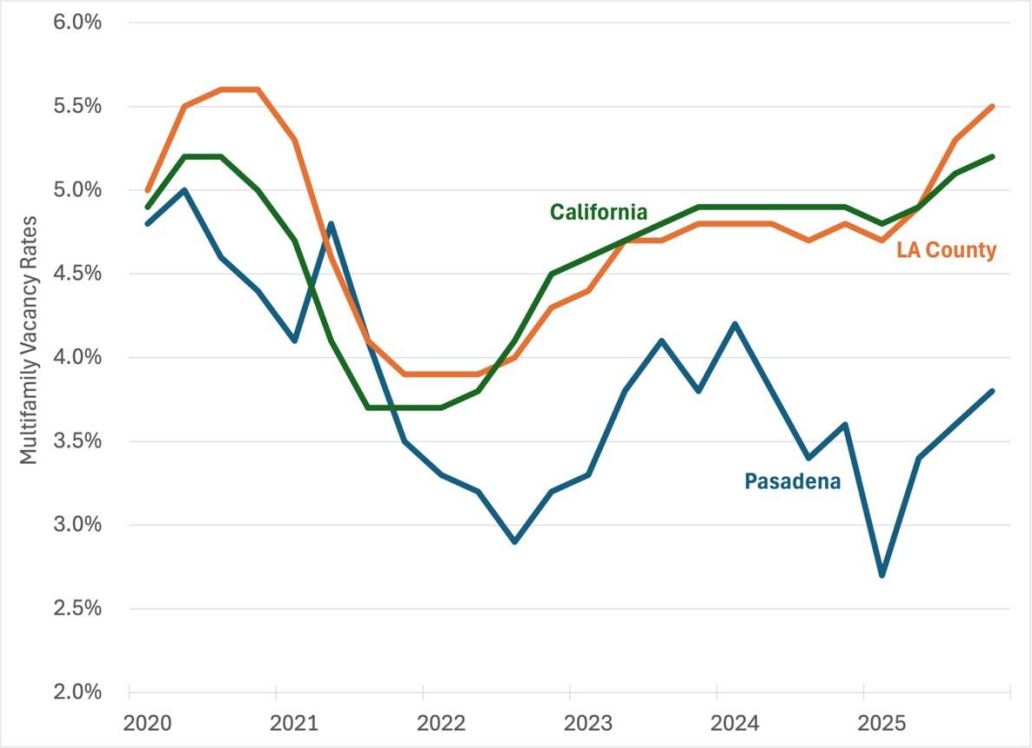
The Eaton Fire exacerbated this trend. Research has shown that California wildfires typically increase apartment rents near the fire zone by 2 to 4 percent in the first year after the disaster.[2] An early analysis of the data has indicated that this is exactly what happened in the cities surrounding the Eaton Fire, following the historical playbook precisely.[3] Tragically, this rental appreciation is typically permanent—and in the absence of significant government intervention to promote the construction of affordable housing, it continues for several years thereafter. In the short run, the wildfire destroys housing units, creating scarcity that drives up rents. Figure 3 shows how much lower the "multifamily" (apartment) vacancy rate was in Pasadena, compared to the rest of the county and state, even before the Eaton Fire, and how much further it plummeted immediately after the fire. In the long run, those older, affordable units are typically replaced by newer, more expensive units. Rental

[2] "2025 San Gabriel Valley Economic Forecast Report" by Anthony W. Orlando and Gerd Welke (2025, San Gabriel Valley Economic Partnership), https://members.sgvpartnership.org/ap/CloudFile/Download/LzoVVZkr.

[3] "2026 San Gabriel Valley Economic Forecast Report" by Anthony W. Orlando and Gerd Welke (2026, San Gabriel Valley Economic Partnership), https://sangabrielvalleyeconomicpartnership.growthzoneapp.com/ap/CloudFile/Download/Lmo1oeBp.

demand actually tends to *increase* in the long run because residents are afraid to own their own property after experiencing the trauma of losing a home. All of these forces will confront Altadena and Pasadena residents in the years to come. Even as rebuilding is underway, the crisis is far from over.

Figure 3. Multifamily Vacancy Rates, 2020-2025



Data source: CoStar

When vacancy rates are this low, it is difficult for renters to find affordable units that meet the needs of their families. This is especially true if there are not enough units dedicated to low-income residents due to a lack of government-subsidized construction. Using the National Housing Preservation Database, we have compiled a dataset of all federal-government-subsidized "affordable housing" properties located within the City of Pasadena. We have identified 38 properties with 2,289 rent-restricted units. To put this in perspective, we can compare this housing stock to various measures of need. For example, there are 7,541

Pasadena households living below the poverty line. So, there are only enough rent-restricted units to serve 30% of the low-income population.[4]

Unaddressed Needs of Domestic Violence Survivors

Affordable housing becomes doubly necessary when serving the population of domestic violence (DV) survivors. An extensive research literature documents the importance of both sets of needs, and service providers in Pasadena have indicated to us that their clients are in desperate need of this resource.

First, DV often leads to a loss of housing, and so any effective response to this trauma must include the provision of affordable housing when survivors escape.[5] Indeed, women who experience DV are four times more likely to become homeless than women who do not experience DV.[6] In fact, many victims may not feel that they have the *ability* to escape without knowing that this exit option exists.

Second, DV survivors need more than just a roof over their heads. They need stability and safety from abusers. This need cannot be met without safe, affordable housing. Over 90 percent of unhoused women have experienced physical or sexual abuse—and many of those experiences occurred *after* becoming unhoused because they lacked the safety of physical housing.[7] DV survivors also need trauma-informed care, which requires a safe, stable environment where they are not at risk of being re-traumatized. Research has found that Domestic Violence Housing First programs, which provide affordable housing in combination with trauma-informed care, lead to better mental health, less violence, and

[4] Fortunately, this resource is not the only policy solution that exists to house this population. Low-income residents also rely on tenant-based housing vouchers and naturally occurring affordable housing, for instance, but these solutions are also incomplete, underfunded, and difficult to access.

[5] "Domestic Violence, Housing Instability, and Homelessness: A Review of Housing Policies and Program Practices for Meeting the Needs of Survivors" by Charlene K. Baker, Kris A. Billhardt, Joseph Warren, Chiquita Rollins, and Nancy E. Glass (2010, *Aggression and Violent Behavior*) https://doi.org/10.1016/j.avb.2010.07.005.

[6] "Predictors of Housing Instability in Women Who Have Experienced Intimate Partner Violence" by Emily N. Adams, Hannah M. Clark, Maria M. Galano, Sara F. Stein, Andrew Grogan-Kaylor, and Sandra Graham-Bermann (2021, *Journal of Interpersonal Violence*), https://doi.org/10.1177/0886260518777001.

[7] "The Impact of Safe Housing on Survivors of Domestic Violence" by National Network to End Domestic Violence (2024), https://nnedv.org/spotlight_on/impact-safe-housing-survivors/.

improved housing stability for DV survivors, compared to traditional methods that treat these two sets of needs separately.[8]

IV. Policy Options: Emergency Shelter vs. Transitional Housing

This section compares and contrasts two policy options available to the City of Pasadena in addressing its homelessness and affordable housing crises. The first option, an emergency shelter, has received attention in City Council and public discourse in recent months. It is a well-known approach in the United States to provide beds and shelter for unhoused individuals, especially during inclement evening weather. The second option, transitional housing, is growing in popularity and practice throughout US housing policy—with new empirical evidence that we document to guide policymakers in weighing its costs and benefits compared to emergency shelters.

This comparison does not imply that the two options are mutually exclusive. On the contrary, these two approaches often achieve different goals, with the emergency shelter providing more short-term flexibility and transitional housing providing more long-term efficacy. Therefore, it is possible to develop a system that integrates the two together. This analysis provides the information necessary to assess each option separately before considering any hybrid approach.

Emergency Shelter vs. Transitional Housing in Practice

If society's goal is providing immediate shelter, an emergency shelter is the most direct policy option. An emergency shelter is a congregate setting—a shared sleeping area—where unhoused individuals can stay for very short-term refuge. Typically, individuals must leave during the day and can return nightly for a short period, sometimes up to a month or two. Emergency shelters typically have strict rules, high turnover, and limited privacy. This is a critical drawback for serving DV victims, who may feel unsafe and re-traumatized in such a

[8] "Separate and Cumulative Impact of Trauma-Informed Practices and a Housing Intervention on the Safety, Housing Stability, and Mental Health of Domestic Violence Survivors Over Two Years" by Nkiru Nnawulezi, Rebecca Macy, Christopher Wretman, Spenser Radtke, D. Angus Clarke, and Cris M. Sullivan (2025, *Journal of Family Violence*), https://doi.org/10.1007/s10896-025-00989-9.

setting. Emergency shelters offer basic services, such as food, hygiene, and entry into the homelessness response system for care triage. However, it is very difficult for case workers to provide long-term care in such a setting. Importantly, an emergency shelter will not help Pasadena make any progress toward its goal of reducing the homelessness rate because individuals are still considered to be "homeless" during their stay in the shelter.

"Transitional housing" is labeled as such because it offers a more stable *transition* to permanent housing. Residents typically stay in transitional housing for a few months. They live in non-congregate rooms, offering more privacy. They do not have to leave at night, allowing more routine-building for recovery from homelessness-related trauma. The stability of location allows case workers to provide more structured supportive services, including mental health treatment, job placement, and navigation toward permanent housing.

Comparing Outcomes

Rigorous research studies have measured several outcomes that residents experience, on average, when they stay in emergency shelters versus Transitional housing, namely:

- Access to social services,
- Criminal activity,
- Long-term housing security,
- Mental health,
- Physical health, and
- Substance abuse.

Here, we review each of these outcomes in order.

First, consider the needs of the residents and the ability of each setting to serve those needs. This population has a disproportionate need (compared to the general population) for mental health services, including counseling, individual or group therapy, medicines, and access to a variety of crisis hotlines. It is extraordinarily challenging for mental health providers to provide services in an emergency shelter setting. The mental health community tells us a critical first step to a person in crisis is to establish stability. Transitional housing provides some stability. Emergency shelter is a very temporary form of stability. If an

unhoused person is in transitional housing, the path to healing and recovery is open and there is a reasonable expectation that, if there is an appropriate match between the services needed offered and the level of care needed, treatment can lead to stability and a transition to a stable and independent life.

The majority of persons eligible for transitional housing are on Medi-Cal.[9] The Los Angeles County Department of Mental Health has confirmed that there are many mental health providers in the Pasadena area who accept Medi-Cal and are accepting new patients. A person in transitional housing has sufficient stability to set appointments with mental health providers, access public transportation without hauling all their possessions with them, and follow through on treatment as appropriate. A person in an emergency shelter is extraordinarily limited in seeking treatment. There are stress factors such as the security of personal property, learning how to get around a new area, where the person will be tomorrow, and more. In addition, clients have tremendous difficulty remaining in contact with healthcare providers if they do not have a stable mailing address. Transitional housing sets up a structure that puts people in need on the road to treatment, stability, hope, and eventual self-sufficiency. As a result, surveys have shown robust empirical evidence that clients use significantly more social services when they are in transitional housing, compared to shelters.[10]

This greater access to social services, in turn, leads to other improved outcomes. The economist Elior Cohen has measured the actual *causal* impact of placing unhoused individuals in transitional housing in Los Angeles County. This is not merely a correlation. This is a quasi-experimental design where some residents were randomly more likely to receive stable housing placements than others. He found that transitional housing reduces the likelihood of committing a crime by *80 percent*.[11]

This success is partly due to the transition to more permanent housing. Cohen's study shows that transitional housing reduces the likelihood of returning to shelters (i.e. returning

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[9] Justice in Aging. (2024). "Medi-Cal Policies Enhancing Housing Security Among Older Adults," https://justiceinaging.org/medi-cal-policies-enhancing-housing-security-among-older-adults/.

[10] Michael R. Sosin, Christine C. George, & Susan F. Grossman. (2012). "Social Services in Interim Housing Programs and Shelters," *Housing Policy Debate* 22(4): 527-550.

[11] Elior Cohen. (2024). "Housing the Homeless: The Effect of Placing Single Adults Experiencing Homelessness in Housing Programs on Future Homelessness and Socioeconomic Outcomes," *American Economic Journal: Applied Economics* 16(2): 130-175.

to homelessness) by 60 to 70 percent.[12] This is a consistent finding across studies. The US Department of Housing & Urban Development (HUD) undertook the largest randomized, controlled trial comparing different housing interventions for unhoused Americans in history, and they found that transitional housing resulted in significantly less time spent in emergency shelters and "places not meant for human habitation." Not only did transitional housing outperform shelters in reducing homelessness, but in fact transitional housing outperformed temporary rental assistance (such as housing vouchers for private-market housing) as well. [13] Some other studies have found that transitional housing and "rapid re-housing" programs offering vouchers perform similarly. [14] However, it is generally clear that these housing interventions are far more successful in helping unhoused individuals find permanent housing, compared to other interventions like encampment sweeps.[15]

Health impacts are less clear. Recent interviews have found that "harm reduction housing" reduces health and safety concerns and helps clients resolve addiction issues and treat chronic health conditions.[16] However, Cohen's study did not find a significant effect on health in the short-term, nor did HUD's randomized, controlled trial, where rapid re-housing actually led to a lower proportion of clients reporting poor health, psychological distress, and alcohol/drug abuse.[17] So, the evidence on health impacts is mixed, but it is important to read these results with caution because there is very little evidence on *long-term* outcomes. Health improvements often take several years to materialize.

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[12] Cohen (2024).

[13] Daniel Gubits, Marybeth Shinn, Stephen Bell, Michelle Wood, Samuel Dastrup, Claudia D. Solari, Scott R. Brown, Steven Brown, Lauren Dunton, Winston Lin, Debi McInnis, Jason Rodriguez, Galen Savidge, Brooke E. Spellman, & Abt Associates, Inc. (2015). "Family Options Study: Short-Term Impacts of Housing and Services Interventions for Homeless Families," U.S. Department of Housing and Urban Development, https://ssrn.com/abstract=3055272.

[14] Thomas Byrne, Minda Huang, Richard E. Nelson, & Jack Tsai. (2023). "Rapid Rehousing for Persons Experiencing Homelessness: A Systematic Review of the Evidence," *Housing Studies* 38(4): 615-641.

[15] Michael Mayer, Yesenia Mejia Urieta, Linda S. Martinez, Miriam Komaromy, Ursel Hughes, & Avik Chatterjee. (2024). "Encampment Clearings and Transitional Housing: A Qualitative Analysis of Resident Perspectives," *Health Affairs* 43(2): 218-225.

[16] Mayer et al (2024).

[17] Cohen (2024); Gubits et al (2015).

V. Cost Projections

This section provides a "back of the envelope" overview of the types of costs that must be included in both policy options. The costs of any housing intervention require extensive input from city staff, multiple bids from local contractors, and adjustment for the scale and scope of the facility that City Council wishes to support. Therefore, these projections should be viewed as the *beginning* of such a conversation, *not* a conclusive budget for use in practice. The goal is to help policymakers weigh the two options and understand the resource constraints that will guide their ultimate decision.

In the calculations below, we are not able to determine with any precision whether one option is more expensive than the other. In other cities, sometimes emergency shelters are more expensive to operate, and sometimes transitional housing is more expensive to operate. Moreover, there is a trade-off between short-term startup costs and long-term operating costs, as discussed below. The two analyses presented here are most useful for thinking through the *types* of costs, rather than the exact *dollar amounts*.

Emergency Shelter

An emergency shelter will have at least four major categories of costs:

1. Facility rent, purchase costs, or construction costs;
2. Food and guest supplies;
3. Staff, potentially including a shelter director, shift supervisors, residential aides, case managers, janitorial staff, and security; and
4. Other operating costs, including administrative compliance, insurance, maintenance, office equipment, and utilities.

The cost per bed will depend on the scale of the facility. Because many of these line items are fixed costs, they will not increase linearly with each additional bed. However, to *begin* to understand the costs, it is necessary to simplify by selecting a reasonable facility size as a case study. In this analysis, we will show potential cost estimates for a 50-bed facility.

Facility Rent, Purchase Costs, or Construction Costs: Based on the size of comparable facilities, a 50-bed shelter might require 10,000 to 12,000 square feet. A conservative

estimate of total lease cost, including property taxes, insurance, and common area maintenance, might add up to $50 per square foot per year. Thus, we budget $600,000 for total facility rent. The facility will also require one-time upfront renovations, including beds, furniture, kitchen, showers, security systems, and permitting. For a facility of this size, $2 million is a reasonable ballpark estimate.

Food and Guest Supplies: The facility must serve 50 residents times 365 days, resulting in over 18,000 person-days of food services and other supplies. If we budget $20 per person day, this line item is $360,000.

Staff: A comparable facility in San Francisco, the Next Door Shelter, budgets approximately 0.26 full-time equivalent (FTE) workers per bed. For a 50-bed facility, this would require 13 FTEs. However, this estimate is only possible because Next Door is a much larger facility, where roles like the supervisor can stretch over many more beds. It is more likely that a smaller facility will need 16-17 FTEs. With fringe, benefits, and taxes, the typical FTE costs approximately $100,000 per year. (The range is wide. A shelter director will likely earn over $100,000 in salary alone, while janitorial staff may earn half as much. Fringe, benefits, and taxes typically add another 30 to 40 percent.)[18] These staffing ratios assume that the personnel are focused primarily on operational and supervisory work. Case management is typically "light-touch"—e.g., intake screening and referral to outside services—rather than ongoing therapy, job placement, or substance use intervention. With this assumption, we estimate total personnel costs of $1.7 million.

Other Operating Costs: Other operating costs may add an additional 20 to 30 percent to the facility rent and personnel operating costs. Taking the midpoint of this range, we can estimate $700,000 for this line item.

In total, the general magnitude of the annual operating costs for a 50-bed emergency shelter are likely to range between $3 and $3.5 million, with an additional $2 million paid in year one as startup capital. This amounts to $60,000 to $70,000 per bed in annual operating costs, with an additional $40,000 per bed in one-time startup costs. These estimates are lower than the initial estimates proposed by City staff, which project upwards of $10 million

[18] Memo from Department of Homelessness and Supportive Housing to Homelessness Oversight Commission (May 1, 2025), https://media.api.sf.gov/documents/Agenda_Item_10_Five_Keys-Next_Door.pdf.

in startup costs to renovate the City-owned Rose Palace for an indeterminate number of beds. Their estimate of annual operating costs, however, is similar to the projections in this report.[19]

Transitional Housing: A Master Leasing Strategy

To provide transitional housing, the City can adopt a master leasing strategy, whereby they lease all the rooms in an existing motel on an annual basis and provide those rooms to unhoused individuals and families for extended stays as a transition to permanent housing. Similar to an emergency shelter, this master leasing approach will have at least four major categories of costs, with important differences within each category:

1. Facility rent;
2. Food and guest supplies;
3. Staff, potentially including a program director, shift supervisors, residential aides, case managers, and security; and
4. Other operating costs, including administrative compliance, insurance, maintenance, office equipment, and utilities.

To make this analysis directly comparable to the previous analysis, we will show potential cost estimates for a 50-bed facility.

Facility Rent: The City of Berkeley requires total costs for a similar lease not to exceed $119 per room per night.[20] The City of Los Angeles reported paying over $200 per night for motel rooms as part of "Inside Safe." However, it reports that other similar leases in the city cost only $86 per room per night, and the City is working to renegotiate the Inside Safe lease costs downward as a result.[21] If the City of Pasadena can negotiate a midpoint $100 total cost per room per night, then the total master lease will cost approximately $1.825 million, approximately twice the facility rental cost for an emergency shelter. However, motel rooms

[19] "Council Floats $2 Million 'First Step' on a Homeless Shelter" (June 9, 2026), https://pasadenanow.com/main/pasadena-floats-2-million-first-step-on-a-homeless-shelter.
[20] Memo from City Manager to Berkeley Mayor and Members of the City Council (November 19, 2024), https://berkeleyca.gov/sites/default/files/documents/2024-11-19%20Item%2005%20Urgency%20Ordinance%20for%20Leasing%20the.pdf.
[21] Memo from City Administrative Officer to Los Angeles City Council (February 3, 2026), https://cityclerk.lacity.org/onlinedocs/2023/23-1022-S18_rpt_cao_02-03-26.pdf.

do not require significant renovations. They are ready to live in. Therefore, the master leasing strategy costs $2 million *less* in upfront startup costs.

Food and Guest Supplies: Similar to the emergency shelter, the transitional housing should budget to serve 50 residents times 365 days, either through vouchers or deliveries. Again, we budget $20 per person day, yielding a total annual cost of $360,000.

Staff: Transitional housing is likely to require fewer on-site personnel because a non-congregate setting does not require minute-by-minute management. Additionally, it may require less facilities staff because the City is more focused on coordination than full maintenance. The lower total headcount does not reflect reduced services. In fact, transitional housing typically allows more dedicated case management to help residents transition to permanent housing, rather than the simpler referral-based approach used in the emergency shelter. This greater engagement allows the case managers to focus on higher-acuity residents with more complex needs. However, the reduced need for round-the-clock floor supervision is the key assumption that allows us to project a slightly lower personnel cost of $1.5 million.

Other Operating Costs: Transitional housing is also likely to require slightly lower non-personnel operating costs because of less intensive services, like food vouchers replacing a full-scale kitchen operation. Therefore, we add only 20 to the facility rent and personnel operating costs for transitional housing, yielding an estimate of $665,000 for this line item.

In total, the general magnitude of the annual operating costs for a 50-bed master-leased motel are likely to range between $3.5 to $4 million, or $70,000 to $80,000 per bed in annual operating costs. However, this option is likely to cost upwards of $2 million less in one-time startup costs. These cost estimates are conservative, assuming higher expenses than the RAND Corporation found in its Southern California program evaluation of transitional housing in 2025. Adjusted for inflation, their estimates suggest annual operating costs of $52,000 per bed in 2026.[22] To ensure that we are not overstating the financial feasibility of

[22] Sarah B. Hunter and Ryan K. McBain. (2025). "Housing as Health Care: What We (Don't) Know About Its Costs," RAND Corporation, https://www.rand.org/pubs/commentary/2025/06/housing-as-health-care-what-we-dont-know-about-its.html.

transitional housing, it is good practice to budget for the higher range that we have calculated here.

These long-term operating costs are approximately 15 percent higher than the comparable analysis presented for an emergency shelter. This finding is consistent with a recently published study, which concluded that motel "shelters" were significantly more expensive than "congregate shelters" in Portland, Oregon.[23] In contrast, HUD's "Family Options Study" in 2015 found that "project-based transitional housing" was *less* expensive per family per month than emergency shelters across 12 US localities.[24] So, the record is mixed, and we cannot draw a strong conclusion without knowing the exact costs that the City of Pasadena will incur from its specific process and its local contractors. What we *can* conclude is (a) the two options have operating costs of similar magnitudes, likely within 10-20 percent of each other, (b) the emergency shelter has significantly higher upfront startup costs, especially if the City staff's higher projected estimates are accurate, and (c) the cost is likely to have a higher payoff for transitional housing, due to its much stronger track record in providing access to social services, reducing crime, and transitioning residents to permanent housing.

Transitional housing is also likely to deliver savings to the health care system that we cannot project in this study. The most careful program evaluations have shown that health care costs decline significantly when residents receive stable housing, compared to the prior period when they are living unhoused.[25] Many of these savings inure to municipal budgets, local hospitals, and emergency services that are treating the unhoused population through uncompensated care.

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[23] Jacen Greene, Todd Ferry, Emily Leickly, & Franklin Holcomb Spurbeck. (2025). "Cost Comparison of Congregate, Motel, and Village-Type Shelters for People Experiencing Homelessness," *Journal of Social Distress and Homelessness*, https://doi.org/10.1080/10530789.2025.2473756.

[24] Gubits et al (2015).

[25] Sarah B. Hunter, Adam Scherling, Ryan K. McBain, Matthew Cefalu, Brian Briscombe, William McConnell, and Priya Batra. (2021). "Implementation and 12-Month Health Service Utilization and Cost Outcomes from a Managed Care Health Plan's Permanent Supportive Housing," RAND Corporation, https://www.rand.org/pubs/research_reports/RRA374-3.html.