

HOMELESSNESS SOCIAL-IMPACT BONDS IN THE UNITED STATES

by

Christy Ariel Johnson, B.B.A.

A thesis submitted to the Graduate Council of
Texas State University in partial fulfillment
of the requirements for the degree of
Master of Business Administration
with a Major in Business
December 2019

Committee Members:

Ruby Pandey Kishan, Chair

Matthew Hood

Glen Young

COPYRIGHT

by

Christy Ariel Johnson

2019

FAIR USE AND AUTHOR'S PERMISSION STATEMENT

Fair Use

This work is protected by the Copyright Laws of the United States (Public Law 94-553, section 107). Consistent with fair use as defined in the Copyright Laws, brief quotations from this material are allowed with proper acknowledgement. Use of this material for financial gain without the author's express written permission is not allowed.

Duplication Permission

As the copyright holder of this work I, Christy Ariel Johnson, authorize duplication of this work, in whole or in part, for educational or scholarly purposes only.

DEDICATION

“Home is where the heart is.” –Elvis Presley

To my home. To my heart. To my everything. To Luke.

ACKNOWLEDGEMENTS

Thank you to my committee members, especially my committee chair and thesis mentor, Dr. Kishan. The hours you put into shaping my dream will never be forgotten!

A special acknowledgment to Dr. Hood for his encouraging and incredibly thoughtful insights. Your energetic passion for what you do is contagious.

A hearty thanks to Dr. Young for inspiring the joy of research during my time as your graduate assistant. I am not sure I would have come up with the idea of doing a thesis without our semester together.

Thank you to my parents for providing for me in my first home. Specifically, thank you to my dad for the “big red pen” growing up, and to my mom for her many texts and calls of encouragement.

Thank you to my mother-in-law for help at home while I furiously typed away.

Many thanks to my patient and loving son. While I know the past 12 months have not been easy, you have shown independence morphing into such a fine young man. Your dad and I could not be prouder if we tried! Keep shooting for the stars!

When I asked my husband whether I should write an optional thesis in lieu of taking the study abroad trip to Peru as my elective requirements, he must have thought I was off my rocker; but it never showed. Only love and support showed in his eyes. Thank you for being my rock and partner in life for the last 20 years. Thank you for being you.

~Soli Deo Gloria~

TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENTS.....	v
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ABBREVIATIONS	xi
ABSTRACT	xiii
CHAPTER	
1. INTRODUCTION	1
2. HOMELESSNESS AND THE ROLE OF SOCIAL-IMPACT BONDS.....	4
2.1 Description of Social-impact Bonds.....	4
2.2 History of Social-impact Bonds	7
2.3 The Homelessness Epidemic	8
2.4 Traditional Funding Model.....	13
3. FIVE SUPPORTIVE HOUSING SOCIAL-IMPACT BONDS TO DATE.	17
3.1 Massachusetts Chronic Homelessness Pay-for-Success (PFS) Initiative	17
3.2 Santa Clara County Project: Welcome Home.....	21
3.3 Denver Housing to Health Initiative	24
3.4 Los Angeles County Just-in-Reach (JIR) Project.....	28
3.5 Salt Lake County Homes Not Jail	32
3.6 Chapter Summary	35
4. ANALYSIS OF RESULTS	36
4.1 Homing	36
4.2 Governmental Savings	38
4.3 Investor Returns	40
4.4 What Makes the Difference	42

4.5 Chapter Summary	45
5. CONCLUSION	46
APPENDIX SECTION	51
REFERENCES	78

LIST OF TABLES

Table	Page
1. U.S. Homelessness – Definition of Terms	10
2. U.S. Homelessness – People by Age, 2017	11
3. U.S. Homelessness – People by Gender, 2017	12
4. U.S. Homelessness – People by Race, 2017	12
5. U.S. Homelessness by Household Type and Sheltered Status, 2017	12
6. Point-in-Time Estimates of U.S. Homeless People, 2007-2017	15
7. Change in People Experiencing U.S. Homelessness, 2007-2017	16
8. Five U.S.-Based Supportive Housing Social-impact Bonds to Date	17
9. Are the U.S. Homelessness SIB Goals on Track?	37
10. Total U.S. Governmental Savings	39

LIST OF FIGURES

Figure	Page
1. The Typical Structure of a Social-impact Bond	5
2. Point-in-Time Estimates of U.S. Homelessness People, 2007-2017.....	15
3. Expected and Actual Investor Returns to Date Versus Muni Bond Rate	41

LIST OF ABBREVIATIONS

Abbreviation	Description
ACT	Assertive Community Treatment
AHAR	Annual Homeless Assessment Report
CoC	Continuums of Care
CSH	Corporation for Supportive Housing
ES	Emergency Shelter
HHG	Home and Healthy for Good
HIC	Housing Inventory Count
HUD	United States Department of Housing and Urban Development
JIR	Just-in-Reach
LA	Los Angeles
PBR	Payment by Results
PIT	Point-in-Time
PFS	Pay-for-Success
PSH	Permanent Supportive Housing
RCT	Randomized Control Trial
REACH	Recovery, Engagement, Assessment, Career, and Housing
ROI	Return on Investment
SB	Service Beneficiaries
SFI	Social-finance Intermediary

SH – Supportive Housing
SI – Social Investor
SIB – Social-impact Bond
SPV – Special-purpose Vehicle
SRI – Socially-responsible Investment
TH – Transitional Housing
TSP – Third-sector Provider
UK – United Kingdom
US – United States

ABSTRACT

Social-impact bonds (SIBs) introduce a new strategy with which to fight homelessness through a contractual partnership between nonprofits, socially-minded investors, and governmental agencies in a growing number of American cities. Due to limited political willpower and public funding, some nonprofits have used SIBs to leverage support for social programs. I explore efforts to eradicate homelessness in five initiatives spread across the country through SIBs located in Massachusetts, California (Santa Clara and Los Angeles), Colorado, and Utah. An analysis of homing retention, governmental savings, and investor returns details the impact of the three key players in SIBs. I explain how strong intermediaries and political will can make SIBs a viable tool with which to improve the lives of the American homeless population with lasting social outcomes. Last, I discuss the future of SIBs and how they can become a mainstream financial tool through decreased transaction costs, standard data-sharing agreements, alternatives to randomized control trials (RCTs), federal government participation, congressional legislation support, and aggregating socially motivated investors.

1. INTRODUCTION

“There is no cause half so sacred as the cause of the people. There is no idea so uplifting as the idea of the service of humanity.” – Woodrow Wilson

Nonprofit institutions and charities undoubtedly have a positive impact on society and the world. According to a recent study conducted in the United States (U.S.) by Giving USA, the nonprofit sector contributed over \$400 billion to the economy—approximately 2% of America’s Gross Domestic Product. To ensure continued operations, nonprofit organizations face the challenge of finding funding sources and using funds effectively. Traditional ways of funding nonprofits include attracting monetary and in-kind donations from individuals and major donors, performing fundraising capital campaigns, leveraging conventional debt markets, receiving legacy gifts or planned giving, applying for foundation or government grants, and requesting corporate donations. A new funding source called social-impact bonds (SIBs) has recently launched a potential new funding opportunity for nonprofits.

Social-impact bonds are not strictly speaking bonds (a form of debt instrument); they are instead a specific kind of pay-for-success (PFS) contract in which a nonprofit can obtain operating funds with which to grow and scale according to its social mission. While the terms *SIB* and *PFS* are often used interchangeably, nuanced distinctions emerge in the United States. SIBs and PFS contracts share a premise called payment by results (PBR), but SIBs and PFS contracts differ in purpose. Pay-for-success contracts alone tie a payment to a predetermined outcome, whereas SIBs with PFS contracts seek to create a marketplace for social investment with a unique set of key players, supported by

rigorous due diligence and analytics so as to achieve a desired social result. The U.S. has a long-standing history of performance-based contracting; however, the *avant-garde* idea of SIBs is a much younger PBR concept (Tomkinson 2014).

Social-impact bonds allow a government body to fund social programs through nonprofit organizations and pay out only if the agreed-upon outcomes are achieved. Results-based contracts bring together three key players: government agencies, nonprofit organizations (also known as service beneficiaries or SBs), and private investors also known as social investors (SIs) with the goal of delivering efficient, focused, and flexible results in comparison to traditional nonprofit financing (Gustafsson-Wright et al. 2015). The government-nonprofit-investor partnership cross-section can create three significant outcomes: risk-free government savings in contracting, more significant interest in nonprofits through evidence-based practices in social service delivery, and SI opportunities for financial returns and social impact (Ragin and Palandjian 2013).

This work strives to determine whether SIBs constitute an effective financial instrument with which to reduce homelessness through supportive housing in the United States. Supportive housing initiatives through SIBs began in 2014 in the U.S. with the Home and Healthy for Good program. Since then, four more impact investing projects have started implementation. By effectively directing resources to outcomes efficiently, SIBs can strengthen the historically weak relationship between the public and private sectors, fund initiatives which are otherwise politically unattractive, and encourage service innovations. My findings show how SIBs can yield more collaboration between government and

SIBs than traditional methods, can inspire innovation in delivery methods and service, and can deliver superior results for the SB. However, if the three key players are not actively involved in the complicated SIB process, the SIB might fail or underdeliver with respect to its goals. While all five projects are still in progress, early lessons and measured outcomes can help the U.S. to understand if SIBs are a good fit for the homelessness initiative. Only through an effective private-public sector relationship can SIBs which focus on homelessness improve the quality of services, save taxpayer money, and offer new approaches to reducing homelessness without requiring the government to assume all the financial risks—all while potentially giving private investors a healthy return on their investments (Kohli et al. 2012).

I discuss SIBs in detail in Chapter 2, including the typical setup process, the history of SIBs, and the development of homelessness SIBs. I also discuss the homelessness epidemic, how the traditional funding model has approached the issue, and how SIBs play a role as a new funding approach. In Chapter 3, I detail each homelessness SIB in the U.S. to date and analyze the data in Chapter 4 by detailing the key players' role and what impact SIBs play within their industry. In Chapter 5, I conclude with the future of SIBs and the role they play in homelessness to date.

2. HOMELESSNESS AND THE ROLE OF SOCIAL-IMPACT BONDS

“[T]he most useful and influential people in [America] are those who take the deepest interest in institutions that exist for the purpose of making the world better.” –Booker T. Washington

In this chapter I explore SIBs in detail, including the typical setup process and history of SIBs. I introduce the SIBs targeting homelessness that are the focus of this paper and discuss the impact homelessness has across gender, age, and racial lines. Finally, I explore the traditional funding model for addressing homelessness, and how SIBs play a role as a new funding approach.

2.1 Description of Social-impact Bonds

Social-impact bonds are complex instruments involving key stakeholders from different sectors: The government entity, the SB, and the SI. Time, technical expertise, and commitment to collaborate to establish SIBs are indispensable. Figure 1 depicts the progression of a typical SIB.



Figure 1. The Typical Structure of a Social-impact Bond.

In the first step of a typical SIB, the government payor begins by defining a social issue and its objective, and a partnership between the government payor, an intermediary, and a SB forms to achieve the specified goal.

In the second step, the project develops by means of the intermediary who works with the government payor and the SB to ensure the delivery of capital. Intermediaries are generally outside, non-profit organizations with expertise in social investing and an interest in the targeted social issue. Third Sector Capital Partners, an intermediary for two homelessness SIBs in the United States, also focuses on health, education, and workforce development. As the project manager and coordinator, the intermediary drives the strategy, negotiation, and financial structure of the project. Effective interventions identify outcome metrics, an operational growth strategy, the project's evaluation design, and the outcome costs through PFS contract negotiation, execution, and capital to support the project.

In the third step, the SB delivers services to the targeted population, with support provided through the intermediary (including performance management, governance oversight, financial management, course corrections, and investor relations).

In the fourth step, positive outcomes result from the support of quality services, and the people in need receive life improvements. In the context of homelessness within social-impact bonds (SIBs), improvements could include reducing the number of homeless individuals (in a total population or in a specific target population as in the case of homeless veterans); reducing the number of individuals currently experiencing chronic homelessness in

unsheltered locations and sheltered locations, including supportive housing (SH) and emergency shelter (ES) locations; and reducing the number of individuals in transitional housing (TH) (U.S. Interagency Council of Homelessness 2016).

Lastly, in step five, payments to SIs trigger, net of intermediary managing fees. Project impact and evaluation through an independent evaluator by predetermined outcome metrics helps determine project success. If the SIB has improved outcomes, the payor repays the SI, plus any promised return. If the program fails its targeted results, the government pays nothing (Social Finance, n.d.).

Social-impact bonds are unique in that they take the up-front finance for the contract provided by SIs rather than by the government (Albertson et al. 2018). Social investors—investors who tend to consider socially responsible investments (SRIs) for both social and financial returns—can be incentivized to accept sub-optimal financial performance to pursue social or ethical objectives (Renneboog et al. 2008).

2.2 History of Social-impact Bonds

Social-impact bonds have gained the attention of public authorities, investors, social-services providers, researchers, and evaluators. At the same time, the SIB concept triggers debate over the role of government in delivering social services, the quest for efficiency in providing those services, and the challenges social-service providers face while tasked with increased monitoring and evaluation of services (Clifford 2017).

The world's first SIB was launched in 2010 in Peterborough, United Kingdom (U.K.). Its goal was to reduce prison recidivism. Three years later, the

first U.S.-based SIB launched with the help of the Rockefeller Foundation. Its goal was to reduce youth recidivism in New York. In 2014, the first homelessness social-impact bond was formed in Massachusetts. The education policy in the U.S. included specific provisions for the use of SIBs in programs for at-risk students in 2015. The number of SIB deals grew steadily to total 54 worldwide by the end of 2015. Goldman Sachs invested in the first environmental-impact bond in 2016 to improve Washington D.C.'s water quality. In 2017, musician Bono partnered with investors Jeff Skoll and Bill McGlashan to create a \$2 billion fund for social investment (Pequenez 2018). To date, 20 SIB projects have delivered services in the U.S., and over 50 additional projects are currently in development (Albertson et al. 2018). The U.S. has raised about \$200 million, making it the largest SIB market in the world. A total of 108 SIBs currently exist worldwide in 24 countries, and over 70 are in development (Pequenez 2018).

Five SIB projects specific to my topic—homelessness—are currently in progress: Los Angeles County's Just-in-Reach (JIR) Project; the Salt Lake County Homes Not Jail program; the Massachusetts Chronic Homelessness Pay-for-Success Initiative; the Denver Housing to Health Initiative; and the Santa Clara County Project: Welcome Home. Detailed data for each U.S.-based homelessness SIB can be found in table-form in the five appendix chapters, which start on page 51.

2.3 The Homelessness Epidemic

Homelessness is an undesirable condition, both for the people it affects and for society in general. Nonprofits focused on solving the problem of homelessness play a leading role in serving a community over local governments,

school districts, and business organizations. Furthermore, of the \$400 billion in contributions in 2017 mentioned in the introduction, over \$50 billion specifically supported human services efforts in the United States. (Indiana University Lilly Family School of Philanthropy 2018). Current fundraising methodologies for nonprofits include maintaining a healthy relationship with existing donors, effective communication toward ending homelessness, clarifying the current need for in-kind goods, refreshing stagnant donor events, and aligning critical strategic partnerships. The SIB model is a unique opportunity to fund permanent supportive housing (PSH) for homeless in the United States.

Homelessness is a circumstance in which people are without a permanent dwelling, such as a house or apartment. Over 500,000 people experienced homelessness in the U.S. in 2017 (Henry et al. 2017). People who are homeless are most often unable to acquire and maintain regular, safe, secure and adequate housing. Over the course of 2016, more than 1,000,000 people used an emergency shelter or transitional-housing program. The Department of Housing and Urban Development (HUD), the Department of Veterans Affairs, and the Department of Health and Human Services consider a person to be homeless if he or she is sleeping outside where human habitation is not intended, such as in an abandoned building or car. Other federal agencies have defined homelessness in a more granular way. The 2017 Annual Homeless Assessment Report (AHAR) to Congress shows many different types of homelessness based on demographic variables.

Table 1 illustrates the complexity of simply defining the word (Henry et al. 2017):

Table 1. U.S. Homelessness - Definition of Terms.	
Chronically Homeless Individual	An individual with a disability who has been continuously homeless for one year or more or has experienced at least four episodes of homelessness in the last three years where the combined length of time homeless in those occasions is at least 12 months.
Chronically Homeless People in Families	People in families in which the head of the household has a disability and has either been continuously homeless for one year or more or has experienced at least four episodes of homelessness in the last three years where the combined length of time homeless on those occasions is at least 12 months.
Continuums of Care (CoC)	Local planning bodies responsible for coordinating the full range of homelessness services in a geographic area, which may cover a city, county, metropolitan area, or an entire state.
Emergency Shelter (ES)	A facility with the primary purpose of providing temporary shelter for homeless people.
Homeless	A person who lacks a fixed, regular, and adequate nighttime residence.
Other Permanent Housing	Housing with or without services that is specifically for formerly homeless people but that does not require people to have a disability.
People in Families with Children	People who are homeless as part of a household that has at least one adult (age 18 and older) and one child (under age 18).
Permanent Supportive Housing (PSH)	A housing model designed to provide housing assistance (project- and tenant-based) and supportive services on a long-term basis to formerly homeless people. HUD's Continuum of Care program, authorized by the McKinney-Vento Act, funds PSH and requires that the client have a disability for eligibility.
Point-in-Time (PIT) Counts	Unduplicated one-night estimates of both sheltered and unsheltered homeless populations. The one-night counts are conducted by CoCs nationwide and occur during the last week in January of each year.
Rapid Rehousing	A housing model designed to provide temporary housing assistance to people experiencing homelessness, moving them quickly out of homelessness and into permanent housing.
Safe Havens	Provide temporary shelter and services to hard-to-serve individuals.
Sheltered Homelessness	People who are staying in emergency shelters, transitional-housing programs, or safe havens.
Transitional Housing (TH) Programs	Provide people experiencing homelessness a place to stay combined with supportive services for up to 24 months.
Unaccompanied Homeless Youth (under 18)	People in households with only children who are not part of a family with children or accompanied by their parent or guardian during their episode of homelessness, and who are under the age of 18.
Unaccompanied Homeless Youth (18-24)	People in households without children who are not part of a family with children or accompanied by their parent or guardian during their episode of homelessness, and who are between the ages of 18 and 24.
Unsheltered Homelessness	People whose primary nighttime location is a public or private place not designated for, or ordinarily used as, a regular sleeping accommodation for people (for example, the streets, vehicles, or parks).
Veteran	Any person who served on active duty in the armed forces of the United States. This includes Reserves and National Guard members who were called up to active duty.

Table 2 depicts the percentage of homeless people by age. Over 20% of homeless people in 2017 were children, approximately 10% were between the

ages of 18 and 24, and approximately 70% were over the age of 24 (Henry et al. 2017).

Table 2. U.S. Homeless - People by Age, 2017.	
People Over the Age of 24	385,475
People Between the Ages of 18 and 24	53,438
People Under the Age of 18	114,829

Because of the damaging effects of homelessness, many nonprofits offer interventions to help keep families with children together in housing. Compared to housed children who are poor, homeless children have worse health than non-homeless children, including more gastrointestinal ailments; asthma; parasites; skin ailments; upper respiratory infections. They also experience more chronic physical disorders such as anxiety, depression, and developmental delays. Behavior problems, as well as poorer school performance, attendance, and other unfavorable conditions plague homeless children. There are also suggestions that adverse effects increase the longer homelessness lingers, including more health problems—possibly from living in collective shelters or cars and other places not meant for habitation. These effects may include more mental health symptoms of depression, anxiety, and acting out brought about by the disruptions in relationships, routines, and environments that homelessness necessitates (Burt et al. 2007). Thankfully, children are rarely unsheltered; even so, 90% of homeless children stay in emergency shelters or transitional-housing programs (Henry et al. 2017).

Table 3 depicts the percentage of homeless people by gender. In 2017, just under 61% of homeless people were men and 39% were women. Fewer than 1% were transgender or did not identify as male, female, or transgender.

Table 3. U.S. Homeless - People by Gender, 2017.	
Male Gender	335,038
Female Gender	215,709
Transgender or No Gender Identified	2,092

Gender had mixed results by sheltered status. Homeless staying in unsheltered locations were most likely to be men, while people staying in transitional-housing programs or emergency shelters were most likely to be women (Henry et al. 2017).

Table 4 depicts the percentage of homeless people by race. Over 40% of homeless people identified their race as white. Most others experiencing homelessness identified as Hispanic or Latino, African American, or generally identified as multicultural.

Table 4. U.S. Homeless - People by Race, 2017.	
White	260,979
African American	224,937
Hispanic or Latino	119,419
Multicultural	35,745

Demographic characteristics varied by sheltered status, as seen in Table 5. Homeless people in unsheltered locations, for example, were more likely to be white than homeless people in sheltered locations. In contrast, homeless people in sheltered locations were likely to be African American than homeless people in unsheltered locations (Henry et al. 2017).

Table 5. U.S. Homelessness by Household Type and Sheltered Status, 2017.	
People in Families, Sheltered	30%
Individuals, Sheltered	35%
Individuals, Unsheltered	32%
People in Families, Unsheltered	3%

Overall, homelessness increased by almost 4,000 people between 2016 and 2017 but declined overall by over 93,000 people between 2007 and 2017. Regardless of the increase in homeless people in unsheltered locations between

2016 and 2017, the homelessness decline over the last decade is thanks, in part, to the substantial decrease in people who stay in unsheltered locations. The number of unsheltered people declined by almost 63,000 people over last decade, while the number remaining in emergency shelters or transitional-housing programs fell by over 30,000 people. Data analysis from the congressional report suggests that older, minority men suffer most from homelessness (Henry et al. 2017).

The 2017 Annual Homeless Assessment Report (AHAR) to Congress listed its goals as preventing or ending homelessness among veterans; preventing or ending homelessness for families, youth, and children; or simply setting a path to end all types of homelessness (Henry et al. 2017). To end homelessness, the U.S. will need an adequate supply of housing that is affordable to lower income households. While the solution to homelessness is simply having a permanent home, the answer is incredibly complex.

2.4 Traditional Funding Model

The traditional funding model for most homeless service providers are local and federal grants. The McKinney-Vento Homeless Assistance Act of 1987 established Payment-by-Result (PBR) grants and appointed the Department of Housing and Urban Development (HUD) to administer them. As of fiscal year, 2018, HUD distributed over \$2 billion in grant money to regional units called "Continuums of Care" (CoCs). The Department of Housing and Urban Development grants each CoC to fund based on a complicated, outdated formula developed for another HUD program: The Community Development Block Grant Fund (Popov 2017). Continuums of Care are required to split their programs into

Tier One and Tier Two selections. Tier One programs account for 94% of CoC funding, while the remaining Tier Two programs compete for the remaining funding (U.S. Department of Housing and Urban Development 2018). The bureaucratic overhead of this funding model makes it difficult for new innovative programs to obtain funding.

The SIB funding model provides several advantages for CoCs. First, HUD requires CoCs to focus on Point-in-Time (PIT) data, defined in Table 1, which measures homelessness and success. The SIB model allows CoCs to choose the metrics and the PIT that makes the most sense for the program. By creating linkages between financial payments and stringent measures of outcomes, SIBs create an economically compelling reason to generate large amounts of reliable data that can be utilized by decision makers. Social-impact bonds also allow CoCs to create Tier Two programs with reduced governmental financial risk, thereby increasing their likelihood of funding. The Department of Housing and Urban Development itself has expressed interest in the SIB model, awarding \$8 million in 2016 to explore its viability.

Social-impact bonds also allow local governments to embark on innovative homelessness projects while minimizing financial risk and limiting the resources of the federal government. Of the five SIB projects described in this paper, only one is being funded with federal funds: The Just-in-Reach (JIR) SIB in Los Angeles (L.A.) described in the next chapter.

Historical data from the U.S. Congressional report in Figure 2 and Table 6 shows a downward trend of homelessness since 2007 (Henry et al. 2017):

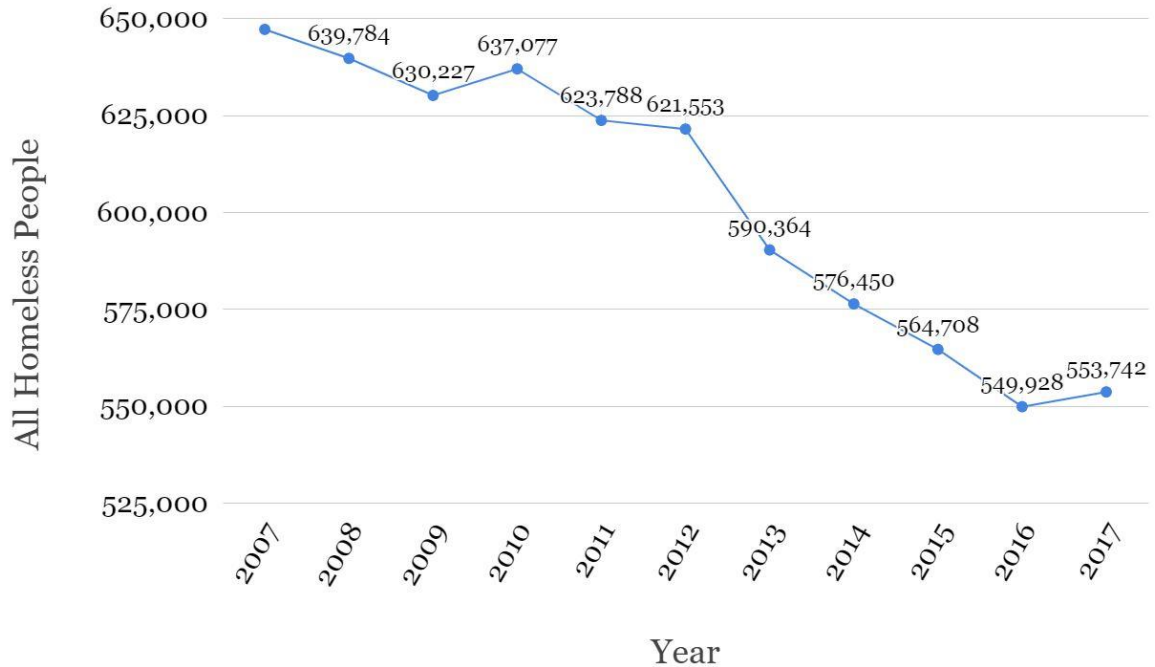


Figure 2. Point-in-Time Estimates of U.S. Homelessness People, 2007-2017.

<i>Year</i>	<i>All Homeless People</i>	<i>Sheltered People</i>	<i>Unsheltered People</i>
2007	647,258	391,401	255,857
2008	639,784	386,361	253,423
2009	630,227	403,308	226,919
2010	637,077	403,543	233,534
2011	623,788	392,316	231,472
2012	621,553	390,155	231,398
2013	590,364	394,698	195,666
2014	576,450	401,051	175,399
2015	564,708	391,440	173,268
2016	549,928	373,571	176,357
2017	553,742	360,867	192,875

Even with the downward trend, over 500,000 people remain homeless.

With still a very long way to go to end the epidemic, progress continues with the help of SIBs. The change in the number of people experiencing homelessness can be noted in Table 7, signifying the change over the last decade and a change since SIBs began implementation in 2014:

Table 7. Change in People Experiencing U.S. Homelessness, 2007-2017.						
	<i>All Homeless People</i>		<i>Sheltered People</i>		<i>Unsheltered People</i>	
	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
Change 2007-2017	93,516	14.45%	30,534	7.80%	62,982	24.62%
Change 2007-2013	70,808	10.94%	-9,650	-2.47%	80,458	31.45%
Change 2014-2017	10,966	1.94%	30,573	7.81%	-19,607	-11.32%

Homelessness SIBs represent a new way for government, both local and federal, to approach a daunting issue.

Over this chapter, I explored how SIBs are generally structured and can be leveraged to address homelessness. Table 7 above suggests an overall positive effect since SIB's inception, however, it is not yet clear if this is due to the influence of SIBs or other efforts to fight homelessness. In the following chapters I will seek to clarify this issue by exploring each of the five homelessness SIBs and analyze the effect each has had on its specific market.

3. FIVE SUPPORTIVE HOUSING SOCIAL-IMPACT BONDS TO DATE

“To give away money is an easy matter and in any man's power. But to decide to whom to give it and how large and when, and for what purpose and how, is neither in every man's power nor an easy matter.” –Aristotle

Over the course of this work I have examined Social-impact bonds (SIB) in general, how they are structured, and their potential use in funding homelessness initiatives. In this chapter I, describe the active homeless-focused SIBs in the US, detail how they are structured, and note any reported initial results.

Five SIB projects are currently in progress in the United States: The Massachusetts Chronic Homelessness Pay-for-Success Initiative; the Santa Clara County Project: Welcome Home; the Denver Housing to Health Initiative; Los Angeles County’s Just-in-Reach (JIR) Project; and the Salt Lake County Homes Not Jail-program. Table 8 details the age of each SIB and each SIB’s projected completion year.

Table 8. Five U.S.-Based Supportive Housing Social-impact Bonds to Date.					
SIB Name	MA Chronic Homelessness PFS Initiative	Santa Clara County Project	Denver Housing to Health Initiative	L.A. County JIR Project	Salt Lake County Homes Not Jail
SIB Launch Year	2014	2015	2016	2017	2017
Service Delivery Term (Years)	6	6	5	4	5
SIB Completion Year	2020	2021	2021	2021	2022

3.1 Massachusetts Chronic Homelessness Pay-for-Success (PFS) Initiative

The first-in-the-nation SIB initiative to reduce chronic individual homelessness by half over 6 years in Massachusetts began in 2014. With more than 1,500 chronically homeless people who require costly emergency and public

services, such as hospitalizations and temporary shelter, the state of Massachusetts led the development of the Home and Healthy for Good (HHG) program: a PFS initiative that provides 500 units of stable, supportive housing to 800 chronically homeless individuals. With over \$3 million in flexible funding, the program plans to incorporate evidence-based practices and supportive services to build long-term housing, including access to primary and preventative health care. While the project had a ramp-up phase, the SIB began with service delivery before the financing was finalized through a 6-month early-start clause. It took 2 years to fully ramp-up to its full housing unit capacity. If successful, the HHG program will measurably improve outcomes for the homeless in addition to realizing high-cost savings for the state of Massachusetts.

The SB is the Massachusetts Housing and Shelter Alliance. The government payor for the Commonwealth of Massachusetts. The SIs are United Way of Massachusetts Bay and Merrimack Valley, Santander Bank, and Corporation for Supportive Housing (CSH). The main intermediary also happens to be CSH and the Massachusetts Housing and Shelter Alliance, with United Way of Massachusetts Bay and Merrimack Valley as the secondary intermediary. The independent evaluator is the Root Cause Institute. There is no official validator, and the project is being managed by the Massachusetts Alliance for Supportive Housing. Legal counsel is being provided by Nixon Peabody LLC, Goulston and Storrs, Weil, Gotshal and Manges LLP. Technical assistance is being provided by the Government Performance Lab and CSH.

The HHG program uses evidence-based data provided by the SB and Medicaid data analysis. To date, the Massachusetts Housing and Shelter Alliance

SB has provided validated data showing its success in effectively meeting the success objectives. The SB has provided homelessness interventions previously and is using the previous success to scale the intervention to meet the needs of 800 homeless through the SIB. Stable housing outcomes for at least one year are the objectives tied to success. Other outcomes tracked but not tied to success payments include healthcare usage, the number of shelter-nights, and the number imprisoned-days. The evaluation period length is over 5 years.

Given the multiple SBs under the HHG program umbrella providing services in the state, each SB is selected by the project manager from a list of established sites who are qualified providers pre-approved by the state. Homeless referrals can be provided through voluntary enrollment provided by providers' networks and outreach and through participant admissibility, which is determined using a uniform needs and risk assessment.

Contracting and governance through operational oversight is provided by a board of managers who meets monthly and includes two project manager representatives, one fiscal agent representative and one technical assistance provider representative. Executive oversight includes representatives of the Executive Office of Administration and Finance, the Commonwealth Department of Housing and Community Development, and a representative of the Government Performance Lab. These representatives meet quarterly. Social investors can attend as non-voting members to any steering or operating committee meetings. Reporting to SIs occurs as needed with quarterly reports to the state. Non-standard contract termination events may have included a low retention of participants in housing, the accessibility of 200 housing units by the

end of the second year, or the failure of the state to allocate Medicaid and housing resources. Success payments are backed by the Commonwealth of Massachusetts so as to mitigate risk.

Senior investors total over \$2 million of the SIB and include Santander Bank with a \$1 million investment, United Way of Massachusetts Bay and Merrimack Valley with a \$1 million investment, and CSH with a \$500,000 investment. There are no subordinate investors or deferred fees and no recoverable grant sources. Non-recoverable grant sources total \$1 million and are provided by Santander Bank (with a \$250,000 grant) and United Way of Massachusetts Bay and Merrimack Valley (with a \$750,000 grant). The initial investment totaled \$3.5 million with a \$6 million maximum repayment commitment by the payor. The project has a 5-year full-service delivery term and a 6-year, full repayment period. Interim outcomes are being reported and are tied to payments. After the project ends, Medicaid services and housing vouchers will stay with the participants.

Interest to SIs ranges from 0% to over 5% annually, beginning at the end of the second year, based on success rates achieved by Service Beneficiaries (SBs). An initial trigger for payment was a 40% success rate of 12 months of housing stability. The threshold for full repayment is a rate of 80% on 12 months of housing stability with a maximum success payment of 94% on 12 months of housing stability. Success payments are not paid to other key stakeholders.

The fellow fees of the Government Performance Lab and all legal services are project development costs which are not covered by the initial capital raise. Legal support is provided *pro bono*. \$7 million in housing vouchers and \$11

million in Medicaid services are implementation costs which are not covered by the initial capital raise and are provided by the Commonwealth of Massachusetts (Social Finance, n.d.).

Thanks, in part, to the HHG program, the state of Massachusetts has realized one of the largest decreases in homelessness by state with over 2,000 fewer homeless since 2016 (Henry et al. 2017).

3.2 Santa Clara County Project: Welcome Home

Santa Clara County is home to more than 2,000 chronically homeless individuals who lack stable housing and long-term supportive services. Project Welcome Home is California's first social initiative. It was financed by a SIB model in 2015, which began with a short, 3-month, county-funded pilot period. The program sought to decrease homelessness and improve the health of the homeless population by achieving 12 months of housing stability. The nearly \$7 million project plans over the course of 6 years to provide community-based clinical services and permanent supportive housing between 150 and 200 chronically homeless individuals who frequent the County's acute mental health facilities, emergency rooms, and jail. Many members of the homeless population have several simultaneously-occurring issues such as substance abuse and acute mental illness which oftentimes demanded a multi-disciplinary plan of action. Project Welcome Home will focus on homeless clients who have frequent or extended stays in in-patient medical facilities, psychiatric emergency, and other institutional settings, thus leading to less restrictive environments where they can receive case management services and appropriate medical treatment.

The SB for the project, Adobe Services, is famed for having the area's most effective housing service providers by means of a proven track record of superior programming. Other key project partners are the government payor, Santa Clara County, California, and the following SIs: The Reinvestment Fund; CSH; The Sobrato Family Foundation; The California Endowment; The Health Trust; and The James Irvine Foundation. The intermediary is Third Sector Capital Partners. The independent evaluator is the University of California, San Francisco School of Medicine. There is no official validator and no project manager. Legal counsel is being provided by Fenwick and West LLP, Gibson, Dunn and Crutcher LLP, and Miles and Stockbridge P.C. Technical assistance is being provided by Third Sector Capital Partners and Palantir Technologies.

Evidence of success includes 15 experimental studies by Permanent Supportive Housing and 27 experimental studies by Assertive Community Treatment (ACT). The intervention has proven its effectiveness to date partially due to its historical success with similar interventions. The project is scaling its success to meet the needs of the SIB. The evaluation design methodology includes validated data provided by the SB and a randomized control trial (RCT), described in detail in Chapter 4, from the following: Santa Clara Valley Health and Hospital System, Homeless Management Information Systems, and the Criminal Justice Information Control. Outcomes tied to SI success payments were linked to months of stable tenancy. Social service, health care, and the criminal justice system's utilization were outcomes tracked but not tied to success payments. The evaluation of outcomes will last 6 years. Over 30 SBs with experience with Assertive Community Treatment (ACT) and permanent

supportive housing were considered, and all target population referrals were voluntary.

Operational oversight includes an operating committee with one county representative and one SB staff member who meet monthly. The Executive Steering Committee includes two county representatives and two SBs who meet quarterly. Social investors can attend as non-voting members to any operating or steering committee meeting and receive reports quarterly. Non-standard contract-termination events include a deficient supply of adequate housing, a deficient supply of referrals or under-enrollment, or a significant reduction in Medi-Cal funding. Annual appropriations are part of the county baseline budget to mitigate risk and SBs may terminate the contract due to annual appropriations failure.

A total of almost \$7 million was initially invested in the California-based SIB over a 6-year term with a full repayment period. Two senior-level investors total \$1 million and include the Reinvestment Fund at \$500,000 invested and CSH at \$500,000 invested. Four subordinate investors total almost \$4 million and include the California Endowment, the Sobrato Family Foundation, the Health Trust, and the James Irvine Foundation. Adobe Services contributes \$500,000 in deferred fees, and Google.org contributes \$500,000 in recoverable grants. The Laura and John Arnold Foundation contributes \$1 million in non-recoverable grants. A maximum repayment of funds committed by the payor total \$12 million. Interim outcomes are being reported and are tied to payments. The grant will be reinvested into the SB for capacity building so as to maintain sustainability, and the non-recoverable grant will be reinvested in the county to

recycle funds back to the government payor. Five percent interest to senior SIs and two percent interest to subordinate SIs is expected to be returned. The initial trigger of principal to the SI is 3 months of housing stability of the homeless individual. For maximum success payments, 83% of clients must achieve 12 months of housing stability. Payments begin annually starting at the end of the first year. A 3.5% interest rate is expected to return to social investors. Success payments are linked to other stakeholders, but detailed information is not published.

The project development costs not covered by the initial capital raise include the feasibility assessment and the transaction coordinator fees. These costs were provided by the Health Trust, the James Irvine Foundation, the Social Innovation Fund, and Santa Clara County. Almost \$8 million in Medicaid services were provided by Santa Clara County for costs of implementation not covered by the initial capital raise, as was \$4 million in vouchers and housing units provided by the State of California (Social Finance, n.d.).

Santa Clara has one of the largest major-city homeless populations in the country, with over 7,000 homeless in the city itself. It also has one of the highest rates of homeless veterans with over 600 homeless veterans reported last year (Henry et al. 2017). The impact of this SIB will be difficult to measure given how widespread the epidemic is locally.

3.3 Denver Housing to Health Initiative

In Denver, Colorado, taxpayers spend approximately \$7 million in emergency services every year to aid only 250 homeless people through temporary fixes. This approach does not ultimately help them lead to safer or

more stable lives. The Housing to Health Initiative's goal is to provide supportive services through stable housing for those in need while keeping the population out of jail. Almost \$9 million launched this SIB in 2016 for a project lasting 5 years for 250 homeless who frequently use supportive services through a treatment called Assertive Community Treatment (ACT). ACT is an evidence-based model designed to provide treatment and rehabilitation to homeless people with mental health needs, ultimately reducing time spent in emergency rooms, detox programs, and jail. The project had a 6-month pilot period prior to the project launch. All individuals involved in the pilot were eventually included in the project itself. The project eventually expanded to service 325 homeless due to its initial success.

The SBs are the Colorado Coalition for the Homeless and the Mental Health Center of Denver. The government payor is the City and County of Denver, Colorado. The SIs are the Housing Stability Outcome and the Jail Bed Day Outcome. The main intermediary is CSH and the secondary intermediaries are Social Impact Solutions, Inc. and Enterprise Community Partners. The independent evaluator is the Urban Institute. No official validator is named yet, and the project is being managed by the Enterprise Community Partners and CSH. Legal counsel is being provided by Kutak Rock. Technical assistance is being provided by the Government Performance Lab.

Of the almost \$9 million initial investment, over \$4 million came from one SI group, named The Housing Stability Outcomes Fund. It is comprised of Northern Trust with a \$3 million investment, the Walton Family Foundation with a \$1 million investment and the Piton Foundation with a \$500,000 investment. A

second SI group, Jail Bed Day Outcome Fund, totaling over \$4 million, consists of the Laura and John Arnold Foundation with almost \$2 million invested, the Colorado Health Foundation with \$1 million invested, Living Cities with \$500,000 invested, Denver Foundation with \$500,000 invested, and the Nonprofit Finance Fund with under \$500,000 invested. There are no subordinate investors, no deferred fee sources, no recoverable grant sources, and no non-recoverable grant sources. The maximum repayment of funds committed by the payor totals over \$11 million with a full-service delivery term of 5-years and a full repayment period of 5 years. Interim outcomes are reported and are tied to success payments.

The initial trigger of principal includes a 20% reduction in incarceration and achievement of 12 months of housing stability. The threshold for full repayment of principal includes an 83% housing stability and a 30% reduction in incarceration. If housing stability is 100% with a 65% reduction in incarceration, a full repayment of principal meets its maximum success payments. A 3.5% interest rate is expected to return to SIs with no other success payments linked to other key stakeholders.

Project development costs not covered by the initial capital raise include the evaluation strategy, the evidence evaluation, the legal services, the Government Performance Lab fellow, and all of the transaction coordinator fees. Funding sources for these fees are provided by the Urban Institute for partial in-kind support and *pro bono* legal services provided by the Social Innovation Fund, the Piton Foundation, the Denver Foundation, Kaiser Permanente, and the Rose Community Foundation. Project implementation costs not covered by the initial

capital raise include over \$10 million in housing vouchers, over \$5 million in Medicaid funding, and the implementation evaluation provided by the State of Colorado and the City of Denver.

Social-impact bond outcomes measured to date include housing 255 frequent users of emergency services by the end of 2017. After the project's first 6 months, only 5% exited the program, meaning no one left the program unplanned. They mostly left the project for other treatment programs, imprisonment, or death. After the project's first year, 11% of clients exited the program. The initial trigger to repay the principal to SIs was housing 33 clients stably for at least one year, allowing for six planned exits and one unplanned exit, resulting in over 12,000 days in stable housing. In 2017, a Housing Stability Success Payment of almost \$200,000 was paid to social investors. So far general lessons learned include the following: Having the pilot period was very helpful in understanding the housing projects with new developments; including a plan for delays in construction and a need for broad stakeholder engagement—particularly with the criminal-justice system to help with jail in-reach and access; sentencing; and location of clients. Partner-to-partner operational lessons learned include the importance of simplifying where possible—particularly, in communications and decision making with stakeholders and investors—and the need for contract consistencies with similar due dates and activities for delivery throughout. Contract amendments were made in the evaluation plan. Pre-screening was added for open felony charges in the last two years, assisted-living facilities were added as a stable housing source, and two amendments to the Operating

Agreement were made to replace special-purpose vehicle (SPV) officers due to staff turnover.

Evidence of homelessness effectiveness is being provided through 15 experimental studies by Permanent Supportive Housing and 27 experimental studies through ACT. Both interventions have provided this type of intervention before. The project is scaling the model to fit the needs of the target population.

The data and evaluation-design methodology are validated by an RCT, the SB, and the Denver Sherriff Department. Housing stability and jail days are outcomes tied to success payments to social investors. Outcomes-tracked, and not-tied-to success payments include emergency services, emergency shelter, and the amount of criminal-justice system utilization over a 5-year evaluation period.

Every SB in the project has experience with permanent supportive housing and other health and supportive services through experienced providers of ACT. Referrals to the project can be on a voluntary basis with enrollment after participants are recognized by the Denver Police Department, as coordinated by the Denver Crime Prevention and Control Commission (Social Finance, n.d.).

To date, Colorado has experienced one of the absolute largest increases in homelessness since 2016, with 1,121 more homeless from the year prior (Henry et al. 2017). Since this SIB is so young, it is unclear how it will impact the overall levels of the state.

3.4 Los Angeles County Just-in-Reach (JIR) Project

Launched in 2017 after an 11-month ramp-up period, the Just-in-Reach (JIR) PFS began as a \$10 million investment with which to connect frequently incarcerated, homeless people in the L.A. County Jail to other community

services and, ultimately, to 300 permanent supportive housing slots over a 4-year period in Los Angeles County. Jail clinicians, JIR providers, and diversion courts are referring incarcerated, homeless to the SIB project with the goal of creating homes for individuals with histories of homelessness and an involvement with the L.A. County criminal-justice system, thereby to improve outcomes for participants via reduced jail recidivism, increased housing stability, and reductions in net costs to the public system. The JIR SIB strives to increase private and public collaboration and improve the overall health and well-being of homeless by specifically focusing on two metrics of success: Ending the cycle of homelessness and reducing the rates of re-incarceration. Los Angeles County is motivated to provide this new SIB-platform to improve the public-private partnership with an initial investment of \$10 million.

The SBs are the Los Angeles County Department of Health Services Intensive Case Management Providers and Brilliant Corners. The government payor is the California Board of State and Community Corrections. The SIs are United Healthcare and the Conrad N. Hilton Foundation. The intermediary is CSH. The independent evaluator is the RAND Corporation. Interestingly, another intermediary, Third Sector Capital Partners, is also providing technical assistance to CSH. The RAND Corporation is using proven, evidence-based interventions in its program design through the NYC Fuse program, the NY/NY III program; it is using local performance data via the Enterprise Linkage Project, Housing for Health, and the JIR 2.0 pilot project. The SBs have provided interventions previously with some successfully administering services since 2014. The JIR SIB is scaling an existing intervention from the RAND Corporation by replicating it at

a larger scale. The evaluation process ties success payments for SIs to the following outcomes: Housing retention at 6- and 12-month periods and reducing the number of arrests over a 2-year period following the placement into a home. The evaluation design methodology uses success metric calculations with a broader impact analysis. The JIR SIB plans to evaluate the project for 4.5 years and since the target objective of 300 served is relatively small, any change in the enormous undertaking of one of the largest homeless populations may go unnoticed. If successful, the JIR SIB could scale up further leading it to a greater impact in one of the nation's densest homeless populations.

Operational oversight and governance are provided monthly by an operating committee which includes the Los Angeles County Department of Health Services, the L.A. County Office of Diversion and Reentry, CSH, and the NCCD. Executive oversight is given quarterly by the Executive Steering Committee, which includes the Los Angeles County Department of Health Services, the L.A. County Office of Diversion and Reentry, the Los Angeles County Chief Executive Office, CSH, and the NCCD. Social investors meet quarterly and can attend the Executive Steering Committee meetings but have influence only over budget monitoring and early termination issues. In the event of non-standard contract termination (due, for example, to higher levels of arrest rates than were anticipated, to an inadequate level of housing retention rates, or to an inadequate number of housing placements), a certain amount of funds is allocated through a regular budget process to mitigate SI risk.

The basic SIB repayment structure to SIs is made by L.A. County and will recycle back into the intervention to cover program costs. The maximum success

payment allocation is almost \$15 million with only \$11.5 million available to SIs as repayment. The initial \$10 million investment is delivered over 4 years and provides SIs with a full repayment period of 4.5 years. A 5% interest rate will be repaid to senior SIs in the United Healthcare Fund and a 2% interest rate will be repaid to subordinate SIs in The Conrad N. Hilton Foundation. Fifteen percent maximum interest will be paid to SIs. The initial payment is triggered after a 6-month housing stability, and interim outcomes are reported and tied to payments. For full repayment, there are several scenarios in which investors receive the full repayment of principal. One scenario could be 70% housing stability at 6- and 12-months assuming 80% of the cohort has 2 or fewer arrests post-placement. Another scenario of full principal repayment plus a maximum success payment is 92% housing stability at 6 months and 90% housing stability at 12 months, assuming 80% of the cohort has 2 or fewer arrests post-placement.

Social-impact bond project costs are a hot topic. To keep costs down in the JIR SIB, some costs were not covered by the capital raised, but were covered by outside sources, namely the Conrad N. Hilton Foundation and the James Irvine Foundation. Development costs for feasibility analysis, evaluation design, and transaction structuring were not provided by capital-raised funds. About \$11 million in implementation costs were provided by L.A. County General Funds, Whole Person Care, the HUD-DOJ PFS Demonstration Grant, and the BSCC PFS Grant. These costs were not covered by the capital raised for intensive case management services, move-in costs, evaluation, project manager costs, and capacity building (Social Finance, n.d.).

Just before its inception year in 2017, individual homelessness in the nation's major cities increased by 9%: an increase of 15,540 people. Los Angeles accounted for 60% of this increase (Henry et al. 2017). Some argue that it is too soon to tell whether the JIR SIB has had any effect or is not making a difference within the homelessness initiative.

3.5 Salt Lake County Homes Not Jail

The \$5.3 million Salt Lake County Homes Not Jail homelessness program was launched in 2017. After a 12-month pilot period, it serves 315 chronically homeless to provide rehousing services such as move-in support, time-limited rental assistance, roommate matching for the purposes of cost efficiency and peer support, and intensive case management for employment needs and self-sufficiency within 5 service delivery years. With a lack of viable interventions to help the persistently homeless, \$52 million was spent yearly on over 1,000 individuals who spent at least 3 months in emergency shelters or time in the Salt Lake County jail. The program plans to generate at least 5 months of stable housing for each person—defined as months without jail or shelter for every person—and 315 graduations to a permanent location. The county will make over \$5 million in payments to the Salt Lake County REACH nonprofit (which stands for recovery, engagement, assessment, career, and housing), and offers rapid rehousing and a range of housing assistance and support services for the chronic homeless they serve.

The SB is the Road Home. The government payor is Salt Lake City, Utah. The SIs are Northern Trust, Ally Bank, QBE Insurance, and the Reinvestment Fund as senior investors and Sorenson Impact Foundation and Sorenson Family

Foundation as subordinate investors. The intermediary is Third Sector Capital Partners. The independent evaluator is the University of Utah Criminal Justice Center. There is no official validator, and the project is being managed by the Community Foundation of Utah for fiscal matters and the Sorenson Impact Center for programmatic matters. Legal counsel is being provided by Dorsey and Whitney, LLP.

The rapid rehousing program intervention model uses evidence-based interventions through research studies conducted by Supportive Services for Veteran Families, Cloudburst Group, and the University of Utah Criminal Justice Center from the Homes Not Jail program. Because the SIB is so young, the effectiveness of the intervention for the target population has only been partly evaluated; however, the SB the Road Home, has historically provided this intervention under traditional grant-funding means, and the Homes Not Jail SIB is the first program model used for the veteran homeless population. Intake enrollment is offered on a voluntary basis and by the State Community Service Office, which generates and sends the Road Home a quarterly report of data of eligible individuals from the Homelessness Management Information System.

Operational oversight for SIB contracting and governance includes a project manager, a special-purpose vehicle (SPV), an independent evaluator, and the operating committee. Initially, the operating committee met twice per month during the pilot phase, and it will meet once per month for the remainder of the contract. The operating committee consists of the Road Home, the First Step House, and two representatives from Salt Lake County. Executive oversight includes an executive committee from the Road Home, the First Step House, Salt

Lake County, a project manager, and one voting representative from the SIs who met monthly during the pilot period and every 2 months for the remainder of the contract. The SIB contract specifies voting matters requiring “funder consent,” which requires each individual investor to vote. Investor-reporting happens quarterly. Non-standard contract-termination events could have been a pilot failure or a failure to launch the project by the drop date. Non-standard contract-termination events going forward could be a non-appropriation of funds. If such appropriations occur, the annual deposit in the SIB escrow fund is refunded.

The senior investors are Northern Trust, Ally Bank, QBE Insurance, and the Reinvestment Fund which total over \$3 million. The subordinate investors are the Sorenson Impact Foundation and the Sorenson Family Foundation which total almost \$1 million. The Noorda Foundation, the Miller Family Foundation, Nonprofit Finance Fund, Ally Bank, and County Escrow total over \$1 million on non-recoverable grant sources toward the SIB project. There are no deferred fees or recoverable grant sources for SIs should the SIB fail. An initial investment of over \$5 million with a maximum of over \$10 million in repayment funds is committed by the payor over a term of 5 years with a full repayment period of 6 years. Interim reporting and payments to SIs is promised during the 6-year term. Quarterly payments of 5% for senior SIs and 2% for subordinate SIs began when there was an initial difference between the treatment and the control group with a principal payment between 15% and 20% impact on months without jail or shelter. Maximum success payments will occur when there is a 30% impact on months without jail and shelter, an 80% graduation to a permanent location, a 100% enrollment in substance abuse services, or a 100% enrollment in mental

health services. Interest is paid throughout the project with the principal paid to SIs during the 19th and 24th quarters. So far, the project has given an almost 9% return to senior SIs and over 13% to subordinate SIs. It is worth noting that undisclosed success payments are also given to other stakeholders such as the service beneficiary and the project manager.

Transaction coordinator fees for the Homes Not Jail SIB were costs not covered by the initial capital raised but were covered by Salt Lake County, the Sorenson Impact Foundation, and Living Cities. All project implementation costs were covered by the initial capital raised (Social Finance, n.d.).

Since Salt Lake County Homes Not Jail launched in 2016, Utah experienced one of the largest absolute decreases of 36% in veteran homelessness in the nation. As of 2017, Utah ranks as one of the lowest rates of homelessness of unsheltered people in families with children, only 970 homeless, in the nation (Henry et al. 2017).

3.6 Chapter Summary

In the preceding chapter, I examined the first five U.S.-based SIBs focused on homelessness. In the following chapter, I analyze SIBs' results for each stakeholder group and explore how effective results are achieved. These results will provide an effective barometer for future projects and establish the effectiveness of SIBs as useful financial instruments to reduce homelessness in the United States. The preliminary results from Salt Lake County's Homes Not Jail SIB and Massachusetts Chronic Homelessness PFS Initiative demonstrate that SIBs can prove effective given competent management and hearty tools with quality-controlled data, like RCTs, to carry out its mission.

4. ANALYSIS OF RESULTS

“The results of philanthropy are always beyond calculation.” –Mary Ritter Beard

The flexible nature of SIBs creates uncertainty for its key players and can inhibit reliable outcomes. A total of \$218.92M is invested in PFS initiatives across the United States today (Albertson, et al. 2018). Of that total, five homelessness projects total \$34.4M invested as discussed in Chapter 3 (Social Finance, n.d.). Robust evaluation reduces uncertainty for these projects and can potentially help improve future policies and practices; therefore, it is important for SIBs, as relatively novel forms of commissioning, to prove themselves with evidence-based approaches. In the following three sub-sections, the five U.S. homeless SIBs are analyzed from the perspective of the three key players: The SB, the SI, and the governmental body.

4.1 Homing

Homing retention is the largest driver of success for homelessness nonprofits regarding supportive housing SIBs. Positive results trigger investor payments and also trigger payments from governmental bodies. At the heart of every SIB is the nonprofit’s target homing goal. The five current U.S.-based homeless SIB targets and actual retention numbers are detailed in Table 9. The SIB’s actual homed percentage against the completion percentage helps understand their efficiency as of the date noted on the table. The raw number of homeless per project is also given. Social-impact bonds reporting data show a higher percentage of completed goals over the SIB percentage complete by years.

For example, the Salt Lake County Homes Not Jail SIB is only 35% complete yet has completed 80% of its final homelessness goals. The Denver Housing to Health Initiative has made similar impressive milestones. The Los Angeles County JIR Project does not yet have published data to report as of October 1, 2018. Almost all SIBs noted in the table finish between 2020 and 2022.

Table 9. Are the US Homelessness SIB Goals on Track?					
SIB Name	MA. PFS Initiative	Santa Clara Co. Project Welcome Home	Denver Housing to Health Initiative	L.A. County JIR Project	Salt Lake Co. Homes Not Jail
SIB Beginning Date	Dec. 2014	Aug. 2015	Feb. 2016	Jul. 2017	Jan. 2017
SIB Ending Date	Dec. 2020	Aug. 2021	Feb. 2021	Jul. 2021	Jan. 2022
SIB Length (in Years)	6 yrs.	6 yrs.	5 yrs.	4 yrs.	5 yrs.
Date Updated	02/13/2018	08/22/2018	07/19/2018	10/01/2018	05/25/2017
Percentage of SIB Complete	57% (3 yrs, 3 mos)	32% (1 yr, 11 mos)	50% (2.5 yrs)	35% (1 yr, 3 mos)	35% (1 yr, 9 mos)
Percentage of SIB Goals Complete	82%	63%	89%	No Data	80%
Homing Retention Goal	80%	80%	80%	No Data	No Data
People Homed to Date	656	111	289	No Data	252
Project Goal of Total People Homed	800	175	325	300	315

Note: Data collected October 1, 2018

The Denver SIB program also demonstrated an 89% housing retention rate, which is higher than the goal rate of 80%. Just 11% of participants left the program, mostly for other treatment programs, imprisonment, or death. It also surpassed another of its goals, decreased jail days, in the first year. According to the Urban Institute assessment, 83% of participants remained jail-free in 2017. Denver’s Crime Prevention and Control Commission estimated the homeless demographic spent an average of 56 nights in jail per year while living on the

streets. Participants in the SIB spent on average 12 days in jail and 64% of participants spent zero days in jail (Gillespie et al. 2017). The Denver Housing to Health Initiative has been so successful that the SIB target of 250 total homed was expanded to over 300 and over \$2 million was added to the project on July 9, 2018.

Apart from the Los Angeles County JIR Project, SIBs have contributed to homing over 1,300 homeless as of October 1, 2018. The Massachusetts Chronic Homelessness Pay-for-Success Initiative has impacted homeless individuals the most. The Massachusetts Chronic Homelessness Pay-for-Success Initiative, the oldest SIB, has 144 people left to home of their target of 800 as seen in Table 9. Salt Lake County Homes Not Jail SIB has one of the most successful SIBs, which has almost reached its homed goal with over 3 years remaining. Utah's SIB strategy continues to impact chronically homeless, while Salt Lake City's homelessness remains among the lowest in the country. Just 6% of Utah's homeless population were deemed chronic in 2016 compared to 22% in the United States. Given the number of people served in Utah's SIB versus the number of outstanding homeless, the Salt Lake County Homes Not Jail SIB continues to make a positive impact on a chronic issue affecting their community.

4.2 Governmental Savings

Governmental saving is a primary motivator for local, state, and federal authorities. Two of the five SIBs have reported data on savings to date. According to the United Way of Massachusetts Bay and Merrimack Valley (2018) press release on February 13, 2018, the Massachusetts Chronic Homelessness Pay-for-Success Initiative has saved the state over \$2 million since its inception in 2014.

The Denver Housing to Health Initiative began in February of 2016 and has saved over \$1 million as of July 19, 2018. Table 10 summarizes the total governmental savings from these two initiatives.

Table 10. Total U.S. Governmental Savings.		
<i>SIB Name</i>	<i>MA Chronic Homelessness PFS Initiative</i>	<i>Denver Housing to Health Initiative</i>
SIB Beginning Date	Dec. 2014	Feb. 2016
SIB Length (in Years)	6 yrs.	5 yrs.
Total Govt. Savings to Date	\$2,200,000.00	\$1,300,000.00
Savings per Year Since Inception	\$676,923.08	\$520,000.00
Projected Total Savings at End Year Based on Yearly Savings to Date	\$4,061,538.46	\$2,600,000.00
Date Updated	2/13/2018	7/19/2018

The city of Denver estimates that the initial 250 homeless individuals targeted in the SIB cost taxpayers more than \$7 million each year, which is more than \$28,000 per person (City and County of Denver 2018). Permanently housing a homeless person costs \$18,000 per person per year including “wrap-around” services from other social-service providers and community partners to help residents address issues that could have initially led to their homelessness (Gray 2018). This represents a 38% reduction in cost per individual. The cost to administer SIBs is high, which affects governmental savings. Therefore, some question whether using that money on extra manpower within the nonprofit and tapping into traditional financing comes into play. A randomized control trial (RCT) in the U.K. showed that redirecting SIB administration costs to add more personnel to the nonprofit added 20% to the workload of current employees because of the extra work required to manage the grant compared to an intermediary managing the project. Given this additional workload, the SIB administrative costs are, perhaps, a more efficient source of governmental

funding in the U.K. (Ronicle 2018). It is unclear whether this holds true in the U.S. and will require continued net savings for the government as a viable alternative to direct nonprofit funding.

Randomized control trials should be a key consideration when setting up the SIB to ensure unbiased reporting. Homeless individuals participating in the SIB project would be randomized into either the “permanent homing” or “typical intervention” group. Researchers would closely monitor their outcomes as groups and individuals to determine the efficacy of the project. While some of the SIBs are already implementing RCTs, as in the case of Salt Lake County Homes Not Jail SIB, not all require it. The RCTs are the hallmark of evidence-based data and form the basis for translating research into practice (Spieth et al. 2016). The RCTs may give governmental authorities additional assurances, allowing continued funding because of RCT best practices.

4.3 Investor Returns

Social investors provide capital and fully shoulder the risk of non-delivery of outcomes in the pursuit of financial and social returns. Investor returns, and the philanthropic effect, help attract investors who would otherwise utilize their capital in traditional investing with intrinsic value. Two of the five U.S.-based homelessness SIBs have reported actual investor returns as of October 1, 2018, and two others report the expected investor returns for 2018. Figure 3 shows how successful these bonds have been in the eyes of the SIs compared to a municipal bond rate. Bloomberg (2018) published the BVMB5Y:IND BVAL Municipal Bond Benchmark 5Y rate data on October 3, 2018, as can be seen in Figure 3. While

SIBs are a unique category of philanthropic investing, municipal bonds with a similar term can be a valuable benchmark against SIB returns for social investors. Investors can yield nominal returns with municipal bonds without having to take on a large amount of credit risk (Howard 2018). Social-impact bonds, however, can be a much riskier endeavor. The risk lies solely with the SI who are, in essence, creditors, with little power over the day to day operations of the non-profits that determine returns.

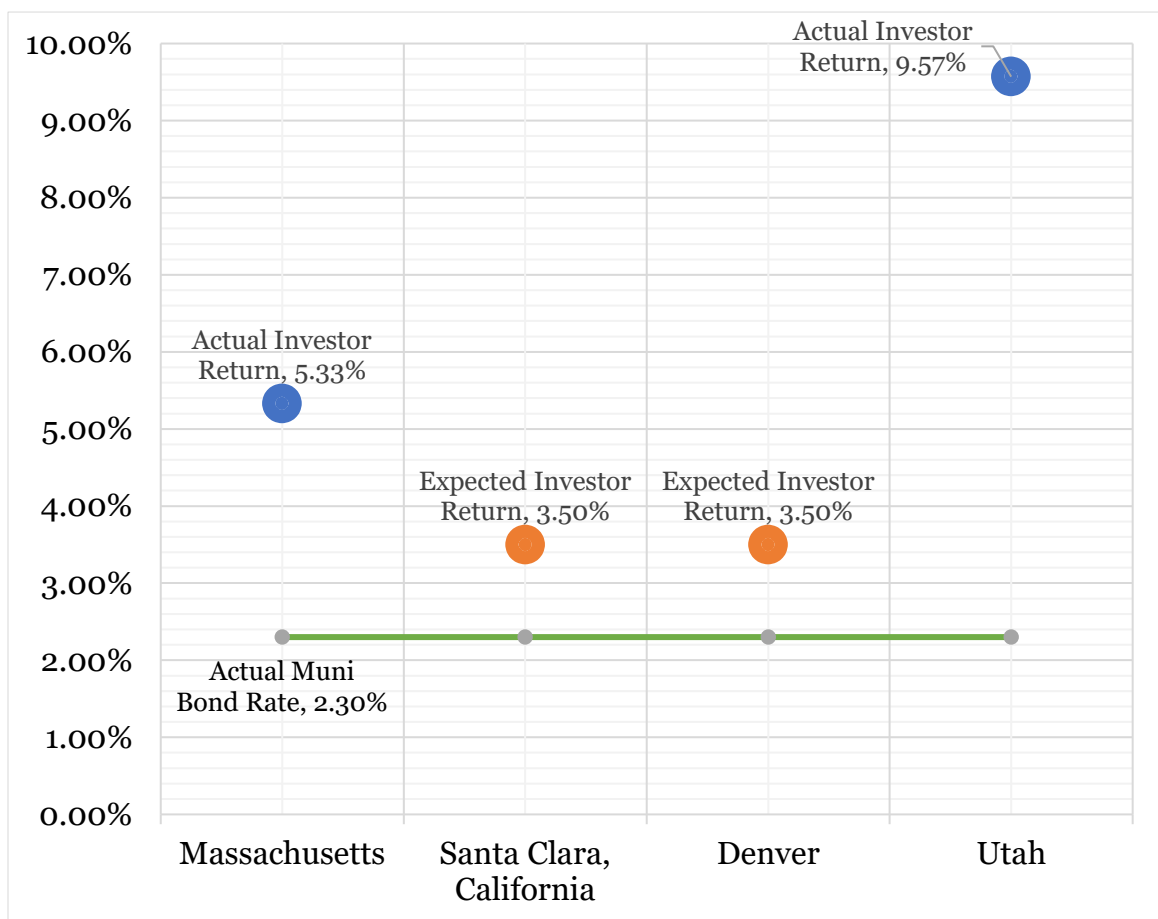


Figure 3. Expected and Actual Investor Returns to Date versus Muni Bond Rate.

Critics of SIBs question whether investors are seeking financial assets with SIBs or believe in the SIB-model of philanthropy (Williams 2018). A financial asset is an intangible asset, the value of which results from a contractual claim;

the liquidity of financial assets distinguishes them from other physical assets, such as real estate or commodities. It is true that SIB-investments are non-physical assets, and most investors are incentivized to invest their private capital because of the desire to address social challenges. The major difference between a SIB and a traditional financial asset such as a bank deposit, bond, or stock is the risk investors take with SIBs and its limited liquidity. Due to its complex nature, SIBs could be limited to a niche group of investors who understand and believe in the SIB-model. It will not be known until sometime in the future whether this key SIB player will continue to build momentum based on the need to help society with marginal returns. We do not know the effect, if any, a SIB structure has on SI decision-making.

4.4 What Makes the Difference

According to the Nonprofit Finance Fund, eight new homelessness Pay-for-Success (PFS) projects are in development in the U.S. as of October 12, 2018:

- Latin American Youth Center Promoter Pathway (Washington, DC),
- Austin Pay-for-Success Project (Austin, TX),
- San Diego Housing Commission (San Diego, CA),
- Volunteers of America Delaware Valley (Camden, NJ),
- Clark County Department of Social Services (Clark County, NV),
- Oklahoma PFS Supportive Housing Project (Oklahoma City, OK),
- Philadelphia Partnership Supportive Housing Demonstration (Philadelphia, PA), and
- Safe Families for Children (ME).

For the eight new SIBs to successfully home homeless individuals, maintain competitive investor returns, and continue governmental savings, two processes need to continue: Intermediaries must continue fueling the SIB process, and governmental commitment must remain strong.

Strong intermediaries. Social-impact bonds are held together by intermediaries. With only three U.S.-based intermediaries, all located in New England, playing an active role in American SIBs to date, and only one active intermediary, the SIB concept faces challenges in developing into a mainstream investment tool (Williams 2018). The two inactive U.S.-based intermediaries are now using the tools learned—while working with SIBs for the purpose of aiding in better contracting for grants and other traditional fundraising methods—with the U.S. government. Without intermediaries holding together the three key players, SIBs may continue to be a boutique financing option for investors, or they may collapse entirely.

Social-impact bonds fuel an intense debate between academics, the public, and the private sector surrounding the complexity of implementing a new model in government. From how to structure the procurement and develop a new kind of contract to negotiations with funders, SIBs have been anything but easy; but the five emerging U.S.-based homelessness SIBs show a clear difference in its ability to move past obstacles and generate a savings for the U.S. government, value for America's homeless, and a small return to SIs which want to make a social impact.

Political will is key. At a 2018 keynote address of the international conference, *Comparing SIBs and Outcomes-Based Approaches Across Different Countries and Policy Sectors: Learning from Academics and Practitioners*, held at the University of Oxford, Carolyn J. Heinrich, Professor of Public Policy, Education and Economics at Vanderbilt University said the following: “Projects rise, or fall based on the political will behind them.” Government is the steward of public service values. A fundamental function of the public sector, regardless of the politics of the government in power or the nature of the organization of delivering service, is to identify people’s needs and organize services to meet them. Imagine a SIB as a three-legged stool with one leg as the SI, one leg as the SB, and one leg as the governmental body (and the seat, the intermediary, holding all three legs together). All three legs must be strong for the chair to stand upright. The SIs seem to be fueled, at least so far, by the desire to help society while making a return. The nonprofit will always be looking for funding. The lack of intermediaries to date is due to the relative novelty of social-impact bonds. The governmental body is usually where the stool breaks down. The lack of government commitment due to budgetary constraints plagues social-impact bonds. By proving the SIB’s worth from quality-controlled data, we can position SIBs as a viable tool with which to improve the lives of our homeless population with lasting social outcomes. To reassure our governmental authorities, standardization of SIB contracts tied to previously successful SIB models could help cut administrative costs and allow for scalability and dependability (Bergfeld et al. 2016).

4.5 Chapter Summary

In this chapter, I analyzed the five U.S. homeless SIBs from the perspective of key stakeholders: Nonprofits (also known as SBs), social investors (SIs), and governmental payors. Homeless individuals are benefiting from the SIB sponsored programs. On average, the four SIBs with complete data are 79% complete in achieving its goals while only having completed 44% of the allotted project time, indicating they are housing individuals at a faster rate than anticipated. Social investors, while shouldering additional risk when compared with municipal bonds, are on average earning 3.18 points higher returns. The results for government payors are incomplete but trending positively. Currently only two of the five government payors have reported cost savings, but those two entities are each saving over \$500,000 annually. If the other SIBs perform in a similar manner, the government cost savings could prove significant.

5. CONCLUSION

"This country will not be a good place for any of us to live in unless we make it a good place for all of us to live in." – Theodore Roosevelt

The United States, like many countries, is grappling with the challenge of addressing complex social needs and striving to improve social outcomes—especially for its poorest and most vulnerable citizens. Social-impact bonds are one innovation piloted to address difficult social problems like homelessness. In the past few years, SIBs have been the subject of a very polarized debate. Social-impact bond proponents have, at times, made unrealistic claims regarding the ability of SIBs to deliver a win-win solution for all partners as they deliver better social outcomes, responsive and innovative approaches, and cashable savings. Detractors have seen SIBs as the worst expression of managerialism and financialization of public services: an expression of a neo-liberal agenda which is downsizing the role of the state and subordinating public policy-making and voluntary-sector endeavors to profit-seeking. Much of this debate is ideological and not helpful to those responsible for commissioning public services.

It is still unclear whether SIBs truly facilitate collaboration, prevention, and innovation. Indeed, the SIB is a very “stretchy” concept. It is rare to observe a textbook SIB in which the commissioner pays only if outcomes are achieved, with all finance provided as risk capital by social investors, with the service provided by small voluntary sector organizations and with very strong performance management. In practice, there is a great variation in how these potential key ingredients are combined, but it is a great opportunity for learning. It would be a

mistake to see these experiments as simply another set of pilots in discrete areas of social policy. Social-impact bonds may have significance in offering ways to tackle complex social problems. But their broader utility may be to throw light on the mechanisms for creating a relentless outcome focus and culture in public services. These mechanisms then travel into more mainstream commissioning and delivery of public services.

As SIBs continue to develop in unforeseen ways, they may effectively move away from projects for which socially motivated investors provide all the working capital and risk to projects that look and feel more like “conventional” SIBs. This kind of variation is fertile ground for research to explore how the characteristics of capital, outcomes, and incentives influence the function of major public-service projects. It provides an opportunity to build an understanding of the risk-and-return profiles within SIBs and, from a governmental perspective, to consider what an appropriate cost of capital would be for differently structured projects. Variation also offers an opportunity to explore possible routes to improve the effectiveness of services.

Our thinking is still embryonic about how to determine whether homelessness SIBs are delivering better social outcomes, under what conditions, and for whom; but early research is pointing to positive results when the key players are actively involved in the SIB-process.

Several actions will help SIBs become a mainstreamed financial tool for nonprofits:

1. *Transaction costs of program development must decrease.* In Utah, the county spent over \$1 million during the program-development phase. This

number does not reflect the true cost of people's time, the deep discounts given by service partners, or the *pro bono* assistance of legal counsel and is not sustainable (McAdams 2017). A standard arrangement of financial and legal tools for the purposes of ensuring efficiency by project intermediaries needs to be realized without sacrificing project quality and appropriate safeguards.

2. *Standard data-sharing agreements and access to "big data."*

Administrative data needs to be streamlined. By understanding the complex nature of our homeless who are failing to succeed, matching them with appropriate services, evaluating the results of our efforts, and directing resources toward what works, data scientists can direct local governments and get rid of antiquated equipment, thinking, and systems. Sorenson Impact, for example, funded in part by the Social Innovation Fund, brought together a team to advance the data pilot that supports SIB projects across the nation (McAdams 2017).

3. *Alternatives to Randomized Control Trials (RCTs) are needed.* While an independent and rigorous evaluation was critical, Salt Lake City's RCT SIB, even discounted, cost \$500,000 above the cost of the services. This is beyond the reach of most governments, and while greatly beneficial, it presents a major deterrent for solid data and evaluations. Evaluations like RCTs allow the government to change programs based on early evidence, thereby saving valuable resources.

4. *Federal government participation is needed as a payor for success.*

Federal government involvement will encourage more jurisdictions to use

SIBs as a tool, thereby increasing innovation and resources throughout the social sector.

5. *Congress must continue to support legislation that will encourage social financing.* H.R. 576, The Social Impact Partnership Act (Tiberi 2016), unanimously passed the House of Representatives in July of 2016 and was introduced during the 2017 session. This legislation greatly enhanced the public-private partnership models by helping the federal government become a payor in PBR programs. Through the creation of up to a \$300 million fund within the U.S. Department of the Treasury, state and local governments would submit proposals clearly defining how rigorous, high-quality programs were achieving quantifiable social benefits. The bill offered clear guidance in 21 issue areas where quality programs could result in monetizable benefits that accrue at the federal level, including homelessness. The bill was intended to enable state and local governments to implement scalable programs that fit the needs of those most at risk in their communities.

Most recently, H.R. 1892, the Bipartisan Budget Act of 2018 (Larson 2018) began a critical piece of PFS legislation to provide \$100 million in funding to support outcome payments associated with SIB projects, feasibility studies, and project evaluations. This is a critical point for the PFS field and the overall evidence-based movement to prove its worth and continue more funding for future SIB opportunities.

6. *Building community-led social innovation through the work of the Office of Social Innovation and Civic Engagement.* The Social Innovation Fund

mentioned in Point 6 is one of the initiatives helping advance evidence-based programs in at-risk and low-income communities across the nation. It has generated more than \$1 billion in public-private partnerships with only a third in federal dollars, which was matched by local public, philanthropic, and private sector capital since its inception (McAdams 2017).

7. *Aggregating funders to spread the hard work of due diligence across similarly motivated lenders.* A new impact investing platform by Jeff Bezos, founder of Amazon, launched the Bezos Day One Fund in 2018, which partially focuses on the needs of homeless following the vision statement of one of its nonprofits, Mary's Place, where "no child sleeps outside" (Schuetz 2018). Encouraging more community development with financial institutions could catalyze investments, including smaller communities where the need is greatest or least funded.

Social-impact bonds often involve complex project details. Innovation exists in the fundamental way efforts change how nonprofits, the government, and the private sector engage collectively. These three key players solve complex social problems to ultimately direct resources to those most in need in our communities.

APPENDIX SECTION

	Page
A. MASSACHUSETTS CHRONIC HOMELESSNESS PAY-FOR-SUCCESS (PFS) INITIATIVE	52
B. SANTA CLARA COUNTY PROJECT: WELCOME HOME.....	57
C. DENVER HOUSING TO HEALTH INITIATIVE.....	62
D. LOS ANGELES COUNTY JUST-IN-REACH (JIR) PROJECT	67
E. SALT LAKE COUNTY HOMES NOT JAIL	72

APPENDIX A: MASSACHUSETTS CHRONIC HOMELESSNESS PAY-FOR-SUCCESS (PFS) INITIATIVE

MARKET OVERVIEW	
Year Launched	2014
Service Delivery Term (Years)	6
Motivation for Project	1,500 chronically homeless people in Massachusetts lack access to stable housing and are high-cost users of temporary shelters, Medicaid and other emergency services.
Project Objective(s)	Provide 500 units of stable supportive housing for up to 800 chronically homeless individuals
Individuals Served	800
Geography	Commonwealth of MA
Issue Area	Homelessness
Initial Investment (\$ millions)	\$3.5
PROJECT PARTNERS	
Service Beneficiary(ies)	Massachusetts Housing and Shelter Alliance
Government Payor(s)	Commonwealth of Massachusetts
Intermediary	CSH (main); Massachusetts Housing and Shelter Alliance; United Way of Massachusetts Bay and Merrimack Valley
Independent Evaluator	Root Cause Institute
Validator	None
Project Manager	Massachusetts Alliance for Supportive Housing
External Legal Counsel	Nixon Peabody LLC; Goulston and Storrs; Weil, Gotshal and Manges LLP
Technical Assistance Provider(s)	Government Performance Lab; CSH
EVIDENCE AND PROGRAM DESIGN	
Service Intervention(s) Model and/or Type	Home and Healthy for Good Program
Evidence base for intervention	Provider performance data; Medicaid data analysis

Has effectiveness of the intervention for PFS project target population been evaluated?	Yes
Has the service beneficiary provided this intervention previously?	Yes
Scaling an existing intervention by replicating at a larger scale? Demonstrating the effect of a new program model or combination of services? Transplanting an existing intervention(s) to a new target population and/or service delivery setting?	Scaling
EVALUATION	
Evaluation Design Methodology	Validated data
Data Source(s) for Evaluation	Service providers
Outcomes Tied to Success Payments	1) Stable housing for at least one year
Outcomes Tracked, Not Tied to Success Payments	Health care service usage; Number of nights spent in shelter; Number of days incarcerated
Length of Evaluation Period	5.25 years
SERVICE PROVIDER CHARACTERISTICS AND SERVICE DELIVERY	
Single or multiple service providers?	Multiple
Service provider type(s) (nonprofit, government, private)	Nonprofit
Service provider OR site selection method	Selected by project manager from list of qualified providers pre-approved by state
Service Provider Experience with PFS Intervention	Existing sites for Home and Healthy for Good model
Referral Method for PFS Target Population	Voluntary enrollment with referrals made through providers' outreach and networks; participant eligibility determined using uniform risk/needs assessment
Did the project have a ramp-up phase? (Y/N; brief description)	Yes: 6-month early-start clause to allow for service delivery before financing was finalized; 2 year ramp-up to get to full housing unit capacity

PFS CONTRACTING AND GOVERNANCE	
Operational Oversight Structure	Board of Managers includes two representatives of project manager, and one representative each of fiscal agent and technical assistance provider
Frequency of meetings and/or reports	Monthly
Executive Oversight Structure	Includes representatives of Commonwealth Department of Housing and Community Development and Executive Office of Administration and Finance, and Government Performance Lab
Frequency of meetings	Quarterly
Investor role in project governance?	Can attend any operating or steering committee meeting as non-voting member
Frequency of reporting to investors	As needed, with quarterly reports to state
Non-standard Contract-termination events	1) Availability of 200 housing units by end of Year 2; 2) State failure to allocate housing and Medicaid resources; 3) Low retention of participants in housing
Appropriations Risk Mitigation Strategy	Success payments backed by full faith and credit of Commonwealth
INVESTORS	
Senior Investor/ Lender and Total Senior Investment (\$ millions)	Santander Bank (\$1); United Way of Massachusetts Bay and Merrimack Valley (\$1); CSH (\$0.5); (\$2.5 total)
Subordinate Investor/ Lender and Total Subordinate Investment (\$ millions)	None
Deferred Fee Source and Total Deferred Fees (\$ millions)	None
Recoverable Grant Source and Total Recoverable Grants (\$ millions)	None
Non-recoverable Grant Source and Total Non-recoverable Grants (\$ millions)	Santander Bank (\$0.25); United Way of Massachusetts Bay and Merrimack Valley (\$0.75); (\$1 total)
Guarantor and Guarantee (\$ millions)	None

BASIC REPAYMENT STRUCTURE	
Initial Investment (\$ millions)	\$3.5
Maximum Repayment Funds Committed by Payor (\$ millions)	\$6
Full service delivery term (years)	5
Full repayment period (years)	6
Interim outcomes reported? Tied to payments?	Yes/Yes
Sustainability/ Recycling of Funds	1) Housing vouchers and Medicaid services will remain with participants
DETAILED REPAYMENT TERMS	
Interest	0 – 5.33% annually, based on success rates
Trigger for initial repayment of principal	40% rate of 12 months of housing stability
Threshold for full repayment of principal	80% rate of 12 months of housing stability
Threshold for full repayment of principal plus maximum success payments	94% rate of 12 months of housing stability
Repayment timing	Year 6
Return to Investor	Private investors receive interest at a rate calculated and paid annually, starting at the end of Year 2, based upon level of success that is achieved by service providers.
Success Payment to Other Stakeholders?	No
PROJECT COSTS	
Project Development Costs Not Covered by PFS Capital Raise	Government Performance Lab fellow; Legal services
Funding source(s) for project development costs, if any	Pro bono legal support
Project Implementation Costs not covered by PFS Capital	\$7 million in housing vouchers; \$11 million in Medicaid services

Funding sources for implementation costs not covered by PFS capital	Commonwealth of Massachusetts
RESULTS AND LESSONS LEARNED	
Outcomes Measured	The first-in-the-nation Pay-for-Success initiative to reduce chronic individual homelessness has significantly exceeded targets and successfully placed over 656 high-need individuals into stable, supportive housing, with 92% remaining housed after one year. (Cell Reference Link: https://www.csh.org/2018/02/pay-for-success-initiative-to-reduce-chronic-individual-homelessness-exceeds-goals-issues-first-dividend-payments-to-investors/)
Trigger for initial repayment of principal met	[N/A]
Outcomes payments made	[N/A]
Lessons learned in service of clients	[N/A]
Partner-to-partner operational lessons learned	[N/A]
Contract Amendments [Y/N; brief explanation]	[N/A]
Link	https://payforsuccess.org/project/massachusetts-chronic-homelessness-pay-success-initiative

(Nonprofit Finance Fund, n.d.)

APPENDIX B: SANTA CLARA COUNTY PROJECT: WELCOME HOME

MARKET OVERVIEW	
Year Launched	2015
Service Delivery Term (Years)	6
Motivation for Project	More than 2,200 chronically homeless individuals in Santa Clara County lack access to stable housing and long-term supportive services.
Project Objective(s)	End homelessness, increase stability, and improve health by achieving 12 months of housing stability
Individuals Served	150-200
Geography	Santa Clara County, CA
Issue Area	Homelessness
Initial Investment (\$ millions)	\$6.9
PROJECT PARTNERS	
Service Beneficiary(ies)	Abode Services
Government Payor(s)	Santa Clara County, California
Intermediary	Third Sector Capital Partners
Independent Evaluator	University of California, San Francisco School of Medicine
Validator	None
Project Manager	None
External Legal Counsel	Fenwick and West LLP; Gibson, Dunn and Crutcher LLP; Miles and Stockbridge P.C.
Technical Assistance Provider(s)	Third Sector Capital Partners; Palantir Technologies
EVIDENCE AND PROGRAM DESIGN	
Service Intervention(s) Model and/or Type	Permanent supportive housing; Assertive Community Treatment
Evidence base for intervention	Permanent Supportive Housing: 15 experimental/quasi-experimental studies; Assertive Community Treatment: 27 experimental/quasi-experimental studies

Has effectiveness of the intervention for PFS project target population been evaluated?	Yes
Has the service beneficiary provided this intervention previously?	Yes
Scaling an existing intervention by replicating at a larger scale? Demonstrating the effect of a new program model or combination of services? Transplanting an existing intervention(s) to a new target population and/or service delivery setting?	Scaling
EVALUATION	
Evaluation Design Methodology	Validated service provider data; RCT
Data Source(s) for Evaluation	Santa Clara Valley Health and Hospital System; Homeless Management Information System; Criminal Justice Information Control; Service provider
Outcomes Tied to Success Payments	1) Months of stable tenancy
Outcomes Tracked, Not Tied to Success Payments	Health care, social service and criminal-justice system utilization
Length of Evaluation Period	6 years
SERVICE PROVIDER CHARACTERISTICS AND SERVICE DELIVERY	
Single or multiple service providers?	Single
Service provider type(s) (nonprofit, government, private)	Nonprofit
Service provider OR site selection method	RFP
Service Provider Experience with PFS Intervention	Experienced with ACT and permanent supportive housing (PSH); currently operates 30+ PSH programs
Referral Method for PFS Target Population	Voluntary
Did the project have a ramp-up phase? (Y/N; brief description)	Yes: 3-month ramp-up period prior to PFS transaction launch; county-funded

PFS CONTRACTING AND GOVERNANCE	
Operational Oversight Structure	Operating Committee includes 1 County representative and service provider staff
Frequency of meetings and/or reports	Monthly
Executive Oversight Structure	Executive steering committee includes 2 county representative and 2 service provider representatives
Frequency of meetings	Quarterly
Investor role in project governance?	Can attend any operating or steering committee meeting as non-voting member
Frequency of reporting to investors	Quarterly
Non-standard Contract-termination events	1) Insufficient referrals/ underenrollment; 2) Insufficient supply of adequate housing; 3) Substantial reduction in Medi-Cal funding
Appropriations Risk Mitigation Strategy	Annual appropriations part of county baseline budget; Service provider can terminate contract for cause in case of annual appropriations failure
INVESTORS	
Senior Investor/ Lender and Total Senior Investment (\$ millions)	The Reinvestment Fund (\$0.5); CSH (\$0.5); (\$1 total)
Subordinate Investor/ Lender and Total Subordinate Investment (\$ millions)	The Sobrato Family Foundation (\$1.5); the California Endowment (\$1); the Health Trust (\$1); the James Irvine Foundation (\$0.28); (\$3.78 total)
Deferred Fee Source and Total Deferred Fees (\$ millions)	Abode Services (\$0.5)
Recoverable Grant Source and Total Recoverable Grants (\$ millions)	Google.org (\$0.5)
Non-recoverable Grant Source and Total Non-recoverable Grants (\$ millions)	Laura and John Arnold Foundation (\$1)
Guarantor and Guarantee (\$ millions)	None
BASIC REPAYMENT STRUCTURE	

Initial Investment (\$ millions)	\$6.9
Maximum Repayment Funds Committed by Payor (\$ millions)	\$12
Full service delivery term (years)	6
Full repayment period (years)	6.25
Interim outcomes reported? Tied to payments?	Yes/Yes
Sustainability/ Recycling of Funds	1) Recoverable grant will be reinvested into service provider for capacity building; 2) Non-recoverable grant will be reinvested in county
DETAILED REPAYMENT TERMS	
Interest	5%; (senior); 2% (subordinate/PRI); 0% (Philanthropic)
Trigger for initial repayment of principal	Client achievement of three months of housing stability
Threshold for full repayment of principal	Not available
Threshold for full repayment of principal plus maximum success payments	83% of clients achieve 12 months of housing stability
Repayment timing	Annually, starting at the end of year 1
Return to Investor	Not available
Success Payment to Other Stakeholders?	Yes
PROJECT COSTS	
Project Development Costs Not Covered by PFS Capital Raise	Feasibility assessment; Transaction coordinator fees
Funding source(s) for project development costs, if any	Health Trust; James Irvine Foundation; Social Innovation Fund; Santa Clara County
Project Implementation Costs not covered by PFS Capital	\$7.7 million in Medicaid services; \$4 million in housing units and vouchers
Funding sources for implementation costs not covered by PFS capital	Santa Clara County; State of California
RESULTS AND LESSONS LEARNED	

Outcomes Measured	<p>Since launching the program called Project Welcome Home in 2015, the county and its nonprofit partners have housed 111 chronically unsheltered people with this approach. On the streets, each of those clients cost the public \$62,473 a year in emergency services, according to the county; with a roof over their heads, that figure dropped to \$19,767.</p> <p>[Cell Reference Link: https://www.sanjoseinside.com/2018/08/22/privacy-activists-immigrant-advocates-question-santa-clara-countys-work-with-palantir/]</p>
Trigger for initial repayment of principal met	[N/A]
Outcomes payments made	[N/A]
Lessons learned in service of clients	[N/A]
Partner-to-partner operational lessons learned	[N/A]
Contract Amendments [Y/N; brief explanation]	[N/A]
Link	https://payforsuccess.org/project/santa-clara-county-project-welcome-home

(Nonprofit Finance Fund, n.d.)

APPENDIX C: DENVER HOUSING TO HEALTH INITIATIVE

MARKET OVERVIEW	
Year Launched	2016
Service Delivery Term (Years)	5
Motivation for Project	The City of Denver spends \$7 million annually on emergency and criminal justice services for 325 chronically homeless people who lack access to affordable housing and supportive services.
Project Objective(s)	Achieve housing stability; Decrease jail bed days; Access to affordable housing and supportive services
Individuals Served	325
Geography	Denver, CO
Issue Area	Homelessness; Recidivism
Initial Investment (\$ millions)	\$8.7
PROJECT PARTNERS	
Service Beneficiary(ies)	Colorado Coalition for the Homeless; Mental Health Center of Denver
Government Payor(s)	City/County of Denver, Colorado
Intermediary	CSH (main); Enterprise Community Partners; Social Impact Solutions, Inc.
Independent Evaluator	Urban Institute
Validator	TBD
Project Manager	Enterprise Community Partners; CSH
External Legal Counsel	Kutak Rock
Technical Assistance Provider(s)	Government Performance Lab
EVIDENCE AND PROGRAM DESIGN	
Service Intervention(s) Model and/or Type	Permanent supportive housing; Assertive Community Treatment
Evidence base for intervention	Permanent Supportive Housing: 15 experimental/quasi-experimental studies; Assertive Community Treatment: 27 experimental/quasi-experimental studies

Has effectiveness of the intervention for PFS project target population been evaluated?	Yes
Has the service beneficiary provided this intervention previously?	Yes
Scaling an existing intervention by replicating at a larger scale? Demonstrating the effect of a new program model or combination of services? Transplanting an existing intervention(s) to a new target population and/or service delivery setting?	Demonstrating; Scaling
EVALUATION	
Evaluation Design Methodology	Validated service provider data; RCT
Data Source(s) for Evaluation	Service providers; Denver Sherriff Department
Outcomes Tied to Success Payments	1) Housing stability; 2) Jail days
Outcomes Tracked, Not Tied to Success Payments	Emergency services, shelter and criminal-justice system utilization
Length of Evaluation Period	5.25 years
SERVICE PROVIDER CHARACTERISTICS AND SERVICE DELIVERY	
Single or multiple service providers?	Multiple
Service provider type(s) (nonprofit, government, private)	Nonprofit
Service provider OR site selection method	RFP
Service Provider Experience with PFS Intervention	Experienced providers of ACT, permanent supportive housing and other health and supportive services
Referral Method for PFS Target Population	Voluntary enrollment of participants identified by Denver Police Department with referrals coordinated by Denver Crime Prevention and Control Commission
Did the project have a ramp-up phase? (Y/N; brief description)	Yes: 6-month pilot period after project start date, prior to transaction launch; Individuals engaged during pilot period included only in housing success payments

PFS CONTRACTING AND GOVERNANCE	
Operational Oversight Structure	[N/A]
Frequency of meetings and/or reports	[N/A]
Executive Oversight Structure	[N/A]
Frequency of meetings	[N/A]
Investor role in project governance?	[N/A]
Frequency of reporting to investors	[N/A]
Non-standard Contract-termination events	[N/A]
Appropriations Risk Mitigation Strategy	[N/A]
INVESTORS	
Senior Investor/ Lender and Total Senior Investment (\$ millions)	Housing Stability Outcome: Northern Trust (\$3); Walton Family Foundation (\$1); Piton Foundation (\$0.5); Jail Bed Day Outcome: Laura and John Arnold Foundation (\$1.7); Colorado Health Foundation (\$1); Living Cities (\$0.5); Denver Foundation (\$0.5); Nonprofit Finance Fund (\$0.435); (\$8.6 total)
Subordinate Investor/ Lender and Total Subordinate Investment (\$ millions)	None
Deferred Fee Source and Total Deferred Fees (\$ millions)	None
Recoverable Grant Source and Total Recoverable Grants (\$ millions)	None
Non-recoverable Grant Source and Total Non-recoverable Grants (\$ millions)	None
Guarantor and Guarantee (\$ millions)	None
BASIC REPAYMENT STRUCTURE	
Initial Investment (\$ millions)	\$8.6

Maximum Repayment Funds Committed by Payor (\$ millions)	\$11.4
Full service delivery term (years)	5
Full repayment period (years)	5
Interim outcomes reported? Tied to payments?	Yes/Yes
Sustainability/ Recycling of Funds	None specified
DETAILED REPAYMENT TERMS	
Interest	None
Trigger for initial repayment of principal	1) Housing Stability: Client achievement of 12 months of housing stability; 2) Jail Days: 20% reduction
Threshold for full repayment of principal	1) Housing Stability: 83%; 2) Jail Days: 30% reduction
Threshold for full repayment of principal plus maximum success payments	1) Housing Stability: 100%; 2) Jail Days: 65% reduction
Repayment timing	1) Housing Stability: annually, starting after Quarter 6; 2) Jail Days: after Year 5
Return to Investor	3.5% (expected rate of return)
Success Payment to Other Stakeholders?	No
PROJECT COSTS	
Project Development Costs Not Covered by PFS Capital Raise	Evaluation design; Evidence review; Legal services; Government Performance Lab fellow; Transaction coordinator fees
Funding source(s) for project development costs, if any	Urban Institute (partial in-kind services); Pro bono legal support; Social Innovation Fund; The Piton Foundation; Denver Foundation; Kaiser Permanente; Rose Community Foundation
Project Implementation Costs not covered by PFS Capital	\$10.8 million in housing vouchers; \$5.2 million in Medicaid funding; Evaluation
Funding sources for implementation costs not covered by PFS capital	State of Colorado; City of Denver

RESULTS AND LESSONS LEARNED	
Outcomes Measured	1.) By 12/31/2017: 255 frequent users of emergency services in Denver were housed; 2.) After one year, 89% of participants had no exits; 3.) After six months, 95% of participants had no exits
Trigger for initial repayment of principal met	1) 33 individuals stably housed for at least a year (6 planned exits, 1 unplanned exit) resulting in 12,457 days in stable housing 2) TBD
Outcomes payments made	2017, Housing Stability Success Payment, \$188,000 (\$15.12 for each day each qualifying participant was stably housed)
Lessons learned in service of clients	1.) Broad stakeholder engagement required, particularly with criminal-justice system (PD, courts - DA/judges/public defenders, jail) to help with jail in-reach/access, sentencing and location of clients; 2.) Pilot period (ramp up) very helpful - in housing projects with new developments, plan for delays in construction
Partner-to-partner operational lessons learned	1.) Simplify where possible: many project partners may make communications and decision making with stakeholders and investors difficult at times; 2.) Strive for contract consistencies: ensure similar activities have similar due dates/periods for delivery throughout all contract docs
Contract Amendments [Y/N; brief explanation]	Yes - 1.) Evaluation plan changes: a.) pre-screening added for open felony charges in the last two years; b.) assisted-living facilities added as stable housing source. 2.) Amendments to the Operating Agreement: amendments were made to replace SPV officers due to staff turnover (twice)
Link	https://payforsuccess.org/project/denver-housing-health-initiative#

(Nonprofit Finance Fund, n.d.)

APPENDIX D: LOS ANGELES COUNTY JUST-IN-REACH (JIR)

PROJECT

MARKET OVERVIEW	
Year Launched	2017
Service Delivery Term (Years)	4
Motivation for Project	PFS financing provides a new platform to share the incredible systems change story of L.A. County while strengthening public-private partnerships that produce measurable positive impact. In addition, the County is interested in exploring performance-based contracting beyond PFS.
Project Objective(s)	Create 300 supportive housing slots for individuals with histories of homelessness and involvement with the L.A. County criminal-justice system. This will result in improved outcomes for participants - namely, reduced jail recidivism, increased housing stability, and reductions in net costs to public systems.
Individuals Served	300
Geography	Los Angeles County
Issue Area	Homelessness; Recidivism
Initial Investment (\$ millions)	\$10
PROJECT PARTNERS	
Service Beneficiary(ies)	Los Angeles County Department of Health Services Intensive Case Management Providers; Brilliant Corners
Government Payor(s)	Los Angeles County; U.S. Department of Housing and Urban Development; California Board of State and Community Corrections
Intermediary	CSH
Independent Evaluator	RAND Corporation
Validator	RAND Corporation
Project Manager	CSH; National Council on Crime and Delinquency
External Legal Counsel	Gibson, Dunn and Crutcher
Technical Assistance Provider(s)	Third Sector Capital Partners; CSH

EVIDENCE AND PROGRAM DESIGN	
Service Intervention(s) Model and/or Type	Permanent supportive housing
Evidence base for intervention	Local performance data (via the Enterprise Linkage Project, Housing for Health, and the JIR 2.0 pilot project); NYC Fuse; NY/NY III
Has effectiveness of the intervention for PFS project target population been evaluated?	Yes
Has the service beneficiary provided this intervention previously?	Yes
Scaling an existing intervention by replicating at a larger scale? Demonstrating the effect of a new program model or combination of services? Transplanting an existing intervention(s) to a new target population and/or service delivery setting?	Scaling; Demonstrating
EVALUATION	
Evaluation Design Methodology	Success metric calculation; broader impact analysis (includes Propensity Score matching components)
Data Source(s) for Evaluation	Service beneficiary via the Department of Health Services; Los Angeles County Sherriff's Department; Enterprise Linkage Project
Outcomes Tied to Success Payments	1) Housing retention at six months and 12 months; 2) Reduction in number of arrests using two-year period following placement into PSH
Outcomes Tracked, Not Tied to Success Payments	Service utilization
Length of Evaluation Period	4.5 years
SERVICE PROVIDER CHARACTERISTICS AND SERVICE DELIVERY	
Single or multiple service providers?	Multiple
Service provider type(s) (nonprofit, government, private)	Nonprofit

Service provider OR site selection method	Los Angeles County DHS Intensive Case Management Providers listed on the County's Supportive Housing Services Master Agreement List and the Flexible Housing Subsidy Pool Operator (Brilliant Corners)
Service Beneficiary Experience with PFS Intervention	All four identified providers have experience providing key components of the intervention (jail in-reach and PSH) and are participating in the demonstration phase of the intervention as of August 2016; in addition, Brilliant Corners has successfully administered the Flexible Housing Subsidy Pool since 2014
Referral Method for PFS Target Population	Jail clinicians; Jail-In-Reach providers; Diversion Courts
Did the project have a ramp-up phase? (Y/N; brief description)	Yes: eleven-month ramp-up phase
PFS CONTRACTING AND GOVERNANCE	
Operational Oversight Structure	Operating Committee includes Los Angeles County Department of Health Services, L.A. County Office of Diversion and Reentry, CSH, and NCCD
Frequency of meetings and/or reports	Monthly
Executive Oversight Structure	Executive Steering Committee includes Los Angeles County Department of Health Services, L.A. County Office of Diversion and Reentry, Los Angeles County Chief Executive Office, CSH, and NCCD
Frequency of meetings	Quarterly
Investor role in project governance?	Can attend Steering Committee meetings, but will only have purview over budget monitoring and early termination questions
Frequency of reporting to investors	Quarterly
Non-standard Contract-termination events	1) Inadequate number of housing placements; 2) Inadequate levels of housing retention rates; 3) Higher levels of arrest rates than anticipated
Appropriations Risk Mitigation Strategy	Funds allocated through regular budget process
INVESTORS	
Senior Investor/ Lender and Total Senior Investment (\$ millions)	United Healthcare (\$7)

Subordinate Investor/ Lender and Total Subordinate Investment (\$ millions)	The Conrad N. Hilton Foundation (\$3)
Deferred Fee Source and Total Deferred Fees (\$ millions)	None
Recoverable Grant Source and Total Recoverable Grants (\$ millions)	None
Non-recoverable Grant Source and Total Non-recoverable Grants (\$ millions)	None
Guarantor and Guarantee (\$ millions)	None
BASIC REPAYMENT STRUCTURE	
Initial Investment (\$ millions)	\$10
Maximum Repayment Funds Committed by Payor (\$ millions)	\$11.5
Full service delivery term (years)	4
Full repayment period (years)	4.5
Interim outcomes reported? Tied to payments?	Yes/Yes
Sustainability/ Recycling of Funds	Success payments made by the County will recycle back into the intervention to cover program costs; the maximum success payment allocation is \$14.90, with only \$11.5M of that available to investors as repayment; the rest is recycled into the program to support operations
DETAILED REPAYMENT TERMS	
Interest	5% (senior); 2% (subordinate/PRI); 0% (subordinate/PRI)
Trigger for initial repayment of principal	Six-month housing stability (base case is 92%)
Threshold for full repayment of principal	There are several scenarios in which investors will receive full repayment of principal. One scenario in which this could occur is: 70% housing stability at 6 and 12 months assuming 80% of the cohort has 2 or fewer arrests post PSH placement

Threshold for full repayment of principal plus maximum success payments	There are several scenarios in which investors will receive full repayment of principal. One scenario in which this could occur is: 92% housing stability at 6 months, and 90% housing stability at 12 months assuming 80% of the cohort has 2 or fewer arrests post PSH placement
Repayment timing	Year 4.5
Return to Investor	15% maximum
Success Payment to Other Stakeholders?	None
PROJECT COSTS	
Project Development Costs Not Covered by PFS Capital Raise	Feasibility analysis; evaluation design; transaction structuring
Funding source(s) for project development costs, if any	The Conrad N. Hilton Foundation; the James Irvine Foundation
Project Implementation Costs not covered by PFS Capital	~\$11 for: intensive case management services; move-in costs; evaluation; project manager costs; capacity building
Funding sources for implementation costs not covered by PFS capital	L.A. County General Funds; Whole Person Care; HUD-DOJ PFS Demonstration Grant; BSCC PFS Grant
RESULTS AND LESSONS LEARNED	
Outcomes Measured	[N/A]
Trigger for initial repayment of principal met	[N/A]
Outcomes payments made	[N/A]
Lessons learned in service of clients	[N/A]
Partner-to-partner operational lessons learned	[N/A]
Contract Amendments [Y/N; brief explanation]	[N/A]
Link	https://payforsuccess.org/project/los-angeles-county-just-reach-project

(Nonprofit Finance Fund, n.d.)

APPENDIX E: SALT LAKE COUNTY HOMES NOT JAIL

MARKET OVERVIEW	
Year Launched	2017
Service Delivery Term (Years)	5
Motivation for Project	There is a lack of viable interventions to help the persistently homeless population in Salt Lake County, with \$52 million being spent on the homelessness service system. There are over 1,000 of these individuals annually in the County, spending at least 3 months in emergency shelters or booked into the County jail.
Project Objective(s)	Offer 315 individuals' rapid re-housing and a range of housing assistance and support services - including access to behavioral health treatment and employment counseling - to improve housing stability, criminal justice and behavioral health outcomes
Individuals Served	315
Geography	Salt Lake County, UT
Issue Area	Homelessness
Initial Investment (\$ millions)	\$5.3
PROJECT PARTNERS	
Service Beneficiary(ies)	The Road Home
Government Payor(s)	Salt Lake County, Utah
Intermediary	Third Sector Capital Partners
Independent Evaluator	The University of Utah Criminal Justice Center
Validator	None
Project Manager	Community Foundation of Utah (Fiscal), Sorenson Impact Center (Programmatic)
External Legal Counsel	Dorsey and Whitney, LLP
Technical Assistance Provider(s)	None
EVIDENCE AND PROGRAM DESIGN	

Service Intervention(s) Model and/or Type	Homes Not Jail program: rapid rehousing
Evidence base for intervention	Research studies conducted by Supportive Services for Veteran Families, Cloudburst Group, and the University of Utah Criminal Justice Center
Has effectiveness of the intervention for PFS project target population been evaluated?	Partly
Has the service beneficiary provided this intervention previously?	Yes
Scaling an existing intervention by replicating at a larger scale? Demonstrating the effect of a new program model or combination of services? Transplanting an existing intervention(s) to a new target population and/or service delivery setting?	Demonstrating
EVALUATION	
Evaluation Design Methodology	[N/A]
Data Source(s) for Evaluation	[N/A]
Outcomes Tied to Success Payments	[N/A]
Outcomes Tracked, Not Tied to Success Payments	[N/A]
Length of Evaluation Period	[N/A]
SERVICE PROVIDER CHARACTERISTICS AND SERVICE DELIVERY	
Single or multiple service providers?	Single

Service provider type(s) (nonprofit, government, private)	Nonprofit
Service provider OR site selection method	RFP
Service Provider Experience with PFS Intervention	The Road Home has historically operated rapid rehousing programs in addition to case management services; this is the first time the program model will be used for the target population
Referral Method for PFS Target Population	Voluntary enrollment; State Community Services Office will generate and send The Road Home a quarterly report of data of eligible individuals from the Homelessness Management Information System
Did the project have a ramp-up phase? (Y/N; brief description)	Yes: twelve-month pilot period; grant-funded
PFS CONTRACTING AND GOVERNANCE	
Operational Oversight Structure	Operating Committee includes The Road Home, First Step House, Salt Lake County (2 representatives), project manager, special purpose vehicle, and independent evaluator
Frequency of meetings and/or reports	Twice per month during pilot period, once per month for remainder of contract
Executive Oversight Structure	Executive Committee includes The Road Home, First Step House, Salt Lake County, project manager, and funders
Frequency of meetings	Monthly during pilot period, every two months for remainder of contract
Investor role in project governance?	Investors have one voting member on the Executive Committee who votes on behalf of all investors; the PFS contract specifies voting matters that require "funder consent" which will require each individual investor to vote
Frequency of reporting to investors	Quarterly
Non-standard Contract- termination events	1)Pilot Failure; 2) Non-appropriation of funds; 3) Failure to launch both projects by drop date
Appropriations Risk Mitigation Strategy	Annual deposit in PFS Escrow Fund
INVESTORS	

Senior Investor/ Lender and Total Senior Investment (\$ millions)	Northern Trust; Ally Bank; QBE Insurance; The Reinvestment Fund (\$3.6 total)
Subordinate Investor/ Lender and Total Subordinate Investment (\$ millions)	Sorenson Impact Foundation; Sorenson Family Foundation (\$0.8 total)
Deferred Fee Source and Total Deferred Fees (\$ millions)	None
Recoverable Grant Source and Total Recoverable Grants (\$ millions)	None
Non-recoverable Grant Source and Total Non-recoverable Grants (\$ millions)	Noorda Foundation; Miller Family Foundation; Nonprofit Finance Fund; Ally Bank; County Escrow (\$1.26 total)
Guarantor and Guarantee (\$ millions)	None
BASIC REPAYMENT STRUCTURE	
Initial Investment (\$ millions)	\$5.3
Maximum Repayment Funds Committed by Payor (\$ millions)	\$10.85
Full service delivery term (years)	5
Full repayment period (years)	6
Interim outcomes reported? Tied to payments?	Yes (graduation to permanent housing location)/ Yes
Sustainability/ Recycling of Funds	None specified
DETAILED REPAYMENT TERMS	
Interest	5% (senior); 2% (subordinate); paid quarterly

Trigger for initial repayment of principal	Any difference between treatment and control group on payment metrics
Threshold for full repayment of principal	Between 15% and 20% impact on months without jail or shelter
Threshold for full repayment of principal plus maximum success payments	1) 30% impact on months without jail/shelter; 2) 80% graduation to a permanent location; 3) 100% enrollment in substance abuse services; 4) 100% enrollment in mental health services
Repayment timing	Interest paid throughout, principal paid at Q19 and Q24
Return to Investor	8.70% (senior); 13.47% (subordinate)
Success Payment to Other Stakeholders?	Yes: Service provider and project manager
PROJECT COSTS	
Project Development Costs Not Covered by PFS Capital Raise	Transaction coordinator fees
Funding source(s) for project development costs, if any	Salt Lake County; Sorenson Impact Foundation; Living Cities
Project Implementation Costs not covered by PFS Capital	None
Funding sources for implementation costs not covered by PFS capital	None
RESULTS AND LESSONS LEARNED	
Outcomes Measured	At target levels, the two projects will deliver the following community impact: -1,500 more months of stable housing, or 125 years -26,800 fewer days in jail or prison, or 73 years -225 fewer arrests -252 graduations to permanent housing (Cell Reference Link: https://www.mitpressjournals.org/doi/pdf/10.1162/inov_a_00256)
Trigger for initial repayment of principal met	[N/A]

Outcomes payments made	[N/A]
Lessons learned in service of clients	[N/A]
Partner-to-partner operational lessons learned	[N/A]
Contract Amendments [Y/N; brief explanation]	[N/A]
Link	https://payforsuccess.org/project/salt-lake-county-homes-not-jail

(Nonprofit Finance Fund, n.d.)

REFERENCES

- Albertson, Kevin, Chris Fox, Chris O'Leary, Gary Painter, Kimberly Bailey, and Jessica LaBarbera. 2018. *Payment by results and social impact bonds: Outcome-based payment systems in the UK and US*; Bristol, United Kingdom: Policy Press.
- Bergfeld, Nicholas, David Klausner, and Matus Samel. 2016. "Improving Social Impact Bonds: Assessing Alternative Financial Models to Scale Pay-for-Success." *M-RCBG Associate Working Paper Series 65*, PhD diss, https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/files/Final_AWP65.pdf
- Bloomberg. 2018. "BVMB5Y:IND BVAL Muni Benchmark 5Y." Accessed October 4, 2018. <https://www.bloomberg.com/quote/BVMB5Y:IND>
- Burt, Martha R., Carol L. Pearson, and Ann Elizabeth Montgomery. 2007. *Homelessness: Prevention Strategies and Effectiveness*. New York, NY: Nova Science.
- City and County of Denver. n.d. *Denver Social Impact Bond Initiative: Permanent Supportive Housing*. www.denvergov.org/content/dam/denvergov/Portals/344/documents/Denver_SIB_Summary.pdf
- Clifford, Jim. 2017. "Understanding Social Impact Bonds." In *Routledge handbook of social and sustainable finance* edited by Othmar M. Lehner, 161-176. London, United Kingdom: Routledge.
- Gillespie, Sarah, Devlin Hanson, Mary Cunningham, Michael Pergamit, and Shiva Kooragayala. 2017. *Engaging the most Vulnerable in Supportive Housing*. Urban, https://www.urban.org/sites/default/files/publication/94231/denver-sib-project-report_8.pdf
- Gray, Haley. 2018. "Denver Invests another \$2.4 Million in the Housing First Model." 5280, <https://www.5280.com/2018/07/denver-invests-another-2-4-million-in-the-housing-first-model/>
- Gustafsson-Wright, Emily, Sophie Gardiner, and Vidya Putcha. 2015. *The Potential and Limitations of Impact Bonds: Lessons from the First Five Years of Experience Worldwide*. Washington, D.C.: The Brookings Institution.
- Henry, Meghan, Rian Watt, Lily Rosenthal, Azim Shivji, and Abt Associates. 2017. *The 2017 Annual Homeless Assessment Report (AHAR) to Congress*. Business Publications. www.hudexchange.info/resources/documents/2017-AHAR-Part-1.pdf

- Howard, Cooper. 2018. "2018 Mid-Year Municipal Bond Outlook: Headwinds on the Horizon." Schwab, Accessed July 3, 2018, <https://www.schwab.com/resource-center/insights/content/mid-year-municipal-bond-outlook-headwinds-on-horizon>
- Indiana University Lilly Family School of Philanthropy. 2018. *Giving USA 2018: The Annual Report on Philanthropy for the Year 2017*. Giving USA 2018: The Giving Institute, www.cftompkins.org/wp-content/uploads/2018/04/Giving-USA-Annual-Report-on-Philanthropy-2017.pdf
- Kohli, Jitinder, Douglas Besharov, and Kristina Costa. 2012. "Social Impact Bonds 101." Accessed March 22, 2018, <https://www.americanprogress.org/issues/general/news/2012/03/22/11238/social-impact-bonds-101/>
- Larson, John. 2018. *H.R. 1892 - Bipartisan Budget Act of 2018*. <https://www.congress.gov/bill/115th-congress/house-bill/1892>
- McAdams, Ben. 2017. "Pay for Success as a Policy Tool." *MIT Press Journals* 11, no. 3/4: 50-63. https://www.mitpressjournals.org/doi/pdf/10.1162/innov_a_00256
- Nonprofit Finance Fund. n.d. "Pay for Success Projects (Supportive Housing and Homelessness - in Progress and Finished)." <http://www.payforsuccess.org/projects?>
- Pequenez, Nadine. 2018. "The Invisible Heart Press Kit." Accessed June 12, 2018, https://docs.wixstatic.com/ugd/970752_38a86bdo8f8949439cfc2f97b53f60b1.pdf
- Popov, Igor. 2017. "Shelter Funding for Homeless Individuals and Families Brings Tradeoffs." *Southern Economic Journal* 84, no. 2: 548-576, <https://onlinelibrary.wiley.com/doi/abs/10.1002/soej.12231>
- Ragin, Luther, and Tracy Palandjian. 2013. "Social Impact Bonds: Using Impact Investment to Expand Effective Social Programs." *Community Development Investment Review* 9, no. 1: 210-215, <https://www.ncbi.nlm.nih.gov/pubmed/29267055>
- Renneboog, Luc, Jenke Ter Horst, and Chendi Zhang. 2008. *Socially Responsible Investments: Institutional Aspects, Performance, and Investor Behavior*. *Journal of Banking and Finance* 32, no. 9: 1723-1742. <http://www.sciencedirect.com/science/article/pii/S0378426607004220>
- Ronicle, James. September 7, 2018. "Examining the SIB Effect in Youth Provision: Findings from the Evaluation of the DWP Youth Engagement Fund." Accessed September 7, 2018.

- Schuetz, Molly. 2018. "Amazon's Bezos Launches \$2 Billion Fund to Help the Homeless." *Bloomberg Business*, September 13, 2018, <https://www.bloomberg.com/news/articles/2018-09-13/amazon-s-bezos-launches-2-billion-fund-to-help-the-homeless>
- Social Finance. n.d. "How Pay for Success Works." Accessed August 10, 2018, <http://socialfinance.org/how-pay-for-success-works/>
- Spieth, Peter Markus, Anne Sophie Kubasch, Ana Isabel Penzlin, Ben Min-Woo Illigens, Kristian Barlinn, and Timo Siepmann. 2016. "Randomized Controlled Trials – A Matter of Design." *Neuropsychiatric Disease and Treatment* 12: 1341-1349, <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4910682/>
- Tiberi, Patrick. 2017. *H.R. 576 - Social Impact Partnerships to Pay for Results Act*.
- Tomkinson, Emma. 2014. "Social Impact Bonds and Pay for Success – are they Synonyms?" *A Stream of Social Consciousness*, <https://emmatomkinson.com/2014/07/03/social-impact-bonds-and-pay-for-success-are-they-synonyms/>
- U.S. Department of Housing and Urban Development. 2018. "Notice of Funding Availability (NOFA) for the Fiscal Year (FY) 2018 Continuum of Care Program Competition." no. FR-6200-N-25. <http://www.federalgrants.com/Notice-of-Funding-Availability-NOFA-for-the-Fiscal-Year-FY-2018-Continuum-of-Care-Program-Competition-71917.html>
- U.S. Interagency Council of Homelessness. 2016. *Achieving the Goal of Ending Chronic Homelessness*. Boston: Federal Reserve Bank of Boston. www.usich.gov/resources/uploads/asset_library/Specifications_For_Achieving_An_End_To_Chronic_Homelessness.pdf
- United Way of Massachusetts Bay and Merrimack Valley. 2018. "Pay for Success Initiative to Reduce Chronic Individual Homelessness Exceeds Goals; Issues First Dividend Payments to Investors." Accessed, February 13, 2018, <https://unitedwaymassbay.org/news/pay-for-success-initiative-to-reduce-chronic-individual-homelessness-exceeds-goals-issues-first-dividend-payments-to-investors/>
- Williams, James. 2018. "Trials, Tribulations and Tensions: A Comparative Analysis of Social Impact Bonds in Canada, the US and the UK." Accessed September 7, 2018.