Permanent Supportive Housing: Scaling An Evidence-Based Solution to Address Chronic Homelessness in Denver

OVERVIEW

Program Basics

- The Housing First model, a form of permanent supportive housing, provides people experiencing homelessness with low-barrier, rapid access to housing and on-site supportive services, including for behavioral and physical health. There is no time limit on access to housing or services.
- Denver has prioritized funding a model that combines the Housing First strategy with a trauma-informed care model, Assertive Community Treatment, to more comprehensively engage chronically homeless, frequently justice-involved people.
- To scale the model, Denver raised $8.6 million via a social impact bond; the proceeds helped fund services for individuals receiving supportive housing.
- Starting in 2018, the City and County of Denver began direct public investment in permanent supportive housing services to maintain and expand the program. Private investment ended in 2020, with Denver now fully responsible for financing its operations.

How Do Permanent Supportive Housing and Assertive Community Treatment Improve Economic Mobility?

- Denver's permanent supportive housing model increases the likelihood that chronically homeless people remain stably housed. Research shows that stable, affordable housing is a key factor in supporting upward economic mobility.
- Denver's permanent supportive housing model reduces recidivism among chronically homeless people, which better positions tenants to earn a steady income, complete education or workforce training programs, and access good jobs.
- Denver uses the Assertive Community Treatment model to deliver physical and behavioral health services to tenants. Poor health can contribute to reduced income and create a self-reinforcing health-poverty cycle.

HOUSING FIRST EVIDENCE LEVEL: PROVEN (HIGHEST TIER)

Ranked as having the highest level of evidence by County Health Rankings and Roadmaps, the Substance Abuse and Mental Health Services Administration.

<table>
<thead>
<tr>
<th>Target population</th>
<th>Program cost</th>
<th>Implementation locations</th>
<th>Dates active</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals experiencing homelessness</td>
<td>Estimated $6,314 per participant per year</td>
<td>Nationwide</td>
<td>1990s-present</td>
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</tbody>
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A worsening homelessness crisis: Starting around 2010, rising housing prices and a lack of affordable housing contributed to a rapid increase in Denver’s chronically homeless population. In 2015, the city identified 852 people experiencing chronic homelessness.

An acute shortage of accessible services: People experiencing chronic homelessness in Denver had very few long-term housing options and insufficient access to health services. Many existing programs presented significant barriers to access.

A compounding effect on a vulnerable population: Without access to stable housing or health services, chronically homeless people experienced poor physical and behavioral health outcomes.

Significant costs, stagnant outcomes: Chronically homeless individuals accounted for a collective 14,000 nights in jail, 2,200 detox visits, 1,500 arrests, and 500 emergency room visits per year. Denver was spending approximately $29,000 per chronically homeless person per year, or $7.25 million per year in total, and outcomes were not improving.

Finding funding for preventative services: Recognizing the need for expanded preventative services, Denver needed to find a way to invest in programs that would improve outcomes for people experiencing chronic homelessness and reduce the cost burden on public budgets.

Permanent housing with intensive, in-house treatment: To improve outcomes for chronically homeless people, Denver combined two evidence-based practices – the Housing First permanent supportive housing model, and the Assertive Community Treatment patient-centered care model.

Scaling evidence-based practices: Housing First provides condition-free, rapid access to permanent housing. Assertive Community Treatment is a specialized care model for individuals experiencing mental illness and substance use issues. Before 2010, Denver provided some funding for these services, but was unable to allocate resources at a scale that met need. As its chronically homeless population grew, the city sought ways to rapidly expand these services.

A five-year social impact bond funds expansion: To finance the expansion of Housing First and Assertive Community Treatment services, Mayor Michael Hancock’s administration (led by the city’s Department of Finance) created a 5-year social impact bond (SIB). The SIB utilized investor funds to pay for housing and health services, and if the program achieved certain results, the city would pay investors back with savings from the budget. The SIB also leveraged housing vouchers and Medicaid to fund services.
The Solution, continued

- Convening a coalition prepared to meet the challenge: To execute the social impact bond, a large coalition needed to be convened. With leadership from the Mayor’s Office, several city agencies, two homelessness service providers (the Colorado Coalition for the Homeless and the Mental Health Center of Denver), two intermediary groups (the Corporation for Supportive Housing and Enterprise Community Partners), and the Urban Institute were brought together to deliver the program, oversee the flow of funds, and evaluate results.
- Building new units to serve larger numbers: The two homelessness services providers in the coalition, the Colorado Coalition for the Homeless (CCH) and the Mental Health Center of Denver (MHCD), leveraged Low-Income Housing Tax Credits and other funds to construct 160 new supportive housing units specifically for the social impact bond.

Major Accomplishments

- $8.6 million raised via innovative funding mechanism: Denver raised $8.6 million in upfront capital to provide permanent supportive housing services via its first social impact bond (SIB), a performance-based contract with two homelessness service providers. New housing services and units constructed for the SIB leveraged millions in housing vouchers, Low-Income Housing Tax Credits, and Medicaid funding.
- Hundreds of people served: From 2016 to 2020, 346 people were served in total by the expanded permanent supportive housing program. At maximum capacity, the program served 250 people at a time.
- Improved outcomes and significant cost savings: From January 2016 to October 2020, Denver paid investors nearly $4 million based on the number of days participants were stably housed through June 2020. The final payment to investors is due in June 2021.  
- Evidence of success drives public investment in services: After seeing strong preliminary results among individuals receiving services from the SIB, Denver invested directly in services for 75 additional people. In FY2021, the City has continued to provide service contracts while waiting for the final SIB outcome data.

Keys to Success

- High-quality implementation of two evidence-based approaches: By effectively implementing both the Housing First and the Assertive Community Treatment models, CCH and MHCD were able to ensure that residents could access vital services at home, helping reduce barriers to remaining stably housed.
- Vocal champions across the public sector: Strong leadership from Denver Mayor Michael Hancock, the Department of Finance, and City Council created momentum around expanding permanent supportive housing and generated greater interest among potential investors.
- New construction enables service provision at scale: Constructing two new buildings with 160 units of permanent supportive housing allowed the program to serve a greater number of previously chronically homeless people, provide high-quality living arrangements, and deliver on-site healthcare.
Keys to Success, continued

• Combining multiple types of housing subsidies to meet different clients' needs: In order to maximize housing availability and provide sufficient options for clients, program services are provided at both newly-constructed facilities and at privately-owned "scattered site" units.

• Dedicated collaboration capacity: Two intermediaries, the Corporation for Supportive Housing and Enterprise Community Partners, worked closely with all stakeholders (five program partners, eight active investors) to ensure consistent communication and productive collaboration. After the SIB sunsetting in 2020, the City continued to provide funding to both organizations to manage the program.4

• Data and evidence lead to public investment: Engaging with the Urban Institute as an independent evaluator ensured that the program collected detailed data that could demonstrate its impact. Program administrators were also frequently able to utilize real-time data to make evidence-based programmatic decisions.

Biggest Challenges

• Meeting demand: In 2019, there were an estimated 806 people experiencing chronic homelessness in Denver. While expansions of supportive housing have helped hundreds of individuals, hundreds more are still in need of services.

• Identifying and engaging the most at-risk residents: A core feature of the program’s design was to engage residents who had the most frequent interactions with the criminal justice system. This was significantly more difficult than serving chronically homeless individuals regardless of arrest history. Many target participants were not connected to any city-wide database, leading program staff to use an improvised system of triangulated GPS information, maps from police, photographs, and community outreach.

• Creating a sophisticated social impact bond: Putting together the performance-based contract between providers, investors, and the city required outside expertise from Social Impact Solutions and extensive specialized technical analysis. The bond took two years to develop.

• Medicaid reimbursement discrepancies: State Medicaid reimbursements for the two non-profit service providers involved in the effort were issued at a wide range of rates over the program’s first five years (from 15%–90%), requiring the city and state to fill financial gaps. While this was anticipated, it created various financial projection and logistical challenges.
The Denver Office of Strategic Partnerships is provided with technical expertise from the Harvard Kennedy School's Social Impact Bond Lab (now the Government Performance Lab), allowing the city and partners to evaluate the use of social impact bonds for a range of interventions; city agencies zero in on using them to expand Denver’s use of permanent supportive housing.

**Mayor Hancock Announces City’s Social Impact Bond Plans**

June 2014

Mayor Michael Hancock publicly announces the five-year Denver Social Impact Bond program at the Clinton Global Initiative, with a goal of serving 300 chronically homeless people. He says that it makes no sense “to continue paying the high cost of ineffective remedial and emergency care systems when we can invest in proven programs that will set these people on a healthier path.”

**Denver Raises $8.6 Million to Provide Permanent Supportive Housing Services**

October 2014

Eight investors participate in the social impact bond program, which provides returns based on two outcomes for chronically homeless people: increases to housing stability and reductions in jail-bed days.

**25 Residents Move In**

January 2016

After extensive participant outreach, engagement, and recruitment, CCH successfully houses the first 25 program participants at Renaissance Colorado Station. Over the next 10 months, the organization places 40 more residents at scattered site locations across Denver.

**Randomized Control Trial Begins**

March 2016

Independent program evaluators at the Urban Institute lead the study; data is provided by the Denver Police Department and other city and county agencies, as well as the program’s two homeless services providers, CCH and MHCD. Denver provides funding for the SIB evaluation, and Arnold Ventures and the Robert Wood Johnson Foundation fund additional study components.

**Program Partners Break Ground on New Permanent Supportive Housing Complexes**

April 2016

Both homeless services partners use LIHTC and other funding to start construction on two new buildings consisting of 160 new units. The new facilities open to residents over the next two years.

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**Denver Housing First Collaborative Launched**

2003

The Colorado Coalition for the Homeless (CCH), the Mental Health Center of Denver (MHCD), the Denver Department of Human Services, and several other partners receive funding from the U.S. Department of Housing and Urban Development to launch the Housing First model in Denver. The program, which provides Assertive Community Treatment services, initially serves 100 people and grows to serve 180 by 2005.

**Denver Crime Prevention and Control Commission Links Chronic Homelessness with Jail Overcrowding**

2012

Tasked with reducing Denver’s jail population, the Denver Crime Prevention and Control Commission conducts an analysis and finds that arrests related to homelessness lead to a disproportionately large share of jail stays, with an estimated cost of $7.25 million per year.

**Denver Awarded Technical Assistance from Harvard Kennedy School’s Government Performance Lab**

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DENVER MAKES FIRST PERFORMANCE-BASED PAYMENTS TO INVESTORS
June 2017
The program issues its first investor payouts after stably housing 39 participants for 12,457 cumulative days.13

MAYOR HANCOCK PROPOSES THREE-YEAR, $2.3 MILLION DIRECT PUBLIC INVESTMENT
September 2017
With the model proving effective, the City and County of Denver agrees to its own performance-based contract with the Colorado Coalition for the Homeless to provide services 75 individuals. They dub the expansion, “SIBs 2.0,” indicating the next phase of the city’s approach to the strategy. 14

URBAN INSTITUTE RELEASES FIRST INTERIM REPORT
October 2017
The Urban Institute releases its first findings, which signal early program success: 66 people signed leases and moved into housing out of 100 total referrals. Subsequent progress reports continue to show strong outcomes.15

MAYOR HANCOCK CREATES DEPARTMENT OF HOUSING STABILITY
October 2019
Citing Denver’s ongoing affordable housing shortage and challenges helping people experiencing chronic homelessness, the Mayor issues an executive order to create the department, tasking it with overseeing public investment in solutions that “address housing stability, homelessness resolution, and create housing opportunities.”

CITY OF DENVER PLANS $2.9 MILLION DIRECT INVESTMENT IN HOUSING FIRST
November 2020
With the original SIB contract coming to the end of its five-year term and with 346 residents served, Mayor Hancock proposes a nearly-$3 million annual public investment to continue operating 325 SIB-funded permanent supportive housing units. The City is now evaluating further expansion opportunities.5
The Process

Confronting the Problem

- Identifying frequently incarcerated individuals: Chronic homelessness had long been a challenge in Denver. In 2012, the Denver Crime Prevention and Control Commission, led by Regi Huerter, identifies 300 people experiencing chronic homelessness as being most likely to be arrested and spend multiple nights in jail, in addition to suffering from numerous significant mental and physical health challenges resulting in emergency care. The agency estimates that Denver spends at least $7.25 million per year due to a lack of housing and health services for its most vulnerable residents.
- The need to scale permanent supportive housing: Following the 2012 report, leadership in Denver agrees to build on previous investments in permanent supportive housing. In 2014, Denver’s Department of Finance, with support from Harvard Kennedy School’s Government Performance Lab Program Director Tyler Jaeckel, identifies social impact bonds as a viable funding solution. The city needed substantial upfront capital to provide expanded services, but did not have the financial capacity necessary to make the investment on its own.
- Pursuing a social impact bond: Jaeckel and the Denver Crime Prevention and Control Commission discuss their findings and potential solution with a range of city agencies and homeless service providers; Mayor Hancock, Deputy Mayor Cary Kennedy, and several other civic leaders begin to champion the initiative. Social Impact Solutions, a consultant, helps structure the financial model and solicit potential investors.
- Securing investors: Eight investors are ultimately secured, including the Denver Foundation, the Piton Foundation, the Ben and Lucy Ana Walton Fund of the Walton Family Foundation, Arnold Ventures, Living Cities, the Nonprofit Finance Fund, the Colorado Health Foundation, and the Northern Trust Corporation.

Designing the Strategy

- Convening the right partners: Denver begins by building a coalition to administer and execute the permanent supportive housing expansion, bringing together two homeless service providers, two intermediaries to manage the program and oversee SIB financing (the Corporation for Supportive Housing and Enterprise Community Partners), an independent evaluator (the Urban Institute), and city agencies. A consultant, Social Impact Partners, helped develop the social impact bond and solicit investors.
- Combining two evidence-based approaches: The program combines two evidence-backed models to maximize housing stability: Housing First, which had a successful track record in Denver, and Assertive Community Treatment, a trauma-informed care model providing residents with a suite of wraparound services and community-building activities.
- Leveraging state and federal resources: Bolstering the expansion of permanent supportive housing was the utilization of over $15 million in state and federal housing resources as well as Medicaid reimbursements.
- Shifting upfront cost and risk: Denver financial analysts model investor payout structures for housing stability and jail stay reductions based on outcomes and the estimated benefits to the city stemming from those outcomes; the social impact bond structure shifts upfront cost and risk onto investors, while allowing the city to evaluate the model for future direct investment.
Allocating the Funding

- Successfully raising capital: Denver raises $8.6 million from investors for the SIB, which provides payouts based on permanent supportive housing outcomes. The city projects that the program will yield a savings of $3 million–$15 million over five years; investor returns, meanwhile, are capped at $11.42 million over five years.
- Utilizing Low-Income Housing Tax Credits (LIHTC): To fund new unit construction costs, the city secures $2.7 million per year in low-income housing tax credits ($27 million over 10 years). City and state partners, including the Colorado Housing Finance Authority, the Colorado Division of Housing, and Denver Housing Authority, also provide $3.2 million in gap financing for capital construction.
- Using Medicaid funds to pay for health services: Medicaid reimbursements cover a significant portion of the costs for Assertive Community Treatment service providers (ranging from 15%–90%, depending on the provider).
- Successful interim evaluations lead to direct public investment: With Urban Institute quarterly reports underscoring strong results, Denver builds the political and fiscal will necessary to invest up to $3 million annually in the program, rather than paying a premium for investment capital.

Implementing the Plan

- Partnerships across sectors: The Mayor’s office partners with the city’s housing authority, the Denver Crime Prevention and Control Commission, and two local service providers to build out a budget and raise capital. The program also contracts with the Urban Institute to evaluate program effectiveness via randomized control trial.
- Hiring staff: The program makes a series of hires at CCH and MHCD to staff the SIB teams, including on-site resident service coordinators to liaise between property managers and service providers.
- Confronting outreach and recruitment challenges: In order to reach a highly targeted list of eligible participants, the program deploys multiple methods, such as an outreach team and data from multiple sources, including photographs, police mapping systems, and community tips.
- Building support from public leaders and Denver residents: To further boost community support, homeless service providers and other coalition partners engage regularly with Denver City Council Members and hold public forums.
THE PROCESS, CONTINUED

Measuring & Refining the Approach

- Interim evaluation findings lead to direct public investment: As a result of consistently positive interim evaluations from the Urban Institute, Denver commits direct resources to expand and maintain SIB-funded supportive housing services. The City’s payments to providers are still directly tied to the outcomes.
- Wraparound services for residents: As residents established long-term residency in their housing units, providers used programming to promote community-building and personal accountability, including resident councils, communal meal preparation, and discussions about employment and vocational education opportunities.
- Data collection from all parties: Many program partners and public agencies collect data, allowing for evaluation and city savings calculations. This includes homeless service providers contributing housing stability and resident progress data and Denver’s Department of Public Safety sharing jail-bed day data for program participants.
- Final results of randomized control trial: The Urban Institute signs on as an independent evaluator to administer a randomized control trial; the organization has issued quarterly interim reports since October 2017, with a final report set for July 2021.
1. Interim evaluation of Denver Supportive Housing Social Impact Bond Initiative: 
   https://www.urban.org/sites/default/files/103165/denver-supportive-housing-social-impact-
   bond-initiative-housing-stability-payments_0.pdf

2. Metro Denver Homeless Initiative point-in-time reports: 
   https://www.mdhi.org/pit_reports

3. Urban Institute 2020 Denver report: 
   https://www.urban.org/sites/default/files/103165/denver-supportive-housing-social-impact-
   bond-initiative-housing-stability-payments_0.pdf

4. Colorado Coalition for the Homeless SIB Fact Sheet: 
   https://www.csh.org/wp-

5. Denver 2021 Action Plan: 
   https://www.denvergov.org/content/dam/denvergov/Portals/housing-

6. Denver Housing Authority 2021 Budget: 
   http://www.denverhousing.org/aboutus/financialreports/Documents/2021%20Budget%20Docu-
   ment.pdf

7. Department of Housing Stability website: 
   https://www.denvergov.org/Government/Departments/Department-of-Housing-Stability/About

8. Denver Housing First Collaborative profile: 
   https://www.csh.org/resources/denver-housing-first-
   collaborative-dhfc/

9. Government Performance Lab: Denver Permanent Supportive Housing Pay for Success: 
   https://govlab.hks.harvard.edu/denver-permanent-supportive-housing-pay-success

10. Denver Business Journal report: 
    https://www.bizjournals.com/denver/news/2017/10/30/denver-
        investors-help-200-people-off-the-streets.html

11. Denver Department of Finance release: 
    https://www.csh.org/wp-

12. Urban Institute Evaluation & Research Design: 
    https://www.urban.org/sites/default/files/publication/79041/2000690-Denver-Supportive-

13. Urban Institute 2018 interim report: 
    https://www.urban.org/sites/default/files/publication/99180/denver_supportive_housing_social-
    _impact_bond_initiative_3.pdf

14. Urban Institute: Interim lessons from Denver’s Social Impact Bond Initiative: 
    https://www.urban.org/sites/default/files/publication/101165/maintaining_housing_stability_int-
    erim_lessons_from_denvers_expansion_of_supportive_housing_fact_sheet_2.pdf

15. Urban Institute first interim report: 

16. Executive order creating Department of Housing Stability: 
    https://www.denvergov.org/content/dam/denvergov/Portals/executiveorders/145-
    Department_Of_Housing_Stability.pdf
RESOURCES

- Ongoing evaluation reports of the Denver Social Impact Bond by the Urban Institute
- Pay for Success overview from Harvard’s Government Performance Lab
- Department of Housing Stability overview and video
- Assertive Community Treatment overview

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THE ECONOMIC MOBILITY CATALOG

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