

Common Bond Communities has pioneered the concept of “affordable housing linked to services” with remarkable success! This issue will explore the added return on investment derived when a range of support services are effectively located on the premises of affordable housing sites. Common Bond Communities is Minnesota’s largest non-profit provider of affordable housing serving nearly 4,000 residents in forty-two facilities located in twenty-nine cities.

The purpose of “*An Investment Letter for Minnesota Philanthropists*” is to demonstrate how return on investment calculations can be applied to the private and public investments we make in our non-profit organizations. The Common Bond analysis despite its complexity demonstrates that it is possible to set up an accounting system that calculates the value added from a range of quite different but critical family support services. It reminds one of the initial work done when cost accounting system began to surface in industry.

The July 2002 study conducted by Common Bond Communities Public Policy Task Force comprised of seven Twin City civic leaders concluded that for every dollar invested in Common Bond’s “Seven Key Affordable Housing Services” the public received a 50% return on investment over a one year time frame!

WHAT’S THE PROBLEM?

- An estimated 12,000 Twin Cities residents were homeless last year. Nearly 70,000 renters with annual incomes below \$10,000 competed for only 30,000 housing units with rents affordable at this level. Prevailing rents in the \$850 to \$950 per month range would consume the entire income of these families.
- High housing costs create financial strains for families that result in social instability and significant increases in public outlays for crime prevention and intervention, welfare and job training programs, remedial education for children, publicly subsidized emergency health care services and unnecessary long-term care expenditures for the elderly.
- Historically affordable housing providers have been in the bricks and mortar business, constructing and managing rental properties. Experience has shown that housing must be effectively linked with human services if low-income people with special needs are to have the resources to become self-reliant.
- In addition, approximately 185,000 Twin City families with annual incomes below \$30,000 pay more than 30% of their income for housing (nearly half live in the suburbs) creating severe stress on family budgets and support systems.

HOW DO COMMON BOND COMMUNITIES ADVANTAGE CENTERS HELP & WHO BENEFITS?

- Welfare Reform
Between 1999 and 2001, Common Bond's Advantage Centers contributed to the success of welfare reform in Minnesota by helping one resident per week find a job. Of the 182 clients who found jobs through "Career Advantage", 50% were MFIP recipients when enrolled.
- Independent Living for Clients with Chronic Mental Health Issues
In 2001 the professional staff made regular contact with 84 persons known to have mental health issues. It is estimated that in one-fifth of the cases these contacts averted a more serious mental health crisis involving 36 hours of crisis intervention and follow-up service.
- Preventing Homelessness
Common Bond helped 55 resident families avert imminent eviction in 2001. It is estimated that 20% of these situations would have ended in shelter stays of 30 days costing \$4,500 each. At Common Bond housing stability is the foundation upon which all other human progress is measured.
- Fostering Parental Responsibility and Family Stability
Common Bond was involved in dozens of cases warranting child protection reports during 2001. Child protection authorities became involved in 13 of these cases. Common Bond successfully intervened and preserved family stability through effective service planning for at least 10 of these children.
- Preventing Crime
The reduced number of police calls (from 50 to 70% reduction in crime) and arrests after Common Bond Advantage Center services are applied to an acquired site save law enforcement authorities about \$300,000 per year.
- Nurturing School Achievement in At Risk Children
90% of the school age children who participate in Common Bond Advantage Center "Study Buddies" reading achievement program have their reading skills raised by one grade level. The savings to the public school system are very high.
- Long-term Care Reform
Common Bond houses 1,300 senior citizens of whom 300 fall into a "frail and at risk" category. On site moderate to high level supportive care reduces and delays the need for relocation to a facility with expensive skilled nursing services.

HOW ARE THE ADVANTAGE CENTER COST SAVINGS CALCULATED?

Separate calculations have been made for each of the seven categories of Advantage Center support services.

Welfare Reform

The annual savings to the MFIP system amount to \$18,500 (57 individuals placed in jobs decreasing MFIP payments \$324 each). HUD housing subsidy savings totaled \$17,300 per year (57 people placed in jobs with an increase in earnings of \$1,010 each) or a total of \$57,570 which multiplied by the 30% rule saves HUD \$17,300 per year. This same wage gain of \$57,570 at an 11% overall tax bracket adds \$6,333 to the government's tax base. With an annual job retention rate of 51% an additional savings of \$21,500 is realized from the previous year's clients served.

Mental Health

Publicly subsidized health costs saved amounted to \$76,500 (17 health emergencies prevented at an average cost for three days in a psychiatric ward of \$4,500). Case management costs avoided by the public system totaled \$8,160 (408 hours of case management avoided at an average hourly cost of \$20).

Homelessness Prevention

30 day shelter costs avoided totaled \$49,500 per year (11 shelter stays avoided at a per 30 day cost of \$4,500). HUD unit turnover costs avoided were \$27,500 (55 evictions prevented at an average HUD cost of \$500 per eviction).

Child Protection

Foster care savings were \$82,530 (5 out of home 18 month placements avoided costing \$16,506 each). Case management savings were \$40,000 (5 out of home placements avoided where case management cost for 18 months would have totaled \$8,000 each).

Crime Prevention

Advantage Center services resulted in 631 less police calls at an average cost to the city of \$40 each or total arrest cost savings of \$25,237. 41 bookings and court cases were avoided at an average cost of \$400 to the city or total savings of \$16,282. 7 incarcerations that would have lasted an average of one year were avoided costing \$36,000 each or a total savings of \$244,226. Crime reduction resulted in HUD security savings of \$84,291 and HUD maintenance cost savings of \$33,716.

School Achievement

111 children paired with mentors avoided the need for a Title 1 instructor and saved the school system \$35,136. 100% of these advanced to the next grade level saving the schools \$34,770 in remedial instruction. 90% raised reading skills up a grade level and 80% achieved 2 school learning goals. The gains resulted in State child care savings of \$46,176.

Long Term Care Reform

308 senior residents needed 3 or more services that would on average have required at least 77 nursing home placements for an average of 6 months each. At an average cost of \$3,000 per month total savings amounted to \$1,386,000.

WHAT IS THE RETURN ON INVESTMENT FROM ADVANTAGE CENTER SERVICES?

TOTAL SAVINGS

<i>Welfare Reform</i>	\$63,529
<i>Mental Health</i>	84,660
<i>Homelessness Prevention</i>	77,000
<i>Child Protection</i>	245,060
<i>Crime Prevention</i>	403,752
<i>School Achievement</i>	116,082
<i>Long Term Care Reform</i>	<u>1,386,000</u>
	\$2,376,083

TOTAL PROGRAM COSTS \$1,573,803

ROI CALCULATIONS

- **On an absolute basis and ignoring the impact of leverage the total return to the public of the investment made in Common Bond Communities Advantage Center services over a period of one year amounts to 51% (\$2,376,083/1,573,803).**
- **Because the public investment represents 16% of total costs the return to philanthropic investors totals 80%.**
- **Because the private sector (individuals/foundations/fees) contributes 84% of the total costs the return to the public sector (state and federal government) on its more modest investment is very high exceeding 800%.**

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