FACT SHEET: Denver Social Impact Bond program to address homelessness

Summary: The Denver Social Impact Bond program is an initiative aimed at measurably improving the lives of people most in need by driving resources towards better, more effective programs. Social Impact Bonds are a unique type of performance-based contract where private and/or philanthropic lenders loan funds to accomplish a specific objective and are repaid based on whether the program achieves its goals. Denver’s Social Impact Bond program will use funds from lenders to provide housing and supportive case management services to at least 250 homeless individuals who frequently use the city’s emergency services, including police, jail, the courts and emergency rooms.

By shifting the focus to preventive services, we can better serve this population while saving taxpayers millions of dollars a year. The cost of providing safety-net services to 250 of Denver’s homeless population is approximately $7 million per year. Stable housing and supportive services can prevent expensive encounters with the criminal justice and safety-net systems and help individuals lead more stable and productive lives. The savings and benefits from reduced costs in the criminal justice system will be captured by the City and used to repay lenders for their upfront investment to cover the cost of the program.

The program officially launched on February 16, 2016.

By the numbers:

- Each year, 250 chronically homeless individuals account for:
  - 14,000 days in jail
  - 2,200 visits to detox
  - 1,500 arrests
  - 500 emergency room visits
- Each year, the average cost to taxpayers per individual is $29,000, resulting from jail days, police encounters, court costs, detox, ER and other medical visits.
- Each year, the City spends approximately $7 million on 250 individuals to cover the expenses above.

Housing units that will be built or utilized for this initiative:

- 250 total housing units in locations across the City
  - 210 new units of housing, including at North Colorado Station, Broadway Renaissance Lofts and Sanderson Apartments
  - 40 existing units

Overview of the Social Impact Bond contract:

- Agreement between the City and County of Denver and Denver PFS LLC, an entity established to execute the Social Impact Bond program.
- Includes up to five years of supportive services to Denver’s most vulnerable population and approximately one additional year for completion of the program’s evaluation and payments from the City if outcomes are achieved.
- Total private investment is expected to be $8.7 million. The program will leverage an additional $15 million in Federal resources in order to place at least 250 of Denver’s most vulnerable homeless individuals into permanent housing.
• Repayment to investors is contingent upon the achievement of the program’s outcome targets. Total City payments will range from $0 up to the maximum success payment of $11.42 million. Based upon previous studies, the expected outcomes of 35-40% reduction in jail bed days and 83% housing stability among the target population would result in a payment near $9.5 million. The repayment will be less if outcomes are not achieved.

Overview of the Independent Evaluator contract:

• Agreement between the City and County of Denver an Urban Institute, the entity selected to conduct the independent evaluation of the Social Impact Bond program.
• Includes an overview of the methodology that Urban Institute will use to determine whether the program achieves the outcome targets.

Program Partners:

• Colorado Coalition for the Homeless (Service Provider) – a local organization that creates lasting solutions to homelessness by addressing not only emergency needs, but also dealing with the underlying issues facing clients and communities.
• Corporation for Supportive Housing (Project Manager)— a local and national organization that advances solutions that use housing as a platform for services to improve the lives of the most vulnerable people, maximize resources, and build healthy communities.
• Enterprise Community Partners, Inc. (Fiscal Agent) — a local and national organization that creates opportunity for low and moderate-income people through affordable housing in diverse, thriving communities.
• Mental Health Center for Denver (Service Provider) – the community mental health provider for the City and County of Denver which enables adults to live more fulfilling and productive lives.
• Social Impact Solutions (Project Development) – local experts in structuring and financial modeling for Social Impact Bonds.
• Urban Institute (Independent Evaluator) – a national organization that offers solutions through economic and social policy research.
• Colorado Access (Managed Care Organization) – local nonprofit health plan that provides access to behavioral and physical health services for Coloradans

Investors:

• The Denver Foundation
• The Piton Foundation
• The Ben and Lucy Ana Walton Fund of the Walton Family Foundation
• Laura and John Arnold Foundation
• Living Cities Blended Catalyst Fund LLC
• Nonprofit Finance Fund
• The Colorado Health Foundation
• The Northern Trust Company

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• Colorado Division of Housing and Colorado Governor’s Office
• Colorado Housing Finance Authority
• Denver Housing Authority
• Transaction Structuring Grant: Nonprofit Finance Fund and the Social Innovation Fund at the Corporation for National and Community Service