



FACT SHEET:

Denver Social Impact Bond Program to Address Homelessness

Summary:

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 serve at least 250 homeless people who frequently use the city's emergency services —police, jail, the courts and emergency rooms —and cost taxpayers approximately \$7 million per year. Vulnerable individuals will be provided with supportive housing and intensive case management.

By shifting the focus to preventive services, the City of Denver will not only better serve this population with housing and services, but also save taxpayers millions of dollars a year. 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.

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

An anticipated 210 new units of housing will be built, plus 40 existing units will be utilized, for a combination of 250 units in locations across the city.

Basics of the project:

- Five years of services provided to Denver's most vulnerable population and approximately one additional year for completion of evaluation and payment.
- Total private investment of the program is expected to be \$8.7 million, leveraging \$15.2 million in Federal resources, in order to help place 250 of Denver's most vulnerable individuals into permanent, supportive housing with intensive case management services over the course of the next five years.

- The repayment to investors will be \$9.7 million if a 35% reduction in jail bed days and 83% housing stability goals are achieved. The repayment will be less if these outcomes are not achieved.
- On January 25, 2016, the full Council will vote on one contract which will outline payments for performance and another contract for an independent evaluator to measure the effectiveness of the program.

Timeline:

- The Denver City Council Finance and Services Committee heard an overview of the project and contracts on January 12, 2016.
- The full City Council is expected to vote on the final contracts at its meeting on January 25, 2016.

By the numbers:

- 250 chronically homeless individuals combine annually for:
 - 14,000 days in jail
 - 2,200 visits to detox
 - 1,500 arrests
 - 500 emergency room visits
- \$29,000 average annual cost to taxpayers per individual including jail, police, courts, detox, ER and other medical
- \$7.3 million total annual cost for 250 individuals including jail, police, courts, detox, ER and other medical

Denver Foundation FAQs

Why is The Denver Foundation investing in this project?

One of The Denver Foundation's community objective areas is basic human needs. Serving our community's most vulnerable is a top priority. This project will provide at least 250 chronically homeless people with homes and services and also create new housing units in Denver.

Who are the other investors in the project?

Investors include a mix of local and national foundations and a large bank.

Who is providing the program to the participants?

Colorado Coalition for the Homeless and Metro Health Centers of Denver will provide housing and services. The "housing first" approach provides people with a safe home as a first step. Next a group of professionals (therapists, nurses, case managers, etc.) will work as a team help clients identify their needs and will provide them with appropriate services. Each team will have a small caseload and customize services for each client.

Is anyone else involved?

Enterprise Community Partners and the Corporation for Supportive Housing are partners in the project. Urban Institute will provide the evaluation to measure the effectiveness of the project and determine repayment triggers. Social Impact Solutions helped structure the program.

What is the City of Denver's role?

The City will repay investors based on success of the program. The project will allow the City to use taxpayer money more effectively as it will spend less on the project than it currently does on crisis services for these individuals.

What happens if the program doesn't achieve the outcomes for housing stability and reduction of time spent in jail for the participants?

Research on homelessness finds that the 83% rate of housing stability and 35% reduction in jail days are likely outcomes for this type of project. If the outcomes fall short of these rates, repayments are reduced for each percentage point less than projections.

How can philanthropists and investors participate in the project?

Generous donors who care about homelessness have contributed to The Denver Foundation's investment in the project. Any principal or interest returned to The Denver Foundation from the Social Impact Bond will be used in the future toward new impact investments in the areas of basic human needs, economic opportunity and education.

In addition to accepting gifts to support the project, The Denver Foundation is offering a "philanthropic investment" opportunity for the SIB. Denver Foundation donor-advised fundholders can make an investment in the \$10,000 to \$50,000 range and any principal and interest payments will be returned to donor-advised funds on a pro rata basis.

What are the terms for the philanthropic investment?

The SIB is a five-year project plus a wrap up period for evaluation; the philanthropic investment term is 6 ½ years. A 5% annual return will be earned if the program meets its objectives. The first payment will be received at the end of year two of the project.

Are there any fees?

The Denver Foundation is charging a 2% annual fee for this philanthropic investment fund to cover administrative expenses. As this is one of the first philanthropic investment opportunities The Foundation is offering, we are requesting feedback from donors on the return and fee structure.

How will I be kept informed?

The Denver Foundation will provide all donors and investors with impact reports multiple times a year. Philanthropic investors will receive quarterly financial statements.

How do I learn more?

Contact Kate Lyda or The Denver Foundation Philanthropic Services Group at klyda@denverfoundation.org, or 303.300.1790.