

# ***AN INVESTMENT LETTER FOR MINNESOTA PHILANTHROPISTS***

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**Thursday, January 15, 2007**

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This first letter of the new year initiates a two part series analyzing the benefits of supportive transitional housing for homeless people in the Twin City metropolitan area. Minneapolis and Hennepin County along with leaders in the religious community have set a goal of eliminating homelessness within the next ten years.

Supportive transitional housing is defined as that step in the housing continuum that moves individuals and families from homelessness to semi-permanent housing with the expectation that eventually the individual and family will achieve a permanent solution to their housing needs and become self-sufficient.

In this issue the cost and benefits of transitional housing will be reviewed showing the changing composition of the cost structure when an individual moves from homelessness to transitional housing. The results of a study completed by Hennepin County show that while there is a modest gain in the total public cost when an individual moves from homelessness to transitional housing the statistical odds improve dramatically for that individual to ultimately achieve self sufficiency.

### **WHAT'S THE PROBLEM?**

- There are about 10,000 homeless people in Minnesota including 4,300 children and youth. The Hennepin County study confirmed an annual per homeless family cost to the taxpayer of \$8,100 for primarily “crisis” services that offer little prospect of advancement towards self-sufficiency.
- When youth wind up on the street homeless nearly 50% become compromised by drugs, crime or sexual exploitation after twenty-four hours. Nearly one third of these youth have considered suicide and over one-half have been sexually molested. Since 1991 the number of youth in shelters has tripled!
- Because of the lack of homeless shelter space there is a lottery for bed space which if you win gives you 28 days in a shelter. After that period of time one must wait two Mondays before one can reapply.
- There is a strong need for shelters that connect people with services. Cell phones are a critical need for people in shelters since they are out of contact with job opportunities, school officials and community support services.
- **Nearly 60% of those in shelters are people of color, about 50% have some degree of mental illness and about one third were abused as kids. The majority of women in shelters have fled an abusive relationship.**

### **HOW DOES “SUPPORTIVE TRANSITIONAL HOUSING” HELP?**

The analysis that follows is based on a study of 29 families who lived at Portland Village in south Minneapolis during its first year of providing supportive housing services. The Hennepin County study completed in July 2003 asks the question, “Does supportive housing reduce residents’ use of county crisis services, and does the overall service usage of residents show a shift towards long-term stability?”

- Crisis intervention costs include: treatment for substance abuse, a range of child protection services and the expenses incurred from out of home placement of children. These cost decline significantly where supportive housing is provided over a twelve month period. It is interesting to note that a relatively small number of families account for better than half of the total crisis intervention costs of this study.
- Supportive prevention services are investments in the future of the family and they include: child care assistance, early childhood services, developmental disability support, services aimed at preventing entry into the child protection system, adolescent parent support and mental health services. These costs generally rise with intensive case management since they contribute to a child’s stability, health and development.
- Economic assistance payments by the federal and state governments rise as residents achieve stability and greater awareness and access to the assistance that is available. These payments include federal support such as food stamps and general assistance as well as Minnesota Supplemental Assistance and MFIP (Minnesota Family Investment Program).
- There was a dramatic decline in out-of-home placement for children from 2,433 days prior to the children moving into supportive housing to 336 days while living at Portland Village. This allowed many children to be reunified with their parents and others to experience new foster care arrangements.
- Two adults spent nearly the entire year in the state or county women’s correctional facility immediately prior to moving into Portland Village. The cost of incarceration totaled \$67,500. While living in supportive housing two adults spent only one day each in a county jail. Supportive housing provided a home for them to return to while focusing on rehabilitation as well as a safe and supportive place for their children.

*“When one is homeless you have no sense of self or place and a complete inability to solve problems. There is a total lack of identity with no self-esteem. Having a place to sleep and subsequent work assessment testing is the first step in recovering a sense of self-worth and feel that...someone out there cares.”*

*Bob Wagner, The Church of Saint Stephen*

## **WHO BENEFITS?**

- The individual and their family benefit from taking that significant first step on the road back to safety and self-sufficiency. The reacquired feeling of self-worth and identification with someone who cares become powerful positive motivators towards eventual self-sufficiency.
- The community benefits as healthy families find the type of shelter with supportive services that promotes greater stability at home, in the neighborhoods, in our schools and at the workplace.
- Ultimately the Minnesota taxpayer benefits from programs that initially require added investment but offer the high probability that longer term social service support costs will decline and personal incomes and tax receipts will rise.

## **WHAT'S THE RETURN ON INVESTMENT?**

The Hennepin County study of July 2003 documents 29 families who resided at the Portland Village residential facility for a period of twelve months. The comparison is made between county, state and federal government costs for the twelve months preceding Portland Village residency and the cost incurred for the twelve months at the residency. A major challenge is the lack of a longitudinal study that tracks these families after the initial year at Portland Village.

Prior to residence at Portland Village Hennepin County spent \$261,321 per year on these families with 78% of the cost being crisis services and only 22% being supportive services. While at Portland Village total costs for these families rose to \$372,184 but crisis services comprised only 17% of the total cost while supportive services and housing comprised 83%. This change in emphasis towards self-improvement services together with the stability provided by safe housing increases the odds that a number of these families will achieve self-sufficiency within five years.

If we assume that 15 of these families will achieve self-sufficiency five years after arriving at Portland Village with earning power of \$10.00/hour we can conclude that there will be a savings over a ten year period to the County, State and USA of \$1,628,302 from the \$5,264,970 that would have been spent had these families remained homeless. The savings reflects reduced county crisis expense and lower federal and state welfare payments (MFIP, Emergency Assistance, Food Stamps etc.)

Since the County, State and USA invested a total of \$1,265,695 in Portland Village related supportive services and payments, the net savings from the total investment in the Portland Village program is \$362,607 or a return of 28.6% over the ten year period on the initial investment.

## CALCULATING THE RETURN ON INVESTMENT

### **Assumptions:**

Hennepin County Cost Per Year for 29 Families Pre Portland Village = \$261,321  
USA & Minnesota Cost Per Year for 29 Families Pre Portland Village = \$265,176  
Hennepin County Annual New Investment for 29 Portland Village Families = \$110,863  
USA & Minnesota Annual New Investment for 29 Portland Village Families = \$59,856  
14 families will remain at Portland Village for ten years with no improvement.  
15 families have earning power of \$10/hour after five years and exit Portland Village.  
State and Federal Tax receipts remain constant at about \$200 per \$1,000 gain in income.  
County, State and Federal benefits and services will remain constant for ten years.

### TEN YEAR COST/BENEFIT ANALYSIS

Hennepin County Crisis & Supportive Costs Pre Portland Village	\$2,613,210
USA & Minnesota Welfare Support Costs Pre Portland Village	<u>2,651,760</u>
TOTAL prospective cost of 29 homeless families for ten years	\$5,264,970

Hennepin County New Investment in PV: 14 families for ten yrs.	535,220
15 families for five yrs.	286,715

USA & Minnesota New Support Costs in PV:

14 families for ten yrs.	288,960
15 families for ten yrs.	<u>154,800</u>

Total New Investment in Portland Village. **\$1,265,695**

Savings from 15 families taken off of County (\$675,830), State & USA (\$685,800) support after five years.	\$1,316,302
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Federal & State tax receipts from 15 families earning \$10/hour for five years (tax receipts average \$200 per \$1,000. increase in earnings).	<u>\$312,000</u>
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Total estimated benefit from Hennepin County Investment In Portland Village.	<b>\$1,628,302</b>
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Total Savings from the public investment in the 29 families at Portland Village. Savings of \$1,628,302 less net public investment of \$1,265,695.	<b>\$362,607</b>
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