With support from The Denver Foundation and engaged philanthropists, an innovative approach to addressing chronic homelessness in Denver found success on many levels.
THE OPPORTUNITY: INVEST FOR IMPACT

In 2016, The Denver Foundation was given the opportunity to participate in funding a unique program to address chronic homelessness in Denver. Run by the City and County of Denver, the Denver Supportive Housing Social Impact Bond initiative (Denver SIB) took a new approach to funding: a pay-for-success loan model. Eight organizations, including the Foundation, invested funds totaling $8.6 million, with the hope that over the next five years, the program would be deemed a success and each investor would receive their money back, plus an additional payout from the city.

To make the impact investment, The Denver Foundation partnered with donors. Sarah Harrison, the Foundation’s Special Advisor for Engaged Philanthropy, describes it as “an innovative way to partner with our donors for impact on a serious social issue.” The Foundation contributed $250,000 from the existing Impact Investment Fund and raised a matching $250,000 from donors, for a total contribution of $500,000, the minimum investment the city would accept.

The Foundation’s involvement enabled individual donors to support the Denver SIB, contributing gifts starting at $500 and investments starting at $10,000.

For donors like the Kuehner family, contributing to the Denver SIB aligned with their desire to help people facing homelessness and find a better solution for homelessness in Denver. They were interested in what the results of the experiment would be and excited they could play a part.

“We have found the Denver Foundation a wonderful asset for us in our little family fund,” says Betty Kuehner, who gave through her family’s donor-advised fund. “We are not a major philanthropic agency, so just to be able to have a charitable fund is one of the benefits that they offer for small donors like we are — and then being able to pool our money in this kind of a project. We wouldn’t have been a major contributor to it at all … but we were able to pool our resources [and support the SIB].”

“*We have found the Denver Foundation to be a wonderful asset for our family fund. For small donors like we are, being able to pool our money in this kind of a project is very gratifying. We wouldn’t have been a major contributor to it at all, but we were able to pool our resources with others and support the SIB.*”

BETTY KUEHNER, DONOR

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$250,000 out of the Impact Investing Fund

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Matching $250,000 raised from TDF donors in new gifts or loans to the Impact Investing Fund

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Total $500,000 contribution

$500,000

Contributed from the Denver Foundation

$8.6 million

Total SIB Investment

Expected payout from the city: $9.6 million

Expected payout to TDF: $558,139

The Denver Foundation’s contribution was pooled with funds from seven other investors and lent to the city for the program. The funds were managed by Denver PFS LLC, an intermediary entity set up and operated by the Corporation for Supportive Housing (CSH) and Enterprise Community Partners (ECP). Denver PFS LLC distributed the funds to the program’s service providers, Colorado Coalition for the Homeless and Mental Health Center of Denver.

The program was evaluated by the Urban Institute, an independent third party, which found that the majority of people referred to the program accepted the offer and remained housed. Participants also had fewer interactions with the criminal justice, detox, and emergency services systems. The Urban Institute’s positive evaluation means the city will repay all investors with interest, and The Denver Foundation will be able to reuse the funds for other impact investments and grants.
Homelessness is a longstanding and growing need in Metro Denver, exacerbated by the increasing cost of living, lack of affordable housing, and over the last year, the COVID-19 pandemic. From 2016 to 2020, data from the Metro Denver Homeless Initiative showed a 15% increase in the number of homeless people in Denver County — and a 119% increase in the number of people experiencing chronic homelessness.

<table>
<thead>
<tr>
<th>Year</th>
<th>All other people experiencing homelessness</th>
<th>People experiencing chronic homelessness</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3,080</td>
<td>551</td>
</tr>
<tr>
<td>2017</td>
<td>2,635</td>
<td>701</td>
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<tr>
<td>2018</td>
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<td>991</td>
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<tr>
<td>2019</td>
<td>3,137</td>
<td>806</td>
</tr>
<tr>
<td>2020</td>
<td>2,962</td>
<td>1,209</td>
</tr>
</tbody>
</table>

Total & Chronic Homelessness in Denver County
THE PROGRAM: SUPPORTIVE HOUSING FOR THE CHRONICALLY HOMELESS

Chronic homelessness is defined as being without a home for at least one year, or episodically over a span of time. Often, due to local laws that disproportionately impact homeless people, people experiencing chronic homelessness spend time in and out of jail, “a cycle that affects their health and well-being and does not address the underlying causes of homelessness,” according to the Urban Institute. Before launching the SIB, the city estimated that 250 people experiencing chronic homelessness in Denver cost the city $7.3 million per year, due to time in jail and interaction with systems like detox and emergency care. In addition to being a major cost to taxpayers, this cycle does not solve the root causes of chronic homelessness.

HOW THE PROGRAM WORKED

The Denver SIB tested a different solution for chronic homelessness: supportive housing.

Rather than requiring participants to meet certain pre-conditions (such as sobriety or employment) in order to qualify for housing, the program specifically approached individuals experiencing chronic homelessness and offered them housing up front. It also provided transportation assistance, mental health and substance use services, vocational services for those able to work, assistance navigating the criminal justice system, and other services that participants could take advantage of at will — all in an effort to provide a foundation for participants to improve their lives.

Before the program launched in early 2016, 363 individuals were randomly selected for referral to the SIB. “Eligible individuals were defined as those who had eight or more arrests over three years, including at least three arrests where the individual was marked as transient, meaning they had no permanent address at the time of the police contact,” according to the Urban Institute. Another 361 individuals meeting the same criteria were randomized into a control group to compare outcomes of the program. The Urban Institute tracked participants through the end of 2020 for its program evaluation.

“If I was still on the street, I would have never been able to get on my feet. I just believe that if people had compassion, like in the Social Impact Bond, a lot more people in Denver would be off the streets.”

WALTER, A PROGRAM PARTICIPANT SINCE OCTOBER 2020, As quoted in The Denver Gazette
The housing-first model found remarkable success, both in long-term housing stability for participants and in reducing participants’ interaction with the criminal justice, detox, and emergency medical systems. Most statistics provided below represent a comparison to the control group.

**HOUSING**

Of 363 individuals in the treatment group most stayed housed long-term.

- **86%** remained in stable housing after one year
- **81%** after two years
- **77%** were housed after three years

Program participants received **559** more days of housing assistance and made **40%** fewer visits to shelters.

**CRIMINAL JUSTICE**

Program participants had **34%** fewer police contacts and **40%** fewer arrests.

They spent **34** fewer days in jail.

Although arrests still took place, there were fewer arrests commonly associated with homelessness, such as trespassing, drug or narcotics violations, liquor law/drunkenness, and other low-level crimes. Participants were less likely to be a suspect or arrested when interacting with the police, and they were less likely to have a police interaction because of illegal camping, acting suspicious, or being around a residence, business, or alley (among other reasons).

**DETOX**

**65%** Reduction in use of detoxification services

**COST SAVINGS**

**$6,876 per person**

Average emergency public services costs saved through reduced interactions with jail, ambulance, and emergency departments.

A detailed report of findings can be found at the Urban Institute’s website, urban.org.
LOOKING AHEAD

Denver has an ongoing need for innovative efforts to combat homelessness, and the Denver SIB showed one hopeful path forward. The Denver Foundation remains engaged to address affordable housing and homelessness in our local community. Housing is one of the funding priority areas under the Foundation’s Community Grants Program, and we are providing opportunities for our fundholders to learn more and engage deeply on this issue with nonprofit partners.

Through our Impact Investing program, The Denver Foundation makes direct investments in ideas, programs, and initiatives that support our community in innovative ways. We invite donors and fundholders to partner with us as funders and impact investors.

- The Denver Foundation makes direct debt and equity investments in social enterprises and intermediaries across Metro Denver. These impact investments reflect priorities under the Foundation’s new Strategic Framework, especially those that support economic opportunity and address the challenges of affordable housing.

- The Denver Foundation supports donors and fundholders who have an interest in impact investing as part of their philanthropic plan. Our Engaged Philanthropy team is here to provide advice, due diligence, monitoring, and pipeline development.

- Donor-advised funds are excellent tools for catalyzing program-related investments (PRIs). Recent PRIs include a low-interest loan to a local museum, pay-for-success bonds for education initiatives, and direct investment in affordable housing.

- Nonprofit organizations may have an interest in developing their own impact investment opportunities, especially as a supplement to more traditional forms of fundraising and development. The Denver Foundation informally coaches local nonprofits and grantees about impact investing, and can provide resources, Technical Assistance, and start-up grants.

To learn more about impact investing opportunities with The Denver Foundation, please contact Ben Perry, Director of Philanthropic Advisor Programs, bperry@denverfoundation.org.