

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Denver Unveils Social Impact Bond Program for Homelessness.**

I can't remember a time when people in Denver haven't wrung their hands about homelessness or it wasn't part of the city's persona. It's just moved around.

Larimer Street used to be Denver's Skid Row. Now it's home to tony shops and posh restaurants.

But really, the population just moved. It didn't really go away.

The 16th Street Mall is a magnet for homeless people today. The concentration of homeless people and panhandlers there makes it seem Denver has a bigger problem with homeless people than New York City, which is ridiculous, of course. It's just more visible.

But there's no getting around the fact that it's bad for business. For tourism. For the city's image.

A couple of years ago, frustrated by the number of people still on the streets at night, the city passed a controversial anti-camping ordinance, which enraged homeless advocates.

I'm told there hasn't been a single ticket issued under the anti-camping ordinance. This week, the Denver City Council okayed \$1.8 million for more police on the 16th Street Mall, but the chief was warned by several members of council that the money was not to be used to hassle homeless people in downtown Denver.

As one city official told me, it's almost as if homeless advocates and their supporters in government have romanticized homelessness. And when something is romanticized, logical thinking is put in jeopardy.

A lot of smart, compassionate people have tried to solve this problem. But compassion might be part of the problem.

A decade ago, Denver's Road Home made it a goal to eliminate homelessness, by getting the hardcore homeless into dwellings of their own. That, says everyone, is the key to breaking the cycle. But finding permanent housing for the effort proved difficult.

What's needed is some hard-nosed business thinking. And, at long last, it looks like we're about to get some.

The city of Denver Wednesday unveiled a new program that aims directly at the 250 to 300 people identified as "chronically homeless" on the street for 10 years or more with substance abuse and mental health issues. Caring for this population costs as much as \$50,000 a year per person when you add up emergency room visits, detox, police, etc.

At the Clinton Global Initiative gathering in Denver Wednesday, Mayor Michael Hancock unveiled a new strategy. The city will partner with private and institutional investors, foundations and social welfare organizations on a program to put private money to work on the homeless problem.

The so-called “Social Impact Bond” program will work like this: Investors will provide upfront financing for organizations that build housing, provide mental health, case management and other services to the hardcore homeless population.

The investors will be paid back by the city from the savings realized when, theoretically, this 250-300 of the most chronically homeless aren’t arrested and jailed, or dumped into detox or patched together in the emergency room.

Cary Kennedy, the city’s chief financial officer, said Denver will be one of the first cities to try this approach and she’s optimistic it can break the cycle of homelessness for this population.

“It provides a tool to redirect city tax dollars that are currently going to a very inefficient and failing system for these individuals as they bounce from jail, to the police to detox,” Kennedy said.

What’s new about it? It’s the relationship between the investors and the providers of housing and mental health services. It’s in the investors’ interest to find providers who are successful dealing with this population, or they don’t get paid because the city only pays if it realizes savings from reduced use of city services by this population, Kennedy told me.

“The cost savings becomes the source for paying back investors,” Kennedy said. “The investors have a contract (with providers) based on actual savings. We are paying only if the providers are successful.”

“The investors have a real stake in partnering with providers that have a track record of success.”

In announcing the program, Hancock it makes no sense “to continue paying the high cost of the ineffective remedial and emergency care systems when we can invest in proven programs that will set these individuals on a healthier path.

“Now is the time to break the cycle from streets, to emergency rooms, to jails and back to the streets and replace it with a long-term solution,” Hancock said.

The initial goal is to raise over \$8 million to begin providing services in 2015.

I’ll keep you posted on the progress of this effort, which is pretty exciting. Let’s hope it works.

Neil Westergaard  
Editor-  
Denver Business Journal

Neil Westergaard is editor of the Denver Business Journal and writes for the “17th & Lincoln” blog.  
Phone: 303-803-9220.