



IMPACT INVESTING UPDATE

DENVER SOCIAL IMPACT BOND (SIB)

Northern's Community Development and Investment Group has closed its second Social Impact Bond (SIB) which will create permanent supportive housing for 250 chronically homeless individuals in Denver.

Announced by the Mayor of Denver, Michael B. Hancock, on February 16, the city of Denver will repay investors based upon the success of the service providers, Colorado Coalition for the Homeless (CCH) and Mental Health Center of Denver (MHCD), in keeping program participants housed and in reducing the number of days participants spend in jail.

Northern is the largest investor with \$3 million of the total \$8.7 million invested. Other investors are The Denver Foundation, The Colorado Health Foundation, Walton Family Foundation, The Piton Foundation, Laura and John Arnold Foundation, Living Cities and Nonprofit Finance Fund (NFF). Northern is the only investor to make a rate concession which limits its potential return and shares any additional success payments with the two homeless providers.

We continue to look at other opportunities in other states that can use the Social Impact Bond finance tool. We welcome any questions and are happy to discuss Social Impact Bonds or other types of Impact Investments with our clients and prospects.

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Attachments:

Denver SIB Press Release

Denver SIB Fact Sheet



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FOR IMMEDIATE RELEASE

February 16, 2016

Mayor Hancock Announces Social Impact Bonds to Serve First 25 Participants at North Colorado Station

DENVER – Mayor Michael B. Hancock today announced the first major project to realize the city’s new Social Impact Bond program, which will provide permanent housing and supportive services to at least 250 chronically homeless individuals across Denver. The opening of the Renaissance at North Colorado Station in Northeast Denver will house the first 25 Social Impact Bond participants and will be run by the Colorado Coalition for the Homeless.

“Denver’s new Social Impact Bond program allows us to serve our most vulnerable population better by getting these individuals out of a cycle of jail and hospital visits and into permanent housing and supportive services,” Mayor Hancock said. “This program will not only measurably improve the lives of people most in need while lowering the city’s costs, but it also will act as a blueprint for other cities across the country that face similar challenges with homelessness.”

Social Impact Bonds are an innovative financing tool that will allow Denver to use funds from private investors to house and serve 250 chronically homeless individuals who frequently use expensive emergency services – police, jail, the courts and emergency rooms – at a cost of approximately \$7 million per year. 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 city will pay for specific performance outcomes, which if achieved, will provide better lives for participants and generate reduced costs to the criminal justice and health systems. The total private investment of the program is expected to be nearly \$8.7 million, while an additional \$15 million in federal resources will be leveraged over the next five years. Repayment to investors is contingent upon the achievement of the program’s outcome targets. Based upon previous studies, the expected outcomes of 35 to 40 percent reduction in jail bed days and 83 percent increase in 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.

“Enterprise Community Partners and the Corporation for Supportive Housing are eager to work with our partners to ensure this innovation ends the costly cycle of homelessness,” said Melinda Pollack, Vice President, Enterprise, and Deborah De Santis, President and CEO of the CSH, two key partners in this

program that work on similar projects across the country. “Because it provides stability, supportive housing improves health outcomes, decreases the need for crisis services and therefore lowers costs. Thanks to the collaboration and commitment made by the public, private and nonprofit sectors, we have the expertise and resources in place to improve the lives of these residents.”

“We believe public-private partnerships can create sustainable change and are pleased to contribute to our second Social Impact Bond,” said Connie Lindsey, Northern Trust Head of Corporate Social Responsibility and Global Diversity & Inclusion. “This effort reflects Northern Trust’s commitment to help maximize the use of capital to positively influence our communities and help address some of our most prominent social challenges.”

“We are pleased to be partnering with the City of Denver as one of the housing and service providers on the project,” said John Parvensky, President of the Colorado Coalition for the Homeless. “The Social Impact Bond initiative is one piece of the puzzle to address homelessness, but it’s an important one, because it’s a down payment to immediately house up to 250 people, keep them housed and to demonstrate the effectiveness of the Housing First approach. This expansion helps bring our housing first program to scale to meet the increased need in Denver.”

“We are all working together to make Denver stronger and having access to safe, affordable housing is essential for the well-being of our community,” said Carl Clark, MD, president and CEO of the Mental Health Center of Denver. “The Mental Health Center of Denver is honored to partner with the City of Denver on this innovative solution to provide stable and supportive housing to help end chronic homelessness.”

“The Social Innovation Fund is tremendously proud to have supported the development of this innovative project through its Pay for Success transaction structuring grant to Nonprofit Finance Fund,” said Damian Thorman, Director of the Social Innovation Fund, a program of the Corporation for National and Community Service. “By deploying permanent supportive housing to 250 of Denver’s residents most in need, and the city only paying for outcomes, this project presents a unique opportunity to at once implement evidence-based solutions to improve outcomes, and at the same time, be the best possible stewards of taxpayer dollars.”

The partners involved in this program include:

- Colorado Coalition for the Homeless (Service Provider)
- Corporation for Supportive Housing (Project Manager)
- Enterprise Community Partners, Inc. (Fiscal Agent)
- Mental Health Center for Denver (Service Provider)
- Social Impact Solutions (Project Development)
- Urban Institute with local partners University of Colorado Denver and the Burnes Institute (Independent Evaluators)
- Colorado Access (Managed Care Organization)

The investors involved in this contract include:

- 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

Additional Support Provided by:

- Harvard Kennedy School Government Performance Lab
- Colorado Division of Housing and Colorado Governor's Office
- Colorado Housing Finance Authority
- Denver Housing Authority
- Denver Crime Prevention and Control Commission
- *Feasibility Grants:* The Piton Foundation, Kaiser Permanente, The Denver Foundation, The Colorado Health Foundation, and the Rose Community Foundation
- *Transaction Structuring Grant:* Nonprofit Finance Fund and the Social Innovation Fund at the Corporation for National and Community Service

Additional information about the program can be found in the attached summary.

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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:

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:

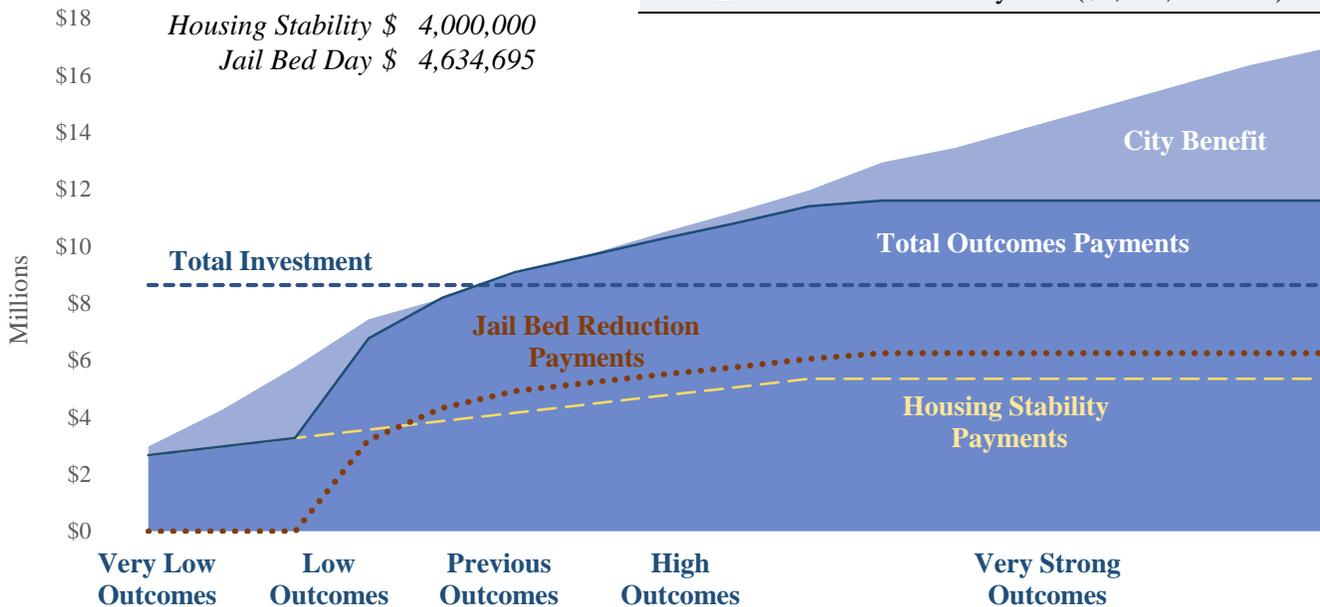
HOUSING STABILITY
\$15.12 per day for stable housing days*
Minimum payment of \$0
Maximum payment of \$5,292,188
*Subtract any days spent in jail

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:

<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