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# Social Investment in Ending Homeless

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## Introduction

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Throughout the world, homelessness is recognised as a grand challenge (Padgett et al., 2016). As such, innovations in policy and practice are required to address that challenge. To that end, social investment from both the public and philanthropic sectors have been activated to test innovative new approaches to ending homelessness. These approaches span the development of new programmes, creations of new networks, and reorganising efforts from the public sector. In this study we will review three innovations (Social Impact Bonds, Collective Impact Networks, and New Approaches to Address Equity) that have been funded to end homelessness and will provide an assessment of the progress to date.

Impact investing (Bugg-Levine and Emerson, 2011) has emerged as an approach to catalysing funding to address ‘wicked problems’ (Rittel and Webber, 1973). As Bugg-Levine and Emerson (2011, p.1) note, “there is not enough charitable and government capital to meet the social and environmental challenges we face.” In the US, this has led to an increased focus on social enterprises (Dacin et al., 2011) as a vehicle for private capital to enhance the capacity of social impact organisations. In Europe, there has been an increasing focus on deployment of public resources in new and creative ways (Mulgan et al., 2011; Social Impact Investment Taskforce, 2014; European Commission, 2013). While the literature has certainly highlighted successes (Seelos and Mair, 2017), it remains an open question how best to organise social investment efforts to address grand challenges generally, and to address homelessness specifically.

Housing First has been one of the innovations in homelessness that has achieved global success (Padgett et al., 2016). Housing First emphasises consumer choice in housing, and prioritises housing placement without service or sobriety requirements. Previously, ‘staircase’ models placed service and treatment requirements before housing placement, which created substantial barriers to housing placement.

Despite the documented successes of Housing First, only a few countries and regions have been able to achieve scale, in part, due to limitations in funding and adapting this approach to diverse populations.

In this paper, we will highlight three innovative investment approaches to accelerate solutions to end homelessness. In each, we will highlight the mechanisms by which the approach leverages public, philanthropic, and private capital to address a particular challenge that may be slowing progress toward the goal of ending homelessness. The approaches have similarities, but also differences in how they invest in networks, set programme goals, and create payment mechanisms to enhance the success of efforts to end homelessness.

### ***Outcomes Based Contracting***

The first approach we study is the use of outcomes based contracting (Payment by Results in the UK and Pay for Success in the US). These forms of public sector contracting (Fry, 2019) are often linked with the term Social Impact Bond (SIB) and may be attractive to bring additional capital to fund homelessness interventions. Because most of the SIBs to date are in the US and the UK, that is where we will concentrate our analysis. SIBs are not strictly speaking bonds (debt instruments) but are rather a 'pay for success' contract where the up-front finance for delivery is made available by third-party investors rather than service-providers. To date, finance in the UK has tended to come from government or social investors (Ronicle et al., 2014). In the US, philanthropies are involved as investors in 95% of the cases, and there is often (66%) a private sector participant (Olson et al., 2021). This capital funds a programme or intervention seeking to improve the prospects of a target group in need of public services (Mulgan et al., 2011). To attract investors, SIBs require commitments by a government at the local or national level to make payments linked to the achievement of specific social outcomes by the target group (Mulgan et al., 2011). At the conclusion of the programme, the SIB partners assess the extent to which the programme has achieved these outcomes. In the US, assessment is more likely done through an independent evaluation and in the UK more likely based on a rigorous audit of agreed outcome measures (Albertson et al., 2018). On the basis of the value of these outcomes (if any), payment is provided to investors based on the agreed upon return. In the UK and the US, there are 21 SIBs and 6 SIBs, respectively, focused on homelessness, suggesting that this strategy may be consequential.

### ***Collective Impact Approaches***

A second approach that we will highlight recognises that part of the challenge of ending homelessness in the US is the fact that responsibility for providing housing, health services, and employment services often cross layers of government,

different departments within a given layer of government, and involve a complex network of non-profit organisations. To the extent that there is insufficient funding within the homeless service system, investors may seek to catalyse approaches to leverage resources in broader systems. While not unique to addressing homelessness, 'collective impact' approaches (Flood et al., 2015) have been increasingly used to address issues that involve multiple actors and sectors. The more successful collective impact efforts have focused on improving educational outcomes by working within and outside the schools (Edmonson and Hecht, 2014). Key to these efforts is a backbone organisation, which is usually non-profit or public, that can catalyse a common vision, a shared measurement system, and ensure that there is common communication and mutually reinforcing activities among system actors (Kania and Kramer, 2013). To that end, we will focus on a single case study in Los Angeles that was launched with funding from the Conrad N Hilton Foundation.

### ***Racial Disparity Approaches***

A third approach considered here is the emerging interest in directing private and public investment using a racial equity perspective. In the wake of growing recognition of systemic racism and its impact on disproportionate rates of homelessness, many funders are seeking to assure that their resources are mitigating and not aggravating racial disparities. This emphasis is consistent with a recent Executive Order by President Biden directing all federal agencies to examine how federal programmes are addressing racial disparities (The White House, 2021). We will discuss the needs assessment approach here, and illustrate its utility with a recent example from Philadelphia.

## **Social Impact Bonds and Homelessness**

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Social Finance (2009) notes that SIBs may be able to accelerate positive social change in four distinct ways: 1) unlocking an untapped flow of social finance, 2) creating an incentive to develop the evidence base for funded interventions, 3) creating an incentive to innovate, and 4) changing the role of government so that its focus is on defining and costing social priorities rather than bringing resources and expertise to bear. The literature on SIBs has not specifically distinguished impacts by policy area, despite so many SIBs dedicated to homelessness. However, the goals of SIBs apply well to addressing the funding shortfall in providing homeless services. If we assess SIBs according to the framework from Social Finance (2009), we can first note that it is difficult to determine whether the SIBs can help accelerate public sector reform to focus on defining and costing social priorities. Fraser et al. (2018) do view SIBs as a part of public sector reform, but



or majority sources of financing of SIBs. The public sector in the UK and the philanthropic sector in the US are the primary source of investment capital. However, the fact that impact investors are able to be secondary investors suggests an appetite for mechanisms to allow more blended capital arrangements in the future.

Homelessness related SIBs have typically involved Housing First approaches, targeting either chronic homelessness or homelessness among frequent jail users. Thus, they have tended to fit the model of bringing in additional capital for evidence-based programmes rather than testing innovative new models for homeless populations. In the case of Massachusetts, the SIB led to an expansion in state government support for supportive housing that will continue after the end of the SIB (Dugyala, 2017). Other homelessness related SIBs, like the London Homelessness Social Impact Bond (2017), focus on changes in support services for people experiencing homelessness that are based on personalisation. Such SIBs may uncover new models that can be tested later at scale.

## **Collective Impact Approaches to End Homelessness**

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Homeless services are often overseen by a range of government departments and provided by a complex network of public, non-profit, and social enterprise actors. In part, this is due to the fact that the risk factors to become homeless range from economics to health to past histories of incarceration or living in foster care.<sup>2</sup> It is rare for both housing and health care services to be overseen by a single entity, although there is growing recognition that housing and health are linked (Hernandez and Swope, 2019). This suggests at the very least that coordination is required across departments to serve those experiencing homelessness, and there are an increasing number of housing offices in health departments in recognition of this. While these linkages are important, the span of systems that contribute to solutions to end homelessness are myriad, suggesting a different social investment approach than simply funding services to achieve system wide impact.

Prior to 2007, the ecosystem of organisations serving people experiencing homelessness in Los Angeles County can be described as fractured (Williams and Ferris, 2019). City governments were responsible for housing and sanitation, while county governments were responsible for health care and a myriad of social services. Both governments blamed each other for a worsening problem. Mayor Villaraigosa's ballot measure to secure \$1 billion for more affordable housing in Los Angeles failed in 2006 because of a lack of support among the business community and indi-

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<sup>2</sup> The term 'looked after children' is used in parts of Europe to describe children under the primary responsibility of the State.

viduals. The Los Angeles Homeless Service Authority (LAHSA) released a ten-year strategic plan to end homelessness, but the plan quickly failed due to a lack of funding, opposition, and stakeholder in-fighting.

Gradually, funders in Los Angeles led by the Hilton Foundation shifted strategies away from simply funding services to building a broad coalition to end homelessness. This required investments like the \$450 000 grant to the United Way of Greater Los Angeles in 2009 to develop a Business Leaders Task Force with the LA Chamber of Commerce to focus on issues of housing and homelessness (Williams and Ferris, 2019). In 2011, the Home for Good Funders Collaborative was formed to raise philanthropic resources to leverage and amplify public sector dollars to better align funding for homeless services.<sup>3</sup> Again, the Hilton Foundation provided a \$1 million matching grant to seed the effort (Williams and Ferris, 2019). Home for Good also started convening key city, county, and non-profit providers to align service provision and to build support for additional resources by identifying the costs of not providing for those experiencing homelessness. Finally, the Hilton Foundation and the Home for Good Funders Collaborative launched the Homelessness Policy Research Institute in 2018 to connect a research network to help assess progress in rigorous ways toward achieving the goal of ending homelessness (Ciudad-Real et al., 2020).

These efforts can be understood as the building and sustaining of a collective impact initiative with a collective action network to end homelessness (Ciudad-Real et al., 2020). As summarised by Kania and Kramer (2011), a collective impact initiative refers to “the commitment of a group of important actors from different sectors to a common agenda for solving a specific social problem.” They note that such efforts must have a shared vision and measurement system, mutually reinforcing activities, continuous communication, and a backbone organisation. Edmondson and Hecht (2014) also note that successful initiatives require system leadership and a focus on addressing disparities across racial and ethnic groups. By 2018, 46 of the 100 largest foundations referenced collective impact in their websites or annual reports (Barboza-Wilkes et al., 2021) suggesting the rapid increase in the popularity of social investment in these approaches.

This structure describes the current approach to ending homelessness in Los Angeles well. Home for Good is clearly the backbone organisation and plays the key roles of convening system actors and communicating key issues on a regular basis. The collective action network has grown over the years to include not only key government and non-profit leaders, but also funders and a network of researchers (Ciudad-Real et al., 2020). Weaver (2016) notes that systems leadership relies not just on a heroic individual, but upon multiple leaders who can assess

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<sup>3</sup> Home for Good is administratively housed in the United Way of Greater Los Angeles.

challenges at both a micro and macro level. Again, the Home for Good network possesses these characteristics (Ciudad-Real et al., 2020). Finally, these efforts are organised around 47 key strategies and a singular goal to end homelessness.<sup>4</sup>

Sadly, the number of people who experience homelessness has been growing in Los Angeles despite these innovative efforts to change how homeless services are coordinated and organised. This is not because of a failure of the enhanced homeless service system per se, which is housing over 207 people experiencing homelessness per day. Rather, it is because 20 more people fall into homelessness each day than are housed (LAHSA, 2020). This suggests that the collective impact efforts will need to grow to include the broader housing market actors as well as broader support for low-income workers to reduce the number of people at risk of homelessness.

### **Investing in Equity: Using Funding to Address Disparities in Service Use and Access**

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Homelessness in the US is known to disproportionately impact Black persons, by as much as three times their representation among the general population (39% versus 13%), and by 1.5 times their representation among the poverty population (39% versus 27%) (US DHUD, 2021). Latinx persons have been found to be under-represented in some surveys (Olivet et al., 2018; Khadduri et al., 2018), but national data show that Latinx persons are represented among people experiencing homelessness proportional to their representation among people living in poverty (Henry et al., 2021). These national disparities by race have prompted some calls for further inquiry into the role of systemic racism in homelessness (Olivet et al., 2018). An Executive Order by President Biden has asked all federal agencies to assess disparities in programme access and use (The White House, 2021), across the whole of government. Racial and ethnic disproportionalities are often best understood at a local level, where the housing, education, and labour market factors that underlie homelessness risk are more directly experienced, and where homelessness assistance programmes are deployed to address the problem. As a result, government and private funders of homelessness assistance are increasingly asking local communities to undertake assessments of equity issues in homelessness, and to consider how their funding can be used to mitigate disparities.

At the most basic level, funders want to know whether people who need homelessness assistance are indeed accessing them, regardless of their race, ethnicity, gender, gender identity, sexual orientation, or age. They also want to know whether different groups are getting access to the higher quality programmes (i.e. housing

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<sup>4</sup> <https://homeless.lacounty.gov/wp-content/uploads/2017/01/HI-Report-Approved2.pdf>

subsidies), and whether comparable outcomes are being achieved. The primary class of methods used to make these determinations are often called 'needs assessments', which examine rates of services use by type and outcome, demographic subgroups, and relative to their representation among local populations (US DHHS OPRE, 2017). Odds ratios can show over or underrepresentation, and very often underrepresentation can signal a gap in supply or access to resources, which informs the 'gaps analysis' in a standard needs assessment.

If community stakeholders have not already been engaged (often these needs assessments are requested by groups who feel they are underrepresented in service access), when quantitative assessments of service use have been tabulated, results are brought to community members to discuss possible interpretations. Focus groups are typically held with citizen clients, advocacy groups, providers, and government agencies to elicit discussions of disparities that are found. These conversations are further probed to explore potential remedies. Analysts and others working on the needs assessments then generate lists of potential policy or programme changes that are also shared and discussed with stakeholders. Corrective actions may also be recommended, with timelines for achieving them and numerical targets intended to be achieved.

As an example, this process was recently undertaken in Philadelphia, when representatives of Latinx advocacy organisations expressed concern that people from their communities were not able to access homelessness assistance, and that no providers of such services targeted the Latinx population (Culhane et al., 2019). A quantitative assessment using Homelessness Management Information System data found that indeed, Latinx households were underrepresented among homelessness assistance users relative to other poor persons. Latinx households comprised 23.5% of the poverty population, but only 9.1% of shelter users and 10% of people served by street outreach. Black persons were overrepresented among shelter services and white persons overrepresented among street outreach services. Focus groups and interviews with key stakeholders identified several likely explanations for the Latinx disparities, including language barriers at the city's central shelter intake site, lack of geographic access to intake and assessment services in Latinx neighbourhoods, and an absence of homeless services providers in those areas. Recommendations developed in consultation with the stakeholders included creating an intake site with Spanish language services at a Latinx social service provider; establishment of a mobile intake unit that would serve predominantly Latinx neighbourhoods, and cultivation of Latinx service providers to apply for homelessness assistance service contracts with the City of Philadelphia. Within a year of the report, all of the recommendations were adopted, including the funding of two new homelessness assistance programmes within existing Latinx social service organisations.



Disparities in access to homelessness assistance, especially to the highest quality programmes, such as permanent housing subsidies, remains an issue of concern in many communities. Public and private funders can request that needs assessments be undertaken to document these disparities, and to engage local stakeholders in conversations about barriers and challenges to equitable access. Community leaders can then develop action plans to address these barriers, and set clear goals and timelines. On-going data analysis can be used to assess progress, and to continue the cycle of problem-solving dialogue.

## Concluding Remarks

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This paper reviewed three innovative approaches to link new social investment to address homelessness. As discussed, new contracting approaches like SIBs have the potential to bring in new capital for evidence-based approaches and to diffuse promising practices into current systems. However, it is worth noting that the transaction costs of developing SIBs have been high and should be carefully evaluated vis-à-vis other approaches to innovate to end homelessness. Collective impact approaches have the potential to leverage resources across a variety of systems and improve coordination to address homelessness. These approaches take long term investments and the conclusion remains uncertain as to their efficacy. Finally, social investors need to focus on culturally specific solutions in order to address the disproportionality that exists in racial and ethnic minority representation among homeless populations. These critical shifts recognise that the previous evidence base with housing first approaches need to be applied in more nuanced ways than may exist in current housing first models. In sum, social investors have a growing set of ways to address homelessness, but must have a long term perspective as the evidence on the efficacy of these approaches is not yet established.

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