



**Commonwealth of Massachusetts Executive Department
Office of Governor Deval L. Patrick
Press Release**

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**MASSACHUSETTS LAUNCHES PAY FOR SUCCESS
INITIATIVE TO REDUCE CHRONIC INDIVIDUAL
HOMELESSNESS**

Program will provide 500 units of stable supportive housing for up to 800 chronically homeless individuals over 6 years

FRAMINGHAM – Monday, December 8, 2014 – Governor Deval Patrick today announced the launch of a Massachusetts Pay for Success (PFS) initiative that will leverage philanthropic and private capital investments to reduce chronic individual homelessness, creating a new model of sustainable state support for chronically homeless individuals. The initiative will provide 500 units of stable supportive housing for up to 800 chronically homeless individuals over 6 years, improving the well-being of individuals while saving taxpayer dollars by reducing the utilization of costly emergency resources like shelter and Medicaid payments.

“Government’s role is to help people help themselves. It is critical that we reduce the reliance on emergency services and provide individuals safe and stable housing that will help strengthen our communities and last for generations to come,” said Governor Patrick.

PFS contracts, also called Social Impact Bonds, combine nonprofit expertise and private sector funding with rigorous evaluation to transform the way government and society respond to chronic social problems. In a PFS initiative, philanthropic and private investors provide up-front funding for a project; the Commonwealth only repays investors if a third party evaluator determines the initiative achieved specific, predetermined outcomes that benefit society, including saving taxpayer dollars.

This project leverages \$1 million in philanthropic funding and \$2.5 million in private capital investments from Santander Bank N.A., the Corporation for Supportive Housing (CSH) and United Way of Massachusetts Bay and Merrimack Valley. Through the PFS model, the investors assume project risk by financing services up front with the promise of Commonwealth repayment only in the event of success.

The Commonwealth’s PFS initiative is part of an ongoing commitment by the Patrick Administration to reform the way Government does business by identifying innovative programs that improve outcomes and save money. If this program is successful, the Commonwealth will make up to \$6 million in success payments to repay investors and

cover evaluation and intermediary costs. Success will be based on the stable housing for at least one year of chronically homeless individuals participating in the initiative. The maximum possible return to investors is 5.33 percent.

“Pay for success contracts are a smart way for government to raise resources to invest in innovative approaches to solving chronic social problems. We only pay for programs that work, helping us improve the well-being of those served while saving the Commonwealth money.” said Secretary of Administration and Finance Glen Shor.

By repurposing existing state and provider resources, this project will maintain a significant number of the 500 units of supportive housing even after the six-year pay for success period concludes, creating a new model of sustainable state support for chronically homeless individuals. If successful, this initiative will greatly reduce the Commonwealth’s population of chronically homeless individuals by serving up to 800 of the state’s approximately 1,500 chronically homeless individuals.

“Working together, with a shared vision for our Commonwealth’s future, we can help build a bridge to stability for vulnerable individuals who need assistance during difficult times,” said Health and Human Services Secretary John Polanowicz. “Critical community-based support such as care coordination and behavioral health services will help individuals maintain housing, reduce their reliance on hospitalization and find personal success.”

“This project will greatly expand permanent housing options with ongoing support services for low income individuals. DHCD is proud to participate in this new collaborative initiative that could serve as a model for other state,” said Undersecretary for the Department of Housing and Community Development Aaron Gornstein.”

In January 2012, Massachusetts announced a first-in-the nation initiative to allow Massachusetts to enter into PFS contracts designed to encourage innovative solutions to social problems, improve the performance of government, and save taxpayer money. Through the legislative authorization of the Social Innovation Financing Trust Fund, the Secretary of Administration and Finance is able to enter into up to \$50 million in pay for success contracts, backed by the full faith and credit of the Commonwealth.

“We are grateful to the Patrick Administration for creating this exciting new supported housing initiative that will help the Commonwealth move more quickly along the path to ending single adult homelessness in Massachusetts. Also, we know from experience, that this initiative will significantly reduce both the human and financial costs of homelessness. We are delighted to be working in partnership with state government and the Massachusetts Housing and Shelter Alliance and its proven Housing First approach on this very promising program that will greatly decrease reliance on emergency shelter by placing homeless individuals in supported housing environments. In turn, safe and decent housing will assist the residents to move forward in their goal of establishing fruitful, successful and independent lives in their respective communities,” Jim Cuddy, CEO, South Middlesex Opportunity Council.

“This Pay for Success Contract, focused on permanent supportive housing for long-term and chronically homeless individuals, represents a significant step forward in recognizing the critical relationship between housing and health care. I am grateful for the providers, investors and state officials who have made this initiative a reality,” said Joe Finn, President & Executive Director of the Massachusetts Housing and Shelter Alliance.

“Pay for Success has the potential to be a game-changer for how human services are delivered in the Commonwealth,” said Michael K. Durkin, President at United Way of Massachusetts Bay and Merrimack Valley. “The agreement that government, and taxpayers, only pay when the programs are proven to work and are accountable to outcomes as bold as reducing the number of chronically homeless individuals in our state by one-third, is a very innovative way to approach entrenched issues. For United Way, the concept of investing and requiring specific measurable targets aligns with how we already fund community based organizations with the dollars donors entrusted to us. Going to scale with these strategies on a statewide basis, and generating huge long-term savings to us all, is very exciting.”

“Groundbreaking investments such as this Pay for Success Initiative are emphasizing accountability while providing the resources to fund the housing and services we know end and prevent homelessness,” said Deborah De Santis, President and CEO of CSH. “Beyond the much-needed supportive housing it will create, Massachusetts will continue a transformation in the way services are delivered, away from overreliance on crisis health and shelters and toward more permanent solutions that provide the stability people need to end their homelessness.”

“By investing in the Commonwealth’s Chronic Individual Homelessness Pay for Success Initiative, we are investing in the future of our most vulnerable neighbors,” said Gwen Robinson, Managing Director of Community Development at Santander Bank. “Through this initiative, chronically homeless individuals will get the housing, health care and job training they need to become self-sufficient. We are always looking for ways to give back to the community and are proud to play a small but meaningful role in supporting this important initiative.”

In January 2014 the Commonwealth launched its first PFS initiative, a \$27 million Juvenile Justice PFS Initiative, the largest financial investment in a PFS initiative in the country. The Commonwealth, in partnership with Roca, a Chelsea-based service provider, and Third Sector Capital Partners, a nonprofit fundraising and project management intermediary, aim to reduce incarceration rates and improve employment outcomes for young men. The Chronic Individual Homeless PFS initiative is the second launched by the Patrick Administration.

Additionally, in August 2014, the Patrick Administration announced the apparent successful bidders for the Adult Basic Education Pay for Success Initiative. The Commonwealth’s partners in this project are Jewish Vocational Services, one of the

largest and most proven providers of adult education and workforce development services in the Greater Boston area, and Social Finance, a nonprofit fundraising and project management intermediary. The Adult Basic Education Pay for Success Initiative will invest approximately \$15 million in state success payments to serve a portion of the more than 16,000 adults on the waitlist for ABE and English for Speakers of Other Languages (ESOL) programs. The PFS contract will be designed with the goal of improving participants' employment outcomes and increasing postsecondary degree or certificate attainment over a six-year period.

Partners in the Chronic Homelessness PFS Initiative:

Commonwealth of Massachusetts

- The Executive Office for Administration and Finance (EOAF) is in charge of developing and implementing the state budget. EOAF will make payments for success from the Social Innovation Financing Trust Fund if the independent third-party evaluator determines that the service providers have successfully housed each chronically homeless individual for at least one year.
- The Department of Housing and Community Development's (DHCD) mission is to promote safe, decent affordable housing opportunities in the Commonwealth. DHCD is investing shelter resources and Massachusetts Rental Voucher Program (MRVP) housing vouchers in the Initiative in order to maintain 500 units of supportive housing even after the Initiative ends.
- The Executive Office of Health and Human Services (EOHHS) administers MassHealth, the state's Medicaid program. MassHealth is helping managed care entities contract with service providers to provide community support program services to PFS participants.

Massachusetts Housing and Shelter Alliance (MHSA)

Massachusetts Housing and Shelter Alliance is a member-based statewide advocacy and policy organization that works in collaboration with its member agencies to develop innovative approaches to ending homelessness and outcome-based housing programs for homeless individuals. MHSA oversees more than 1,000 permanent, transitional and emergency shelter beds and units with supportive services in approximately 30 cities and towns across Massachusetts, providing technical assistance, program monitoring, data collection and reporting for all of these programs. MHSA will be the lead partner who will coordinate providers of the *Home & Healthy for Good* model for the Initiative and ensure that the programming is being implemented correctly.

Corporation for Supportive Housing (CSH)

CSH is the national leader of the supportive housing movement, and has extensive experience in assembling and coordinating local partners and teams of service providers to achieve successful outcomes. As an investor in the Massachusetts Chronic Individual Homelessness Pay for Success Initiative, CSH will be the first Community Development Financial Institution (CDFI) to make a direct investment in this Social Impact (Pay for Success) Financing. CSH will provide advice and technical assistance for the initiative and is also an investor in the project.

United Way of Massachusetts Bay and Merrimack Valley

United Way of Massachusetts Bay and Merrimack Valley has a strong track record as a trusted leader and funder with the experience to design and facilitate complex processes and partnerships leveraging its established corporate, government and community-based partners with the United Way network. Examples include its Housing First initiative, Thrive in 5, Massachusetts Asset Building Coalition, Quality Rating Improvement System, and its Investor Model of performance-based funding, its unique, nationally-recognized method of addressing social issues. It was cited by the Stanford Social Innovation Review as a nonprofit “achieving breakthrough performance” and has been designated as a United Way Worldwide Center for Excellence for its innovative impact approach and state and local collaborations. In this partnership, United Way will serve as the project’s fundraising intermediary, raising investor capital, acting itself as an investor, and acting as the financial manager for the Initiative.

Santander

Santander Bank, N.A. is one of the largest retail banks in the United States by deposits. Its main corporate offices are in Boston and it operates principally in Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania and Rhode Island. Santander’s 9,703 employees serve its 1.8 million customers through the Bank’s 703 branches, 2,092 ATMs, call centers, website and mobile app. Supervised by the Office of the Comptroller of the Currency and a member of the Federal Deposit Insurance Corporation, Santander in the United States is a wholly-owned, financially autonomous subsidiary of Banco Santander (NYSE: SAN), a global commercial and retail bank. For more information about Santander, visit www.santanderbank.com or call [877-768-2265](tel:877-768-2265).

Root Cause

Since 2003, Root Cause has improved the performance of more than 200 organizations and funders in a wide range of social service sectors. Root Cause’s Research and Assessments unit focuses on addressing the “investment information gap” to help funders better allocate limited resources to improve the lives of vulnerable populations. Root Cause analysts conduct independent research on social issues and evaluate program performance to provide leaders in the nonprofit, foundation, government, and business sectors with actionable data to invest in what works. Root Cause will act as the Independent Evaluator for the Initiative, verifying the outcomes produced by the service providers.

Harvard Kennedy School Social Impact Bond Technical Assistance Lab (HKS SIB Lab)

The HKS SIB Lab provides pro bono technical assistance to state and local governments implementing PFS contracts using Social Impact Bonds. The SIB Lab assisted Massachusetts in developing the procurement and designing the data analysis strategy for this Initiative.

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