# **Pay for Success:**
# Opportunities and Challenges in Housing and Economic Development

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July 2017

A paper submitted to Harvard's Joint Center for Housing Studies
and NeighborWorks America

JCHS
Joint Center for Housing Studies
of Harvard University

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## Executive Summary

Pay for Success (PFS) initiatives have received widespread attention in the United States in the past several years. These outcomes-based projects hold great promise, especially as they compel service providers and government entities to focus on the results of an intervention. Yet because their complexity makes them at present difficult to structure and finance, PFS projects are likely to be useful only in limited circumstances; the PFS model should therefore be used judiciously and carefully. However, the interest in and discussion about PFS projects has highlighted approaches that could be carried out by the public sector without the structure of PFS arrangements.

This report provides a basic explanation of the design, structure and process of a Pay for Success (PFS) project. It then describes how existing PFS projects have been structured, and reviews current PFS projects in the housing and community development field. Finally, the report provides a framework for assessing benefits and costs of PFS projects for practitioners in the housing and community development fields.



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### *Acknowledgments*

*I am grateful to my NeighborWorks America advisors, Thomas Deyo and Frances Ferguson, for their excellent guidance throughout the research process and especially in the initial development of the paper. I would also like to thank Alexander von Hoffman and David Luberoff for their patient support, guidance, and edits. Finally, I want to acknowledge the many talented professionals who contributed to the clarity and depth of information needed to prepare this report. A list of those interviewed is included at the end of this report.*

# Pay for Success: Opportunities and Challenges in Housing and Economic Development

## Introduction: What are PFS projects and what are they supposed to do?

Pay for Success is a broad name for outcome-based contracting[1] in which a public entity contracts with a nonprofit or private service provider. The provider is paid later if it produces agreed-upon results. In return, it gets much more latitude than usual in how to allocate its resources among a variety of programmatic activities. However, unlike in typical public-sector programs, the provider does not get funding up front from the public entity, so other investors must provide upfront capital. Those investors must take on the risk that the provider will not achieve promised outcomes and, therefore, won't be paid.[2] PFS approaches are thus often marked by fairly complex financial arrangements as well as fairly intensive evaluation procedures. Those considering PFS approaches must therefore balance the magnitude and likelihood of expected savings or improved outcomes against what have turned out to be fairly high transaction costs associated with establishing and monitoring such programs.[3]

The growing interest in PFS projects is due to the funding mechanism's potential to shift the focus of service provision from inputs to outputs. That is, it has the potential to overcome the common problem of funding a series of programs without a good conception of how the program might affect the target population. Social service programs are traditionally assessed by tracking inputs (e.g., by tracking how many people were served by an intervention). In some instances, service programs track outputs (e.g., how many people got jobs), but the focus of the metric is still on how one specific thing (e.g., job training) contributed to that outcome when, in fact, success is likely due to a combination of factors (e.g., a combination of training, housing assistance, and childcare). It is difficult for the public sector to develop and then evaluate multi-pronged approaches, particularly when these approaches cut across bureaucratic and institutional boundaries. PFS projects, then, are especially promising in cases where the cost of the

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[1] Within the impact investment market, Social Impact Bonds (SIBs) have been generating worldwide interest since the world's first SIB was launched in 2010 at Peterborough Prison in England. When SIBs were first rolled out in the United States, they were introduced under the label "Pay for Success," and the terms came to be used interchangeably. While PFS has come to be understood as a broad name for outcome-based contracting, SIBs are one type of financial arrangement through which a PFS contract might be funded.

[2] Hanna Azemati et al., "Social Impact Bonds: Lessons Learned so Far," *Community Development Investment Review* 9 (2013): 23-33, http://www.frbsf.org/community-development/files/social-impact-bonds-lessons-learned.pdf.

[3] Neil McHugh et al., "Social Impact Bonds: A Wolf in Sheep's Clothing?" *Journal of Poverty and Social Justice* 21 (2013): 247-57.

intervention is funded by a different government entity than the one that benefits from savings due to the intervention. For example, a successful intervention that keeps kids in school (an education cost) might reduce future incarceration (a criminal justice cost).[4]

Another reason for the growing interest in PFS projects has to do with the perceived advantage for the public sector: if the program does not work as promised—for example, if an intervention does not reduce the number of children who are below a certain reading level—the government does not have to pay the investor. In that case, the investor has risked money and lost. If, on the other hand, the program meets its goals, the public sector still gains by saving in longer-term costs (in the example above, providing special education for a smaller number of children).[5]

In addition to overcoming the bureaucratic obstacles described above, PFS programs have also been promoted as a means to increase accountability and evidence-based decision-making in government and to decrease dissatisfaction with social welfare programs that appear not to be working.[6] These broad goals can be attained through PFS programs, proponents argue, because PFS is well suited to achieving a number of intermediate objectives upon which the larger goals depend. These intermediate objectives include:

- *Breaking down government funding silos:* PFS models can help facilitate the transfer of funds from one use to another if the other use is seen to reduce the cost of service from the original use. For example, if it costs less to house an incarcerated person in a facility with reform services than in prison, then the cost of the prison system goes down and the funding for the alternative goes up.[7] Frequently, one agency or level of government pays for a program that produces benefits in a separate agency or level of government. For example, a local diabetes program can produce Medicaid savings at the federal level, or a family rehousing program can bring about reduced costs in the foster care system. With PFS contracts, private funders can work to deliver a social program with one government partner, and then seek payments for success from another.

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[4] Jeffrey Liebman and Alina Sellman, "Social Impact Bonds: A Guide for State and Local Governments," Harvard Kennedy School, Social Impact Bond Technical Assistance Lab, June 2013, http://projects.iq.harvard.edu/files/siblab/files/social-impact-bonds-a-guide-for-state-and-local-governments.pdf.

[5] Annie Dear et al., *Social Impact Bonds: The Early Years*, Social Finance, July 2016, http://www.socialfinance.org.uk/wp-content/uploads/2016/07/SIBs-Early-Years_Social-Finance_2016_Final3.pdf.

[6] Liebman and Sellman, "Social Impact Bonds."

[7] Ibid.

- *Providing incentives to innovate*: Because PFS arrangements are structured around outcomes rather than pre-specified services, social service providers (in theory) have increased flexibility in how they deliver services. As they compete for PFS payments, service providers have an incentive to develop new ways to address social problems—ways which they might not attempt if they were held responsible for a prescribed set of grant activities. Governments also have more flexibility because they are potentially able to fund a wider array of innovative programs that would not otherwise be eligible for reimbursement.[8]

- *Providing the impetus to improve administrative data systems*: PFS contracting works well with databases that are already generated as a byproduct of administering government functions. By creating formal contractual linkages between financial payments and rigorous measures of outcomes, PFS creates an economically compelling reason to develop more reliable and inexpensive sources of ongoing administrative data. Placing emphasis on data collection and use can also drive service providers to make greater use of data, as well as improve the quality of the information they report.[9]

- *Increasing access to private talent*: SIB transaction coordinators and funders become deeply involved in PFS public and private partnerships, and bring expertise in due diligence, project structuring, project management, impact evaluation, computer science, communications, and financial reporting. These functions may be lacking in federal, state, and local government agencies, which are hampered by reduced staffing levels due, in part, to diminishing levels of government funding. Importantly, these private stakeholders have financial stakes that are aligned with the goal of generating superior social outcomes for families and communities in need.[10]

- *Improving the allocation of social spending resources*: By paying only for programs that work, the PFS model is supposed to use taxpayer dollars more efficiently, typically in three ways. First, it uses the money to create new spending streams that are rigorously justified by cost-benefit analysis. Second, the mix of

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[8] David Butler, Dan Bloom, and Timothy Rudd, "Using Social Impact Bonds to Spur Innovation, Knowledge Building, and Accountability," *Community Development Investment Review* 9 (2013): 53-58, http://www.mdrc.org/sites/default/files/SIB_SFFedReserve.pdf.

[9] Ibid.

[10] Dear et al., "Social Impact Bonds."

expenditures is shifted within existing spending streams away from programs that are not effective and toward those that bring about the greatest levels of impact per dollar spent. Third, the PFS model discontinues spending on programs with no discernable level of impact (in which case PFS payments are not made).[11]

- *Transferring financial risk*: By transferring the financial risk of program underperformance to private SIB funders, PFS helps to increase government willingness to test social innovations. Similarly, because PFS loans are "forgiven" if social outcomes are not met, PFS arrangements insulate vital service providers from financial risk.[12]

- *Providing access to capital for start-up costs*: Many government agencies, whether at the federal, state, or local level, simply do not have near-term funding available to provide the working capital needed to launch innovative initiatives. The PFS approach taps into private sources, including for-profit and philanthropic, making it possible for government officials to launch initiatives that offer promising economic and social returns that would otherwise not be realized.

- *Creating projects that are both fiscally conservative and socially progressive*: PFS has a natural, broad appeal in that it both increases the degree of accountability associated with government spending (which is a common concern of more conservative voices) and focuses investment toward the improvement of social outcomes (a common concern of more liberal voices).[13]

- *Creating projects that outlast typical political time frames*: The multiyear time frames associated with most PFS initiatives often outlast the terms of elected government officials, making it possible to tackle social problems and implementation challenges that require long periods of focus. The presence of private SIB funders is often critical to the continuity and completion of these multiyear projects.[14]

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[11] Liebman and Sellman, "Social Impact Bonds."

[12] Butler, Bloom, and Rudd, "Using Social Impact Bonds."

[13] Jeffrey Liebman, "'Pay for Success' in the UK and the US," *Oxford Government Review* 1 (2016): 50-52, http://govlab.hks.harvard.edu/files/siblab/files/bsg-oxfordgovernmentreview.pdf

[14] Ibid.

***Current Projects***

More than 40 PFS projects (or SIBs, as they are known in other places) are underway around the world funding diverse social service programs and interventions.[15] Currently, eleven PFS projects are operating in the United States in various service areas, including early childhood education, supportive housing for people experiencing homelessness (in Santa Clara County, California, and Massachusetts), rapid housing for homeless mothers to reduce foster care placement of their children, and young adult recidivism programs. The first SIB in the US, a New York State program to increase employment and reduce recidivism among ex-offenders, has now ended.[16] Many more projects are in the planning stage, and an increasing number of state and county governments are releasing requests for proposals for PFS contracts in increasingly diverse issue areas.

Though the concept behind PFS models appears to be straightforward, there are layers of complication that make them difficult to administer. While many social service providers and government entities have embraced the PFS model, it has not been free from criticism. On November 3, 2015, the *New York Times* published a story that critics of the PFS movement saw as proof of their concerns. Initial findings about a highly-promoted SIB-funded early education program in Utah□had claimed it as a great success: 109 out of 110 children avoided special education because of the early education program. However, the *Times* reported that these results had probably been significantly overstated. For critics, the story served as evidence that investors—in this case, Goldman Sachs—would tamper with data to ensure they got paid.[17] Former Assistant U.S. Education Secretary and well-known scholar Diane Ravitch, best known as a strong critic of charter schools, called the initiative an outright "threat," telling readers of her blog to phone lawmakers "at once to stop this money-making scheme."[18] Though PFS is not necessarily a "money-making scheme," worthwhile questions have been raised about the model's effectiveness in meeting its objectives. These questions will be reviewed in the final section.

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[15] Dear et al., "Social Impact Bonds."

[16] Dana Archer-Rosenthal, "Pay for Success: The First Generation," Nonprofit Finance Fund, April 2016, http://www.payforsuccess.org/sites/default/files/resourcefiles/Pay%20for%20Success_The%20First%20Generation_0_0.pdf.

[17] Nathaniel Popper, "Success Metrics Questioned in School Program Funded by Goldman," *New York Times,* November 3, 2015, https://www.nytimes.com/2015/11/04/business/dealbook/did-goldman-make-the-grade.html.

[18] Diane Ravitch, "Warning! ESSA Threatens Special Education," Diane Ravitch's blog, December 2, 2015.

## How does a PFS work in practice?

Though PFS programs seem straightforward, there are many layers of complicated details involving intermediaries, financial stipulations, and an evaluator to determine if the program or intervention has met the agreed-upon goal. PFS projects rely on the partnership and robust participation of many sectors: government, nonprofit, private, philanthropic, and academic. Organizations or companies with expertise or experience that translates directly to the PFS project fill most project roles. However, there is still a significant learning curve for all parties involved to understand the PFS model and its applicability in the local context, establish shared goals, and find a common language to negotiate project terms. The various stakeholders interact throughout the process to raise funds for the intervention, agree both on a financing and repayment structure and on evaluation criteria, evaluate the effect of the intervention on recipients, and determine if repayments will indeed be made.

Most PFS activity is at the state, county, or local level. To date, no project has had a federal agency as the payer. After an initial scoping process to explore whether a PFS program would be feasible, a government entity typically releases a request for proposal (RFP) to which providers respond. Funders willing to invest in upfront costs are secured either before the RFP is released or once a service provider has been identified. The main differences between PFS and other service delivery programs arise at several stages of the intervention: development, financing, service delivery, evaluation, and repayment.

***Development***

The project development process is long and time-intensive. To manage the complex project development process, most projects include a transaction coordinator. The scope of duties of a transaction coordinator often include: general project management and stakeholder engagement; definition and valuation of target outcomes and success payments; evaluation design; structuring and raising investment capital; development and negotiation of project contracts and investment agreements; and development of program operational plans and repayment schedules. Transaction coordinators also often conduct the initial feasibility assessment to determine the viability of the PFS model for a particular issue area, organization or geography. Social Finance, Inc. and Third Sector Capital Partners, Inc. are both early proponents of the PFS model in the United State and have developed their nonprofit models around filling the transaction coordinator role. But the transaction coordinator role has also been filled, in whole or in part, by community development financial institutions (Enterprise Community Partners, IFF and Corporation for Supportive Housing), philanthropies (United Way organizations in Utah and Massachusetts), and a research and evaluation organization (MDRC).

Transaction coordinators are typically compensated for their services during the project development phase. Payment may come through a contract with either the government sponsor or the service provider, or in some cases with philanthropic support.[19] Alternately, some transaction coordinators are pursuing a model of being paid retroactively—instead of getting paid during the development phase of the project, they get paid at project launch once the capital has been raised. This model is typical in traditional structured finance and real estate development deals, so it is familiar to many investors and financial intermediaries. Further, for some PFS leaders, this arrangement is a way to make the field more self-sustaining and not as reliant on philanthropic funding. One innovation in the project development phase are construction loans developed by Living Cities, a philanthropic collaborative of the world's largest foundations and financial institutions that makes and facilitates impact investments in cities around the country. These loans provide funding for project development costs and are then repaid with investment secured for the project. The construction loan has been used in three projects currently under development.[20]

A critical part of the project development and implementation phases has been support from the Harvard Kennedy School's Government Performance Lab, which has provided technical assistance to most early projects. The Government Performance Lab (formerly the Harvard Kennedy School SIB Lab)[21] offers a technical assistance model that embeds a full-time staffer within government to provide expertise on the PFS model as well as added capacity for data analysis, project design and evaluation. Government Performance Lab fellows also act as liaisons and coordinators for day-to-day activity during the exploration, feasibility assessment and/or transaction structuring phases of project development, thus providing critical focus to the project in the capacity-constrained environment of government, where competing political priorities can make it difficult for staff to devote time to PFS. The work of the Government Performance Lab and its fellows has been supported by philanthropy since its inception and more recently

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[19] Mildred Warner, "Private Finance for Public Goods: Social Impact Bonds," *Journal of Economic Policy Reform* 16 (2013): 303-19, http://dx.doi.org/10.1080/17487870.2013.835727.

[20] Interview with Eileen Neely, Director of Capital Innovation, Living Cities, June 16, 2016.

[21] Jeffrey Liebman, who wrote about Social Impact Bonds early on and served as Executive Associate Director, Chief Economist, and Acting Deputy Director at the Office of Management and Budget during the first two years of the Obama Administration, serves as the director of the Lab.

by the federal Social Innovation Fund, and has served as an in-kind contribution to early projects.[22]

### *Financing*

The pool of investors in PFS projects to date is small, with some repeat investors. However, the pool includes a range of investor types, which can broadly be categorized as:

- Those who see an opportunity to get a good return on capital and don't care about social mission. This type likely would include traditional private investors
- Private investors (institutional and/or individual) as well as nonprofit entities looking to get at least a modest return on their investment. These investors don't want to just give money away or lend it at zero interest, but they are not demanding market-like returns.
- Nonprofits and some private investors willing to get almost no return, but happy to get their money back; they prefer this approach to typical grantmaking.

The investors in all of the above three categories have included: commercial banks, private, corporate and family foundations, philanthropic intermediaries (mainly United Ways), community development financial institutions (CDFIs), and high net worth individuals. High net worth individuals and institutional investors seeking impact investment opportunities remain largely untapped as sources of capital.[23] The relatively small size of investments and lower rate of returns may be an impediment to attracting these types of investors, as well as other sources of commercial investment. A next frontier of this work may be to create pools, or portfolios of projects, which could absorb larger infusions of capital and spread money (and risk) over multiple projects. But such pools would require a robust pipeline of projects, and would also create additional administrative and management costs.[24]

Most PFS projects to date have involved multiple investors, and the most common arrangement emerging is a layered capital stack with investments divided into senior and subordinate positions. Traditionally, senior investors in other sorts of project have their capital repaid first and thus bear less risk than subordinate lenders; in exchange

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[22] Harvard Kennedy School, "The Government Performance Lab," http://govlab.hks.harvard.edu/gov-lab.

[23] Archer-Rosenthal, "Pay for Success."

[24] Ibid.

for this lower risk position, they are compensated with a lower rate of return. Subordinate investors are compensated with higher returns for agreeing to be repaid only after the senior investors. In PFS financing, this model changes: most subordinate investors are bearing more risk by accepting repayment after senior investors, and a lower rate of return. (Generally, these subordinate investors have been philanthropic entities supportive of the PFS effort.)[25]

There is little precedent or methodology for adjusting financial returns according to risk for social service program outcomes. As a result, the distinctions between senior and subordinate investors on projects to date have been negotiated and reflect the relative differences in risk tolerance among different investors. Most deals to date have offered relatively modest returns for all investors, so the real distinctions between investor classes have been around priority and timing of repayment. In PFS projects in Santa Clara County and Denver, payments have been based on different outcomes: one class of investor will be repaid on a shorter (and presumably less risky) success metric of housing stability, which is presumed to be a safe proxy for longer-term positive impacts.[26]

PFS financing can be designed to leverage other public resources by competing for these resources or advocating for their use as part of a PFS project. Notably, the five most recent projects have relied on the leveraging and targeted use of public resources in the forms of housing subsidies and vouchers and of Medicaid-funded health services. Thus, the project budget for achieving the target outcomes is larger than the capital raised through the PFS financing mechanism. However, the financial modeling for the project—and the amount of money eligible for repayment—is limited to the capital raised from private sources.

***Service Delivery***

The working capital then goes to service providers. The mechanism for bringing service providers into almost all projects to date has been a government procurement process, usually in the form of one or more requests for proposals to solicit the services of a transaction coordinator and a lead service provider. PFS offers service providers the opportunity to deepen impact and advance their missions by accessing hard-to-come-by capital for organizational growth and innovation. However, participating in a PFS project demands a lot from a service provider. To date, service providers that have been selected

[25] Megan Golden, "Pay for Success in the US," Institute for Child Success, December 2015, https://www.instituteforchildsuccess.org/publication/pay-success-us-summaries-financed-projects-april-2016/.

[26] Social Impact Bond Contract Between the City and County of Denver and Denver PFS, LLC, February 2016, http://www.csh.org/wp-content/uploads/2016/01/DenverSIBContract.pdf.

for PFS projects have been predominantly single-issue or single-model organizations with decades of experience in implementation, and many have invested years developing and refining their service delivery models, performance management, data collection systems, human capital, and strategic planning.[27] However, though these organizations have focused on single issues, they have often focused on a variety of inputs needed to address those issues. For example, an entity working to reduce homelessness would provide housing and social services, which have typically received at least some public funding from two different bureaucracies overseen by two different sets of legislative committees.

Many service providers feel that in PFS projects, the bar is too high, and that most service providers will not be able to meet these standards. Thus, there is a danger that PFS will become an option for only the smallest number of organizations and will thus perpetuate an inequity in the social service sector. There are a handful of projects proposing a collective impact approach, whereby multiple service providers are able to offer a more comprehensive set of services.[28] Multi-provider models do create an added layer of work in the project development and management phases, as there must be a uniform process for eligibility assessment, recruitment, and referrals, as well as centralized systems for data management.[29]

In most cases, services provided with PFS funds are nearly identical to 'business as usual' for service providers. However, the recruitment or enrollment process for program participants often relies on a new or deepened partnership with government on the front end of service delivery. Increasingly common in PFS projects is a ramp-up period that gives project partners a chance to operationalize and refine systems for referrals, enrollments, randomization (if there is an RCT evaluation), and data tracking, or to phase in services until the project reaches the target scale. Ramp-up periods take different forms: they can be either before or after formal project launch; they can be funded as part of the PFS transaction or separately by philanthropy; and individuals served may or may not be included in the project evaluation.[30]

Most projects have both an operational and an executive oversight committee whose members include representatives of key government agencies and sometimes key non-governmental entities as well. The operational oversight role focuses on regular

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[27] Warner, "Private Finance for Public Goods."

[28] Archer-Rosenthal, "Pay for Success."

[29] Ibid.

[30] Warner, "Private Finance for Public Goods."

monitoring of project progress. This can include review and troubleshooting of operational components of the project, and identifying and implementing any necessary course corrections. An executive or steering committee that monitors project progress through reports made by the project manager or operational committee typically handles executive oversight. The executive or steering committee has decision-making authority (including termination rights) over the PFS project. Though the compositions of the operating and executive committees look similar in terms of the mix of stakeholders represented, there may be differences in who participates; the executive committee is more likely to involve higher-level leaders and political appointees. Investors do not have decision-making power in PFS governance structures. They are, in some cases, allowed access to meetings of the operations or executive committees as non-voting members and typically have project termination rights defined in the PFS contract. Investors may receive reports on project progress as often as monthly.[31]

***Evaluation***

There is no one model or formula to develop outcome metrics: it is different for each project. The intermediary, or project manager, is often the lead contractor with the payer, and contracts directly with the other parties, including the evaluator, providing services or funding to the PFS project. In most cases, the intermediary is the same entity that served as the transaction coordinator. The intermediary typically develops its best baseline estimate and asks for comments from government, investors, service providers and other partners, and adjusts the outcome metrics accordingly. To predict cost savings, the intermediary sometimes partners with an expert on the issue area. For example, the intermediary might establish a contract with an academic entity or a particular scholar with expertise about the topic in question. To assign a value to a project's outcome, intermediaries must connect broad intangible concepts to a financially tangible figure. For example, to determine the value of increased literacy, the intermediary connects a child learning how to read to the government's future cost savings from that child's finding employment and not going to jail. Assigning a monetary value to an intangible subject can be controversial.[32]

One factor that facilitates the expansion of PFS is the proliferation of big data. In the past, service providers had an immature data infrastructure; they relied on rudimentary statistics to evaluate their effectiveness.[33] Based on the much more advanced

[31] Archer-Rosenthal, "Pay for Success."

[32] Ibid.

[33] Liebman, "'Pay for Success' in the UK and the US."

data infrastructure available today, the outcomes of individual participants over five to ten years after implementation can more easily be tracked. Consequently, much more robust studies can be conducted about the effectiveness of interventions.

When conducting the bidding process for a PFS project, intermediaries look for partner organizations with the capacity to handle big data through a well-developed data infrastructure. For the first New York State SIB project, for example, the Center for Employment Opportunities was chosen as a service provider partly because they have a proven record of being good at tracking data.[34] However, because the majority of nonprofits do not have well developed data infrastructures to handle such large data sets, a lot of intermediaries' consulting work is devoted to helping service providers establish such infrastructure.[35] Government entities involved in PFS projects also gain experience in focusing on outcome-oriented data.

***Repayment***

Under a PFS payment structure, the social investor provides capital for the project. If the project succeeds, the government pays the lender their principal,[36] and certain profits will be made depending on the level of success achieved relative to target outcomes. Intermediaries always get paid a project management fee, but sometimes they receive a small success fee from the profit made. Service providers usually do not take a financial risk because they are already taking a reputational risk, contingent on the success of the project.

Repayment may be based on observed differences between the project's treatment and control groups, or on outcomes observed for individual participants served. The timing of investor repayment varies based on the type of outcome, evaluation methodology and investor class. Most PFS projects have service delivery periods in the range of four to six years, but the horizon for investor repayment is often longer because the period of observation over which to measure the target outcomes extends longer. Rates of return may also vary according to level of outcome achievement. There is no standard methodology for calculating investor return, and the methodology for doing so is agreed upon through investor contracts, which are not available to the public. In

[34] It could also be the case that successful organizations – especially those that use multi-pronged approaches to address challenging problems – have had to develop good data systems to track their progress. This could mean that the Center for Employment Opportunities had a good track record of success that they could demonstrate because they had a good data system.

[35] Warner, "Private Finance for Public Goods."

[36] While the investment is not necessarily a loan, this is the terminology used by people in the PFS field.

general, rates of return are below market, which can actually be an enabling factor for philanthropies using Project Related Investments (PRIs)—below-market investments for which the repayment or return on equity can be recycled for another charitable purpose.[37] The ability to use RPIs to fund PFS projects creates an opportunity for philanthropies to address key issues in ways that cost less than direct grants.

The Denver project, profiled below, uses different outcomes to trigger repayments to different investor groups. This methodology reflects differences in risk tolerance, and is possible only for interventions in which short-term proxy measures can be linked by strong evidence to longer-term measures of success. In this case, housing stability for one year with minimal interruptions is considered to be a strong indicator of longer-term stability and retention in housing, with the associated benefits of improved health and reduced use of emergency services and criminal justice systems.[38]

For a service provider, the repayment risk for a PFS project differs little from the risk of a multi-year contract with government. Given the newness of the model, addressing concerns that legislators will not appropriate promised funds in the future when payments to investors come due, has been an instrumental part of increasing investor confidence in early projects. The method of accomplishing this has varied by geography, and often requires legislative appropriation. The most common method is a set-aside account or sinking fund, where back-end payments are appropriated in whole or part; failure to do so can be grounds for contract termination in some cases.

## Has PFS been used to address housing-related needs?

All PFS projects to date have clustered in three issue areas: criminal justice and recidivism; early childhood education; and homelessness. These areas of focus reflect several characteristics of the PFS model, as it was originally framed: "to provide upfront sources of capital to fund preventive or early intervention services with the potential to interrupt entrenched cycles of negative social and economic outcomes, and by doing so, realize cost savings to the public sector."[39] Recidivism and homelessness have emerged as leading PFS issue areas for several reasons:

- High costs are incurred by the frequent use of jail, prison, emergency rooms and shelters;

[37] Rick Cohen, "Does 'Pay for Success' Actually Pay Off? The ROI of Social Impact Bonds," *Nonprofit Quarterly*, October 17, 2014, https://nonprofitquarterly.org/2014/10/17/does-pay-for-success-actually-pay-off-the-roi-of-social-impact-bonds/.

[38] Social Impact Bond Contract Between the City and County of Denver and Denver PFS, LLC, February 2016, http://www.csh.org/wp-content/uploads/2016/01/DenverSIBContract.pdf.

[39] Archer-Rosenthal, "Pay for Success," p. 3.

- Baseline outcomes are bad enough that even marginal change would be notable;
- The cost of the problem spans several different funding silos; and
- Nationally, attention to issues of income inequality, affordable housing, and criminal justice reform has been increasing.

Profiles of each of the three housing-related PFS projects currently underway in the U.S. are below. These snapshots were compiled using information and data from telephone interviews with program administrators; PFS project reports; evaluation reports; requests for information/proposals; and PFS contracts.

***Denver***

The Denver Supportive Housing Social Impact Bond (SH-SIB) Initiative provides supportive housing for individuals who are both frequently in jail and often go to emergency medical services in the city of Denver, Colorado. In addition to experiencing homelessness and struggling with substance use and mental health problems, the people served by the initiative will include many who often commit low-level offenses leading to arrest. Individuals in this population frequently cycle in and out of jail, detox, and emergency services, increasing costs across systems. Because they often do not receive follow-up services when they are released from jail, these individuals return to the same risks and fall into a recurring cycle of negative outcomes. This cycle results in high costs across city agencies and service providers. Based upon previous studies, the providers expect a 35-40 percent reduction in jail bed days over three years compared to similar people who will not be served by the new initiative. They also expect 83 percent housing stability (meaning at least 83 percent of participants are housed for a year). If these expectations are met, they will be paid $9.5 million after five years of the intervention.[40]

The investors in the project, who are a consortium of private foundations and the Northern Trust Company, are divided into "Housing Stability Lenders" and "Jail Bed Day Reduction Lenders." The Colorado Coalition for the Homeless (CCH) and the Mental Health Center of Denver (MHCD) will provide supportive services, including case management. Both organizations use modified models based on an assertive community treatment model for supportive services, which is a highly integrated and intensive approach for delivering community mental health services. In addition to receiving case management services, the individuals partaking in the intervention will be

[40] Social Impact Bond Contract Between the City and County of Denver and Denver PFS, LLC, February 2016.

automatically enrolled in Medicaid through Colorado Access, the current managed-care network in Colorado.[41]

To meet its goal of providing 250 individuals with supportive housing units, the city will provide a combination of housing options. The units will include single-site homes in two new buildings built with the Low-Income Housing Tax Credit (LIHTC), and also scatter-site units. LIHTC, which accounts for the majority of affordable housing built in the United States today, provides funding for the development costs of affordable housing by allowing an investor to take a federal tax credit equal to a percentage of the cost incurred for development of the units in a rental housing project. These credits are allocated by the state; in this case, Colorado allocated credits for this specific project. The scatter-site units are existing rental housing units in the community that will be paired with a housing subsidy and services to convert them to supportive housing. The subsidies will come from the Colorado Division of Housing, the Denver Housing Authority, and flexible subsidy dollars will come from the SIB transaction and the Denver Continuum of Care.[42]

*Project Partnership*[43]

- *Government*: City and County of Denver
- *Service Provider*: Colorado Coalition for the Homeless, a local organization that creates lasting solutions to homelessness; Mental Health Center for Denver, the community mental health provider for the City and County of Denver.
- *Project Manager*: Corporation for Supportive Housing, a local and national organization that advances solutions that use housing as a platform for services to improve the lives of the most vulnerable people.
- *Fiscal Agent*: Enterprise Community Partners, Inc.
- *Project Development*: Social Impact Solutions, experts in structuring and financial modeling for Social Impact Bonds.
- *Independent Evaluators*: Urban Institute.

[41] From Fact Sheet provided by Tyler Jaeckel, Assistant Director at Harvard Kennedy School Government Performance Lab, July 20, 2016.

[42] Conversation with Tyler Jaeckel, Assistant Director at Harvard Kennedy School Government Performance Lab, July 20, 2016.

[43] Center for Supportive Housing, "Denver Social Impact Bond Initiative: Permanent Supportive Housing," http://www.csh.org/wp-content/uploads/2011/12/Denver-SIB-Summary.pdf.

*Funding Strategy*[44]

The total investment is expected to be $8.6 million, with a maximum potential repayment of $11.4 million. The program will leverage an additional $16.15 million in federal resources managed by state entities, including LIHTC, vouchers, and Medicaid. The table below summarizes the investment stack. Because the Housing Stability investment was judged to be lower risk, the investors are considered subordinate investors.

| | |
|---|---|
| *Housing Stability Investors* | |
| Northern Trust Company | $3 million |
| Walton Family Foundation | $1 million |
| Piton Foundation | $0.5 million |
| *Jail Bed Day Reduction Investors* | |
| Laura and John Arnold Foundation | $1.7 million |
| Colorado Health Foundation | $1 million |
| Living Cities | $0.5 million |
| Denver Foundation | $0.5 million |
| Nonprofit Finance Fund | $0.435 million |

The $16.15 million in federal resources allocated by state and city governments are summarized in the table below:

| | |
|---|---|
| Medicaid Funding | $5.17 million |
| Housing Vouchers from Colorado Department of Housing | $5.42 million |
| Housing Vouchers from Denver Housing Authority | $5.42 million |
| Social Security Disability Income (SSDI) and Supplemental Security Income (SSI) | $143,000 |
| Low-Income Housing Tax Credit (LIHTC) Allocation | $2.7 million |
| Housing Development Gap Financing from City and State | $3.2 million |

The project development costs not covered by PFS capital or other resources include: evaluation design, evidence review, legal services, the Harvard Government Performance Lab Fellow, and transaction coordinator fees. These services used separate funding streams from philanthropic organizations and pro bono services.

[44] Center for Supportive Housing, "Denver Social Impact Bond Initiative"; conversation with Tyler Jaeckel.

*Evaluation*[45]

An outcomes and impact study will be used to validate the interim and final payment triggers for the SIB project and contribute to the broader field of supportive housing for populations that are frequent users of services discussed above The study will have two components: an analysis for validating outcomes tied to payments made to investors, and a broader impact analysis. To validate the payment triggers, the Urban Institute will measure housing retention, days in housing, and the impact of the program on jail days. To analyze the payment trigger outcomes, Urban Institute will, for the sake of clarity and transparency, use a straightforward method of analysis for estimating the outcomes. However, they will base the broader outcomes analysis on a more technical analytic method to estimate the impacts on a host of outcomes, including homelessness, arrests, detox visits, Medicaid use, and the use of emergency medical services.[46]

*Targeted Outcomes and Repayment*[47]

Repayment to investors is contingent upon achievement of the program's outcome targets. Total City payments will range from $0 up to the maximum success payment of $11.42 million.

The trigger for initial repayment of principal is:

- *Housing Stability*: Client achievement of 12 months of housing stability.
- *Jail Days*: 20 percent reduction.

The threshold for full repayment of principal is:

- *Housing Stability*: 83 percent.
- *Jail Days*: 30 percent reduction.

The threshold for full repayment of principal plus maximum success payments

- *Housing Stability*: 100 percent.
- *Jail Days*: 65 percent reduction.

The repayment timing is also different for each metric:

- *Housing Stability*: Annually, starting after quarter 6.
- *Jail Days*: after year 5.

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[45] Mary Cunningham et al., "Denver Supportive Housing Social Impact Bond Initiative," Urban Institute, March 2016, http://www.urban.org/sites/default/files/publication/79041/2000690-Denver-Supportive-Housing-Social-Impact-Bond-Initiative-Evaluation-and-Research-Design.pdf.

[46] Ibid.

[47] Social Impact Bond Contract Between the City and County of Denver and Denver PFS, LLC, February 2016.

***Santa Clara County, CA***

The County of Santa Clara launched California's first Pay for Success project in partnership with Abode Services, a housing services provider for people experiencing homelessness in Silicon Valley. The project will provide housing and supportive services for 150-200 chronically homeless individuals over six years. Its goal is to measurably improve service recipients' quality of life and to reduce reliance on government-funded services such as emergency room care.[48] The project, called "Project Welcome Home," received $6.9 million in upfront funding from private and philanthropic funders who will only be paid if participants achieve continuous stable housing.

In partnership with the County's Office of Supportive Housing and Behavioral Health Services Department, Abode will provide chronically homeless individuals with access to community-based clinical services and permanent supportive housing. These services are designed to end the participants' homelessness, increase income, and provide increased access to ongoing physical and behavioral health services.

*Project Partnership*[49]

- *Government*: County of Santa Clara, CA
- *Project Manager*: Third Sector Capital Partners, Inc.
- *Fiscal Agent*: Third Sector Capital Partners, Inc.
- *Project Development*: Third Sector Capital Partners, Inc.
- *Independent Evaluators*: University of California-San Francisco
- *Service Provider*: Abode Services
- *Technology Partner*: Palantir Technologies

*Funding Strategy*[50]

A group of 8 funders, grantors, and Abode Services, through deferred service fees, is providing $6.9 million in upfront funding for the project. The table below summarizes the investment stack:

| *Senior Loan Funding (5% Interest)* | |
|---|---|
| The Reinvestment Fund (TRF) | $0.5 million |

[48] Third Sector Capital Partners, "From Idea to Action: Pay for Success in Santa Clara County," 2015.

[49] Nonprofit Finance Fund, "Project Welcome Home Fact Sheet," http://www.thirdsectorcap.org/wp-content/uploads/2015/08/150811_SCC-CH-PFS_Fact-Sheet.pdf.

[50] Nonprofit Finance Fund, "Project Welcome Home Frequently Asked Questions," http://www.thirdsectorcap.org/wp-content/uploads/2015/08/150811_SCC-CH-PFS_FAQ.pdf.

| | |
|---|---|
| Corporation for Supportive Housing (CSH) | $0.5 million |
| *Subordinate Funding (2% Interest)* | |
| The Sobrato Family Foundation | $1.5 million |
| The California Endowment | $1 million |
| *Subordinate Funding (0% Interest)* | |
| The Health Trust | $1 million |
| The James Irvine Foundation | $0.3 million |
| Google.org | $0.5 million |

In addition to these investments, Abode Services will defer $0.5 million of service fees over six years to be repaid only if successful outcomes are achieved, and the Laura and John Arnold Foundation will provide over $1 million in support for evaluation-related project costs, which will not be repaid. The County has also entered into a separate contract with Abode, under which it will provide mental health services to clients who are partially reimbursed through the state's Medicaid program.

*Evaluation*[51]

University of California-San Francisco School of Medicine (UCSF) will conduct an independent evaluation to measure whether provision of permanent supportive housing significantly improves clients' health while decreasing use of County services. As part of the evaluation, UCSF will determine whether the agreed-upon project metrics were met based on the number of months of continuous stable tenancy achieved by participants over the six-year project. The project will use a randomized controlled trial to track whether the combination of services implemented by Abode produces measureable improvement in health and social service utilization for these chronically homeless adults.

*Targeted Outcomes and Repayment*[52]

Success payments will be made throughout the six-year project based on the number of months of continuous stable housing achieved by individuals enrolled in the project. The project's target impact is for more than 80 percent of participants to achieve 12 months of continuous stable tenancy—a total of more than 6,900 months of continuous stable tenancy from project participants over the six-year project. The County will make success payments when participants achieve specific tenancy milestones.

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[51] Ibid.

[52] Ibid.

At the target level of impact, the amount of success payments would fully repay all funders their principal investment and base annual interest. At higher levels of impact, additional success payments will be made, up to a maximum of $8 million. 75 percent of additional success payments will be distributed to Abode as performance incentive, and 25 percent to senior and subordinate funders. Google.org will reinvest any of its repaid grant funding into Abode for additional capacity building. Any repaid funds from the Laura and John Arnold Foundation's evaluation grant will go towards continued support of County initiatives.

***Massachusetts***

The Chronic Homelessness PFS Initiative provides 500 units of permanent supportive housing for up to 800 of the 1,600 currently experiencing homelessness in Massachusetts.[53] It is targeted at "High Use Homeless Individuals," who either meet the U.S. Department of Housing and Urban Development definition of "chronically homeless" or are identified by the Massachusetts Association for Sober Housing as anticipated high-cost users of emergency services.[54] For this initiative, Massachusetts contracts with the Massachusetts Alliance for Supportive Housing (MASH), a subsidiary of Massachusetts Housing and Shelter Alliance, which is responsible for operating the program, including service provision. Through this housing first model, tenants have access to a broad range of comprehensive community-based services, though treatment or services are not a requirement of tenancy. Payments to investors are based on the number of days participants are continuously housed in permanent supportive housing, with a minimum of 12 consecutive months.

*Project Partnership and Structure*[55]

- *Government*: Commonwealth of Massachusetts
- *Project Manager*: Massachusetts Alliance for Supportive Housing
- *Fiscal Agent*: Massachusetts Alliance for Supportive Housing
- *Project Development*: Massachusetts Housing and Shelter Alliance, CSH, United Way of Massachusetts Bay and Merrimack Valley, Harvard Kennedy School Government Performance Lab

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[53] Massachusetts Housing and Shelter Alliance, "Pay for Success 2017 Fact Sheet," http://www.mhsa.net/sites/default/files/PFS%20Fact%20Sheet%20April%202017.pdf

[54] Ibid.

[55] Pay for Success Contract by and Between The Commonwealth of Massachusetts and Massachusetts Alliance for Supportive Housing LLC, December 3, 2014, http://www.payforsuccess.org/sites/default/files/resource-files/homelessness-pfs-contract-executed-12-3-14_1.pdf.

- *Independent Evaluators*: Root Cause Institute
- *Service Provider*: Massachusetts Housing and Shelter Alliance
- *Technology Partner*: Palantir Technologies

*Funding Strategy*[56]

The project will use $2.5 million in private capital debt and $1 million in philanthropic contributions, summarized in the table below:

| | |
|---|---|
| *Private Debt Capital* | |
| Santander Bank | $1 million |
| United Way of Massachusetts Bay and Merrimack Valley | $1 million |
| Corporation for Supportive Housing | $0.5 million |
| *Philanthropic Contributions* | |
| Santander Bank | $0.25 million |
| United Way of Massachusetts Bay and Merrimack Valley | $0.75 million |

*Evaluation*[57]

Root Cause, a consulting firm that serves mission-driven organizations, verifies the number of participants who have been housed and for how long, as well as the number that transition into a successful housing outcome outside of the PFS project. The evaluation is carried out for a period of 5.25 years.

*Targeted Outcomes and Repayment Structure*

Success payments will be tied to the number of days participants are continuously housed in permanent supportive housing, with a minimum of 12 consecutive months (with the exception of past participants whose days may count as Former Qualified Participant Days although they left the program before the 12-month mark). The maximum repayment funds committed by Massachusetts are $6 million. The trigger for initial repayment of principal is a 40% rate of housing stability, which means that 40% of participants have been stably housed for at least 12 months. The threshold for full repayment is an 80% rate of housing stability. If there is a 94% or higher rate of housing stability, Massachusetts will pay higher interest rates, up to 5.44% annually.

[56] Ibid.

[57] Ibid.

## Lessons from early experience in housing-related PFS initiatives

The first PFS projects to launch show that PFS interventions are promising, especially as they promote an emphasis on outcomes and begin to streamline services from various government sources. However, it is not immediately obvious that their benefits outweigh their costs. It is important to keep in mind a number of potential pitfalls and lessons learned from these early projects. The projects in Denver, California, and Massachusetts can be analyzed in terms of the objectives presented at the beginning of this paper not only to evaluate how well the model is doing, but also to raise further questions about how it can be improved. In particular, consider how well the three projects met the objectives detailed at the beginning of this paper.

- *Breaking down government funding silos:* The projects show that the record is mixed. None of the projects evaluated were structured so that private funders would work to deliver a social program with one government partner, and then seek payments for success from another. On the other hand, PFS projects, including the housing first projects featured in this report, have been successful in bringing various agencies to the table to jointly contribute to a project.

- *Providing incentives to innovate:* The PFS housing projects underway have not clearly spurred innovation. The housing first model has been successfully employed without the PFS vehicle, and various practitioners have been advocating for the integration services for some time. The method of evaluating success is at the heart of concern among skeptics, and it puts into question the idea that PFS provides an incentive to innovate. Some argue that the opposite might be true as investors in PFS projects have an incentive to fund interventions that have already proven to be effective. The problem with the Utah PFS evaluation noted above was that there was no counterfactual in the impact study asking what would have happened if the kids had not had the program. That is, there was no way to determine how many of the 110 children would have actually needed special education without the program. The payout made the dubious assumption that 100 percent would have required it.

  Any investor will want to do due diligence before investing, but gaps and varied methodologies in the social science research can make this goal hard to achieve. For every issue, whether homelessness or asthma, multiple programs have been designed to address the problem—and there are multiple studies of each approach, some more rigorous than others. While random control studies are the gold standard in measuring the true effect of an intervention, they are expensive and not always ethical, given that the control group does not receive the service. Researchers, therefore, have devised other methods to test effectiveness, but these studies can produce less accurate findings—and sometimes show much larger effects than a random control study likely would. Investors may favor the less rigorous approaches to document a project's 'success' because they want to guarantee a payout. That is, they want to lower risk if possible. Of course, PFS projects are supposed to entail risk—they are designed to make the risk of loss an incentive for success. But private investors want to reduce their exposure to loss. The Government Accountability Office notes that, "In practice, investors told us they prefer to back programs that already have a rigorous evidence base because these programs have a known likelihood for success."[58] Over time, the hope is that transactions that present themselves as lower-risk and less rewarding would get lower rates of return, while those that are higher-risk would have higher rates of return, or layer in more complicated capital stacks. These varied combinations of risk and reward would create room for funding of a variety of interventions and could lead to innovation in service delivery facilitated by PFS. Whether the field moves in this direction or not remains to be seen.

- *Providing an impetus to improve administrative data systems*: In achieving this objective, PFS models appear to be successful. The emphasis on data collection and use is widely regarded as positive by social service providers, governments, and citizens who feel confident about their investments and tax expenditures. However, there are concerns that some positive outcomes resulting from interventions are difficult to measure, or would cost more to measure than is feasible. While the move to improve data systems is important, PFS may not be the only tool capable of achieving such improvement.

- *Increasing access to private talent*: For several reasons, it is not clear that PFS projects have succeeded on this front. To begin with, it is not clear that the approach has brought significant new actors into the process. Nor is it clear that the new actors who have come forward are generating significant new ideas on how to overcome key challenges. Moreover, it may be that using PFS has significant opportunity costs because senior leaders focused on PFS need to devote significant amounts of time, energy and resources on that approach. Finally, some

[58] United States Government Accountability Office, "Pay for Success: Collaboration among Federal Agencies Would Be Helpful as Governments Explore New Financing Mechanisms," September 2015, https://www.gao.gov/assets/680/672363.pdf.

PFS skeptics contend that the focus on attracting talent could be misplaced because the problem of homelessness has not been exacerbated by a lack of talent, but rather by a decrease in funds for affordable housing, particularly in places experiencing significant increases in housing rents.

- *Improving the allocation of social spending resources*: Though there is evidence that PFS projects are providing benefits to recipients of interventions, these must be weighed against the benefits provided by alternative models. As a result, the record is mixed. Perhaps the biggest questions surrounding PFS have to do with whether it is indeed providing a better avenue for the use of limited public resources. And though there are benefits to the structure of PFS, the project development process is long. The sum total of the efficiencies delivered through PFS must be weighed carefully against expenses associated with building PFS project structures, including the social science costs of measuring ongoing impact and the financing costs of paying interest for SIB loans. Transaction costs for early PFS projects have been high and have raised concerns from various stakeholders. It is difficult to compare transaction costs from project to project because there has been significant variation in what is covered by the PFS transaction versus other sources of funding, and what is provided in-kind. As a result, there is no strong or clear consensus on the average or acceptable dollar amount of transaction costs, or on the target share of transaction costs as a percentage of total capital raised. Additionally, any accounting of project costs needs more careful analysis to distinguish the cost of the PFS project development itself from costs resulting from inadequate investment in government and service provider capacity, and infrastructure for data tracking and outcome measurement.

  Skeptics of PFS critique payments for intermediaries and for legal fees needed to get deals through as unnecessary and cumbersome.[59] These payments can add several million dollars to a program's operating costs. According to a McKinsey & Company report, "SIBs are a more expensive way to finance the scaling up for preventive programs than if the government simply went to service providers and paid them to expand an intervention to more constituents."[60] The reasons for the higher costs and the need for additional players in the deals have largely to do with

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[59] McHugh et al., "Social Impact Bonds: A Wolf in Sheep's Clothing?"

[60] McKinsey & Company, "From Potential to Action: Bringing Social Impact Bonds to the US," May 2012, http://www.mckinsey.com/industries/social-sector/our-insights/from-potential-to-action-bringing-social-impact-bonds-to-the-us.

not only the complicated structure of the tool, but also its relative infancy. There are no templates for the roles, metrics, or accounting standards. Intermediaries are hired to bring the partners together, translate between the groups, and ensure the program is running as promised. Settling on the trigger points to payout can require extended negotiation. Even if both sides can agree to likely benchmarks of success, investors face a scenario in which, say, a 9.5 percent reduction in recidivism is "failure," while a 10 percent reduction is success. However, in more recent PFS deals, the risks of this all-or-nothing scenario have been alleviated by creating a series of stepped repayments.

- *Transferring financial risk*: It is not clear that the PFS model has been able to tap substantial private sector activity. Given the previous discussion about investors' willingness to finance innovative solutions, the opportunities for transferring risk to the private sector seem limited. Even in PFS projects currently underway, the "riskier" interventions were funded by philanthropy, while more traditional investors funded interventions that had already proven to be reliable. (For example, in the Denver case, the Northern Trust Company funded the housing stability intervention, but the riskier jail bed day reduction intervention was funded only by philanthropic organizations). There has not necessarily been a transfer of risk to the private sector, as it has proven unable or unwilling to take on this risk.

- *Providing access to capital for start-up costs*: As noted earlier, cash-strapped local governments may be attracted to PFS because of the promise of upfront capital to fund services. However, given the high transaction costs and the requirement to pay a return on the investment, this path can end up being more costly in the long run.

- *Creating projects that are both fiscally conservative and socially progressive*: This might have initially been true, but there is increasing opposition to PFS projects. Among the questions from skeptics are: Why should private investors earn a payout from social services? Shouldn't the government be funding good social programs anyway? Aren't SIBs just a cloak of respectability for financiers after the stain from federal bailouts? Progressive constituents may approve of spending on social services, but they may question the PFS model that involves bankers and financiers.

- *Creating projects that outlast typical political time frames*: PFS projects have been successful in this regard. The projects featured in the report used the concept of

PFS as a path to spur interest in projects that outlast political time frames while providing alternative approaches to solve problems.

## Conclusion

This paper has provided a summary of the structure and process of a PFS project; showed how PFS models are being used in the housing and community development field; and examined if and how the PFS model is meeting multiple objectives. While proponents have emphasized the PFS model's potential to fund innovative social service delivery programs, the model's most lasting effect seems to be on the use of data and outcomes to evaluate programs. Though PFS sounds promising, putting a project together can entail logistical difficulties and substantial transaction costs. Because of these challenges, the PFS model should be used judiciously. In particular, it could be a promising strategy for situations in which addressing problems requires coordination of a variety of disparate sources of public funding which, for various reasons, are difficult to use in a coordinated fashion.

Though opponents of PFS have raised important questions, we should not lose sight of the overall problem to which PFS programs offer are addressed: the need to provide services to as many people as possible, in the most effective way possible. It seems difficult to conceive of increased funding for these much-needed resources from the federal government, and state and local governments will continue to find themselves pressed for solutions to deliver evidence-based services. The PFS movement has pushed public-sector entities to focus more heavily on outcomes and, in doing so, to consider more multi-pronged approaches for addressing key issues.

## Interviews

Sheli Bloemer | Associate, Social Finance, Inc. | June 28, 2016

Michael Cwidak-Kusbach | Senior Associate, Third Sector Capital Partners, Inc. | June 29, 2016

Matt Hoffman | Vice President of Innovation, Enterprise Community Partners, Inc. | June 16, 2016

Tyler Jaeckel | Assistant Director, Government Performance Lab | July 20, 2016

Amy Klaben | Principal, Strategic Opportunities LLC | June 24, 2016

Eileen Neely | Director of Capital Innovation, Living Cities | June 16, 2016

Liz Sessler | Vice President, ImpactUs | June 29, 2016

David Smith | Founder and CEO, Affordable Housing Institute | July 13, 2016

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