



Denver Social Impact Bond Initiative: Permanent Supportive Housing

The City of Denver, like many other communities around the country, faces limited resources to invest in existing preventive programs for the chronically homeless and individuals who struggle from mental health and substance abuse challenges. As a result, too many of these individuals frequently interact with the police, jail, detox, and emergency care systems. These current interactions are extremely costly and ineffective. The Denver Crime Prevention and Control Commission (DCPCC) has tracked these interactions across systems for the last four years and has calculated that a group of 250 heavy-utilizers cost taxpayers upwards of \$7.3 million per year on average.

Lacking an effective intervention, these individuals will continue to be very costly to the City – including the cost of police time, jail days, detox programs, emergency room visits, and other health care expenses. Without an appropriate intervention, the City and its taxpayers will continue to pay a high cost for ineffective remedial and emergency care systems.

On a given year, DCPCC has calculated that 250 individuals spend over **14,000 nights in jail** and **visit detox facilities over 2,000 times.**

In addition, supportive housing resources available for operation and services have decreased, forcing many providers and housing developers to piece together various grants or abandon plans for the creation of new affordable housing and programming. Without a consistent source of funding, future housing programs targeting the most vulnerable homeless populations may not move forward.

PROPOSED APPROACH:

Denver has developed a Social Impact Bond initiative to ensure the City is paying for the most effective services, “Paying for Success,” and shifting its spending from short-term band-aids to long-term, sustainable solutions. The supportive housing initiative targets chronically homeless individuals who also struggle with mental health and substance abuse challenges.

Through local and national partner organizations, the initiative will serve at least 250 chronically homeless individuals over the next five years using Social Impact Bond financing in combination with existing housing and Medicaid resources. The program will be based upon a proven model that combines the approaches of Housing First with a modified Assertive Community Treatment (ACT) model of intensive case management.

| DENVER SIB PROJECT SUMMARY | |
|----------------------------|---|
| <i>Intermediaries</i> | ▪ Corporation for Supportive Housing (CSH) and Enterprise Community Partners |
| <i>Providers</i> | ▪ Colorado Coalition for the Homeless and Mental Health Center of Denver |
| <i>Payment Outcomes</i> | ▪ Housing Stability (threshold of 365 days in stable housing) ▪ Percentage Reduction in Jail Bed Days (at least 3 years of evaluation) |
| <i>SIB Investment</i> | ▪ \$8.63 million with outcome payments split between the two measures ▪ <i>Lenders:</i> Laura and John Arnold Foundation, Living Cities Blended Catalyst Fund, Nonprofit Finance Fund, The Ben and Lucy Ana Fund at the Walton Family Foundation, The Colorado Health Foundation, The Denver Foundation, The Northern Trust Company, and The Piton Foundation |
| <i>Length</i> | ▪ At least 250 individuals with up to five years of services |
| <i>Evaluation</i> | ▪ Randomized Control Trial (RCT) conducted by the Urban Institute |

PROGRAM MODEL:

- **Housing First:** Focuses on simplifying the process of accessing housing through streamlining the application process and removing unnecessary documentation or site visits. It also ensures that supportive housing tenants are not subject to conditions of tenancy exceeding that of a normal leaseholder, including participation in treatment or other services.
 - 210 new units will be constructed for use in the SIB project, including two new buildings exclusively for SIB participants.
 - 40 scattered-site housing units will be used to house additional individuals at locations throughout the city.
- **Modified Assertive Community Treatment (ACT):** Services will fit the clients’ needs, all designed to help (i) address barriers to housing stability, (ii) manage mental illness, (iii) reduce interaction with the criminal justice system, and (iv) improve health outcomes. Services will include intensive case management, crisis intervention, substance use counseling, mental health treatment, peer support, skills building, connection to primary care, and various other services identified as appropriate to the client’s goals.
- Social Impact Bond will provide flexible funding that can be used to provide the comprehensive services desired for each participant. SIB funding will primarily pay for services, but will also provide short-term rental subsidies for individuals as longer-term subsidies are secured.

| RESOURCES LEVERAGED BY SIB INITIATIVE | | |
|--|--|--|
| <i>Capital Construction</i> | <i>Housing Operations/Rent</i> | <i>Service Funding</i> |
| <ul style="list-style-type: none"> ▪ \$2.7 million in Low-Income Housing Tax Credits (\$27 million over 10 years) ▪ Over \$3.2 million in gap financing provided by City and State | <ul style="list-style-type: none"> ▪ 210 project-based vouchers provided by State Division of Housing and Denver Housing Authority ▪ Continued efforts to secure tenant-based vouchers | <ul style="list-style-type: none"> ▪ Medicaid reimbursement for a portion of service costs ▪ Ongoing work with providers, local managed care organization and State to increase Medicaid billing |

SIB CONTRACT OUTCOMES:

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|--------------------------|--|
| Housing Stability | <ul style="list-style-type: none"> ▪ City only pays if a participant spends at least one year in housing ▪ City pays \$15.12 for each day spent in housing minus the number of days that a participant spends in jail (both for the 1st year in housing and days thereafter) ▪ If participant does not meet one year threshold, providers can replace that unit with a new participant |
| Jail Reduction | <ul style="list-style-type: none"> ▪ Payments made based upon the percentage reduction seen between participants and non-participants over at least three years ▪ No payments made below a 20% reduction in jail bed days ▪ Maximum payment at a 65% reduction in jail bed days |

PAYMENT SCALES:

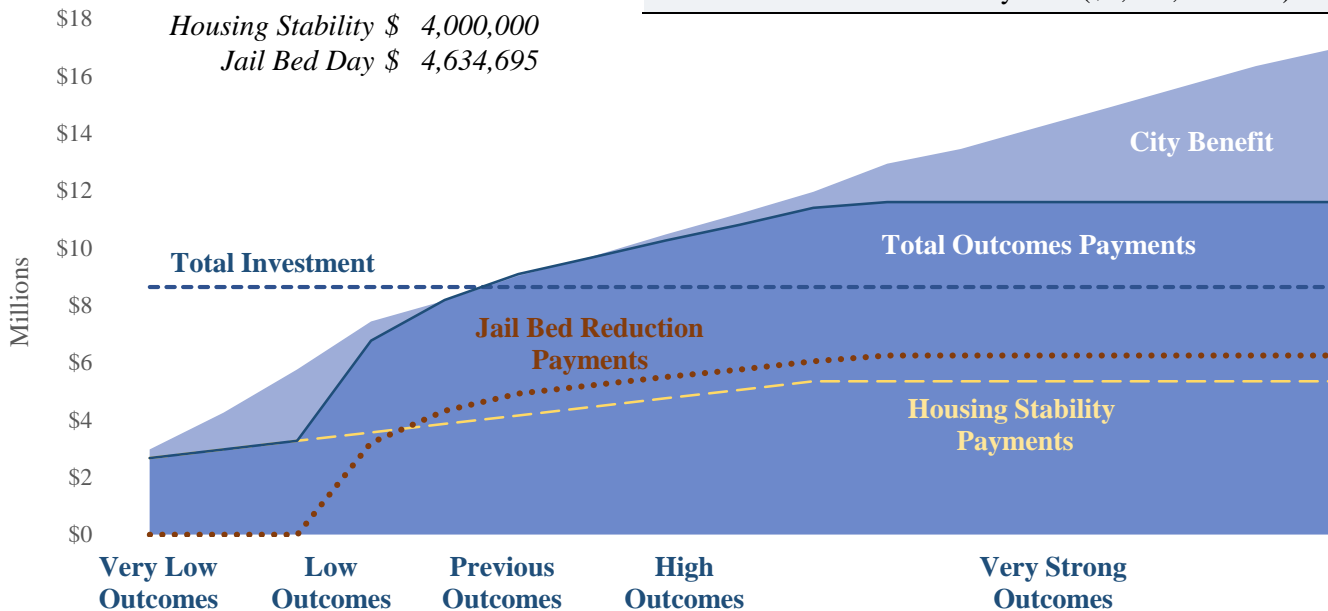
| HOUSING STABILITY |
|--|
| \$15.12 per day for stable housing days* |
| Minimum payment of \$0 |
| Maximum payment of \$5,292,188 |
| *Subtract any days spent in jail |

| JAIL BED REDUCTION PAYMENT | |
|----------------------------|--|
| Percentage | Payment Per Percentage Point |
| < 20% | \$0 |
| 20 to < 30% | \$160,000 |
| 30 to < 65% | (30 x \$160,000) + \$38,000 per percentage point above 30% |
| ≥ 65% | Max Payment (\$6,130,000 total) |

Total Investment \$ 8,634,695

Housing Stability \$ 4,000,000

Jail Bed Day \$ 4,634,695



INVESTMENT OVERVIEW:

- **Expected Payment>Returns:** approximately \$9.6 million, which equates to a combined annualized rate of about 3.5%.
- **Minimum Payment:** \$0, investors lose 100% of investment; **Maximum Payment:** approximately \$11.4 million (outcome levels at 100% housing stability, 65% percent jail bed reduction).
- Lenders made investments and receive outcome payments based upon the two different outcome measures:

| | | |
|---------------------------------------|---|--------------------|
| Housing Stability Lenders | Northern Trust Company | \$3,000,000 |
| | The Ben and Lucy Ana Fund at the Walton Family Foundation | \$1,000,000 |
| | The Piton Foundation | \$500,000 |
| Jail Bed Day Reduction Lenders | Laura and John Arnold Foundation | \$1,700,000 |
| | The Colorado Health Foundation | \$1,000,000 |
| | The Denver Foundation | \$500,000 |
| | Living Cities Blended Catalyst Fund | \$500,000 |
| | Nonprofit Finance Fund | \$434,696 |
| Total Investment | | \$8,634,696 |

EVALUATION OVERVIEW:

- The Urban Institute will conduct a five-year process and impact study of this supportive housing program with their local partners—the The Burnes Institute for Poverty and Homelessness, and The Evaluation Center at the University of Colorado Denver.
- **Eligible Participants:** Individuals with a record of at least eight arrests over the past three years; and a documented case of transiency at the time of their last arrest (i.e. homelessness).
- **Design:** Because there are more participants eligible for the SIB than there are housing slots, the initiative will be using a Randomize Control Trial (RCT) to allocate supportive housing slots by lottery, which is a fair way to allocate scarce housing resources.
- Through the process and impact study, the evaluation will seek to measure both the indicators that will be used as payment triggers for the SIB investors and also capture other outcomes and impacts that will inform the broader field of supportive housing for frequent user populations.

| STUDY | RESEARCH QUESTIONS | DATA SOURCES |
|----------------------------|---|---|
| <i>Process</i> | <ul style="list-style-type: none"> ▪ How is the program implemented? ▪ How are eligible individuals located and engaged? How do participants take up housing and services? ▪ What types of systems change and services integration were achieved? What are the key facilitators and challenges? | Engagement dashboard, housing enrollment pipeline, annual site visits and key informant interviews, review of program-related documents |
| <i>Outcomes and Impact</i> | <ul style="list-style-type: none"> ▪ Do housed participants retain housing? Were performance goals met so that investors should be paid? ▪ Does supportive housing increase housing stability and decrease the utilization of high cost public services (e.g., jails, courts, detox, homeless shelters, hospitals)? ▪ Do outcomes differ for participants housed in scatter-site housing versus single-site housing? | Program housing retention data, administrative data from systems of interest |

PROJECT PARTNERS:

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|-------------------------|--|
| <i>Early Supporters</i> | <ul style="list-style-type: none"> ▪ Social Impact Solutions – capital raise, financial structuring and transaction coordination ▪ <i>Feasibility Grants:</i> The Piton Foundation, Kaiser Permanente, The Denver Foundation, The Colorado Health Foundation, and the Rose Community Foundation ▪ <i>Transaction Structuring Grant:</i> Nonprofit Finance Fund and the Social Innovation Fund at the Corporation for National and Community Service ▪ <i>Evaluation Design Support Grants:</i> The Urban Institute |
| <i>Ongoing Support</i> | <ul style="list-style-type: none"> ▪ Denver Crime Prevention and Control Commission ▪ Harvard Kennedy School Social Impact Bond Lab ▪ Colorado Division of Housing and Colorado Governor’s Office ▪ Colorado Housing Finance Authority ▪ Denver Housing Authority ▪ Colorado Access |