

Denver Permanent Supportive Housing Pay for Success Project



The Government Performance Lab (GPL) provided pro bono technical assistance to help Denver launch the Supportive Housing Pay for Success (PFS) initiative. This project is providing supportive housing and community based treatment services to more than 250 chronically homeless individuals over five years.

The Challenge: Homelessness, particularly for those who struggle with mental health and substance abuse, continues to challenge cities across the country, and Denver is no exception. Many of Denver’s homeless individuals interact frequently with interventions that are costly and ineffective, including jail, detox, and emergency care. Safe, secure, long-term supportive housing is perhaps the best treatment for homeless individuals suffering from behavioral health conditions. For many governments, however, it is often one of the hardest solutions to fund.

The Project: The GPL worked with the City of Denver and several project partners¹ to develop comprehensive systems for funding and building permanent supportive housing for the chronically homeless high-utilizer population. The major project components included:

- **Identifying and targeting the highest utilizers of the criminal justice system**
The PFS project began by tracking the top 300 utilizers of the county court system over a five year period who were also experiencing chronic homelessness. These individuals interacted frequently with the court system due to citations involving public nuisance, public consumption of alcohol, trespassing, and low-level drug offenses. On average, this group was responsible for over 17,000 days in jail per year. The project later built a larger eligibility framework that includes over 2,000 individuals with similar characteristics.
- **Providing supportive housing and treatment services to the high utilizer population**
The PFS project is based on a proven model that combines the approaches of Housing First with a modified Assertive Community Treatment (ACT) model of intensive case management. Services within the program include supportive housing, case management, crisis intervention, substance use counseling, mental health treatment, peer support, skills building, connection to primary care,

¹ Primary Partners: Corporation for Supportive Housing, Colorado Coalition for the Homeless, Enterprise Community Partners, Mental Health Centers of Denver, and Social Impact Solutions. Additional partners: CO Housing and Financing Authority, Denver Housing Authority, CO Access, CO State Division of Housing, CO Governor’s Office

connections to jobs, and various other services identified as appropriate to the client's goals.

- **Paying on outcomes of housing stability and reduction in jail-bed days**

Housing stability and reduction in jail-bed days were identified as target outcomes for the PFS project. For housing stability, the City pays for each day a participant spends in housing minus the number of days spent in jail. For reduction in jail-bed days, the City makes payments based on the percentage reduction seen between participants and non-participants over three years.

- **Evaluating the program's impact with a randomized control trial (RCT)**

A five-year process and impact study of the supportive housing program is being conducted as part of the PFS project. Supportive housing slots are allocated by a lottery, as there are more eligible participants than housing slots. The lottery structure enables the use of an RCT, which will seek to rigorously measure the impact of the program.

Contributions to the Field:

In addition to expanding supportive housing and community-based treatment services, the Supportive Housing PFS project is pushing the PFS field forward in important ways. The Denver PFS project:

- 1) **Combined multiple financing sources to construct new housing units as a part of the project**

The PFS financing was part of a much larger comprehensive housing initiative that included close to \$50m in other resources (capital construction through Low-Income Housing Tax Credits, Medicaid, project and tenant-based vouchers, etc.). This is the first PFS project to include the construction of new housing units, as 160 new units are being constructed to serve the targeted high-user individuals. The construction demonstrates how a PFS structure can allow for a community to come together in a relatively short period of time to house a vulnerable population.

- 2) **Implements one of the country's largest, most rigorous evaluations of supportive housing**

Few evaluations of supportive housing go longer than two years. With the use of an RCT and at least 250 participants over five years, the PFS evaluation will be one of the longest, largest, and most rigorous evaluations of the impact of supportive housing. This evaluation will provide valuable lessons that can inform similar programs in Denver and across the country.

- 3) **Is the first PFS project to have no subordination within the financing**

In many PFS projects one lender is entirely paid back before another receives any payment (referred to as a subordinated loan). Philanthropy has largely played this "subordination role", but has become resistant to it over time. The Denver PFS project provides an alternative approach to providing different risk-return combinations for different classes of investors. Instead of subordinated loans, two payable outcomes are used: Housing stability is paid on a yearly basis and serves as a more intermediate outcome (with a higher rate of return for commercial investors), and reduction in jail-bed days is a longer-term outcome that is paid on once after three years (with a lower rate of return for philanthropic investors).

- 4) **Creatively used a program-related investment (PRI) to fund a pilot phase**

The Denver project tested a new approach to funding a pilot phase through the use of a program-related investment (PRI). A PRI is essentially a low-interest loan, and can be a more attractive alternative to grants for philanthropic foundations. The Laura and John Arnold Foundation provide the project with a PRI to cover a 6 month pilot period. During this period, the foundation's investment is at risk if the pilot phase fails. Otherwise, the investment rolls in to the larger project where the foundation is repaid based on achievement of jail reduction outcomes.

The Government Performance Lab is grateful for support from Bloomberg Philanthropies, the Corporation for National and Community Service Social Innovation Fund, the Dunham Fund, the Laura and John Arnold Foundation, the Pritzker Children's Initiative, and the Rockefeller Foundation. © Copyright 2017 Harvard Kennedy School Government Performance Lab.