

Return on investment in supportive housing in Minnesota

Funded by John D. and Catherine T. MacArthur Foundation, final report

Introduction

Over 10,000 persons are homeless in Minnesota on any given night. Supportive housing, which throughout 2010 served an estimated 14,600 adults in Minnesota, provides a combination of transitional and permanent housing and services to help homeless people live as independently as possible.

The literature on evaluations of supportive housing programs shows that these interventions have a positive impact on outcomes for participants, tax-supported government programs, and society. However, costs of allocating resources (public and private) into these housing programs to accomplish these outcomes is high, and, to this point, the net benefits based on the economic value of the outcomes have remained largely unmeasured.

This study estimates the return on investing in supportive housing in Minnesota and compares the relative economic value of the benefits of supportive housing programs for families, single adults, and unaccompanied youth with their associated costs. In addition, it reports the economic value that accrues to taxpayers as well as to society by adding in the actual wage gains for individuals after entering supportive housing.

Summary and implications

Return on investment in supportive housing

Based on expenditure data obtained from Minnesota state agencies and demographic data from the Minnesota Homeless Management Information System (HMIS) on a random sample of 575 supportive housing residents in 48 programs:

- Taxpayers make at least \$123 million per year, with a return of 1.44 to 1 in public funding for supportive housing.
- The ROI to society, taking into account total program costs and individual wage increases, is 1.32 to 1.

In 2010, supportive housing generated at least \$123 million for Minnesota taxpayers, returning \$1.44 for every public dollar invested.

These are conservative estimates that don't include potential cost savings from improved health, reduced emergency room use or hospitalizations, or any child-related outcomes.

Costs to operate supportive housing programs

On average, supportive housing programs spent about \$398,000 to operate in 2010, totaling an estimated \$304 million to serve adults and unaccompanied youth. The costs and benefits of serving children are not included in this study.

On average, the annual cost per adult served is \$20,762. Adults in families have a slightly higher average cost of \$21,730, amounting to \$187 million. The average per person cost of providing supportive housing to single adults (no children) is close to the overall average, with a total cost of \$99 million. Serving unaccompanied youth, on average, costs about \$15,000 per youth (ages 21 or under), totaling to \$18 million per year.

Transitional and permanent supportive housing programs report having fairly similar services and costs per participant.

Investments

Public funds account for an estimated \$281 million of the annual funding for supportive housing in Minnesota.

The per person public funding is about the same for single adults and adults with children, averaging about \$20,000, but the total for adults in families is higher, \$175 million compared with \$97 million for single adults. The total public funding for unaccompanied youth is about \$9 million, with a lower average per person taxpayer contribution of nearly \$8,000.

Private funders contribute an estimated total of \$45 million in volunteer time and in-kind donations for supportive housing in Minnesota annually. Amounts for private gifts and foundation grants are not available or included in these figures.

Benefits and savings relative to costs

Supportive housing residents in Minnesota generated \$462 million in the year after entering supportive housing, with 88 percent going to the public or taxpayers and 12 percent benefiting individual residents due to wage gains.

Increased use of mental health services by single adults (\$14.9 million) and income supports (\$42.8 million) by all residents cost nearly \$58 million more in the year after entering supportive housing than the year before. Food assistance accounts for half of the increased income support costs. Supportive housing may have a stabilizing effect, making it possible for participants to apply for and get assistance. Regular users may also receive larger amounts of cash assistance.

These additional costs are offset by large crime-related savings due to the odds of being convicted of a crime dropping from 48 percent to 14 percent after entering supportive housing, resulting in an average savings in incarceration costs of \$16,347 the first year after entry, reaching a total one-year savings of \$453 million.

- Adults in families gain the most with regard to increased wages (\$36 million), produce the only net decrease or cost savings in chemical dependency service use (nearly \$6 million) in the first year after supportive housing entry, and provide the largest net benefit to taxpayers (\$247 million), with a return of 1.41 to 1 in public funding for supportive housing.
- Single adults have the lowest wage benefit (\$8 million) and the largest cost to taxpayers (\$29 million), with a return of 1.09 to 1 in public funding.
- Unaccompanied youth gain a relatively high wage benefit (\$13.4 million) and only add cost to taxpayers due to increased use of food supports (\$6.2 million), with a return of 7.1 to 1 in public funding. However, this high ROI for youth should be interpreted with caution because of limitations in the survey method for collecting funding data from the programs.

ONE-YEAR NET COSTS AND SAVINGS OF SUPPORTIVE HOUSING RESIDENTS (\$ MILLIONS)

	Single adults	Adults in families	Youth	Total
Wages	8.2	35.88	13.37	57.44
Tax revenues	.385	1.69	.629	2.7
Diversionsary Work	--	--	--	--
MFIP cash	--	(1.18)	--	(3.46)
MFIP food	--	(1.85)	--	(5.45)
Emergency Assistance	(.35)	--	--	(1.02)
General Assistance	(.41)	--	--	(.83)
Group Residential Housing	(7.3)	--	--	(14.9)
Minnesota Supplemental Assistance	(.61)	--	--	(.61)
Food Support	(5.7)	(4.6)	(6.2)	(16.52)
Mental Health Treatment	(14.92)	--	--	(14.92)
Chemical Dependency Treatment	---	5.88	---	5.88
Crime	134.46	247.044	71.71	453.2
Total	113.76	282.86	79.51	461.5

Note: The total is more than the sum of the subgroups because the subgroup categories are fixed and the total takes into account changing household compositions and eligibility for income support programs.

ONE-YEAR NET BENEFITS AND SAVINGS RELATIVE TO COSTS AND FUNDING (\$ MILLIONS)

	Single adults	Adults in families	Youth	Total
Individual benefits (wages)	8.2	35.88	13.37	57.44
Taxpayer benefits (taxes)	.385	1.69	.629	2.7
Savings to taxpayers	134.46	252.92	71.71	459.1
Costs to taxpayers	(29.29)	(7.63)	(6.2)	(57.7)
Net benefits to taxpayers	105.56	246.98	66.14	404.1
Net benefits and savings	113.76	282.86	79.51	461.5
Total operational cost	99	187	18	304
Total public funding to supportive housing	97	175	9.3	281.3
Total contributions from other funders	16	27	1.4	45
Return on public funding	1.09 to 1	1.41 to 1	7.1 to 1	1.44 to 1
ROI to society	.99 to 1	1.32 to 1	4.1 to 1	1.32 to 1

About the full report

The full report begins with an overview of supportive housing programs and services, the populations they serve, and the costs of those programs and services. Then, based on expenditure data obtained from state agencies and demographic data from the Minnesota Homeless Management Information System (HMIS) on a random sample of 575 supportive housing residents in 48 randomly selected programs, we describe the costs and savings associated with supportive housing programs, including costs or savings connected with mental health and chemical health treatment, employment, income supports, and incarceration. In addition, using conservative assumptions, we calculate tax revenues associated with wage gains. Using the dollar values of the costs and savings generated by residents in supportive housing programs, we calculate the return on investment (ROI) in supportive housing programs associated with families, single adults, and youth; the public ROI, and the ROI for the state as a whole.

The final section delineates the assumptions, methods, analytical steps, and statistical tests we used to calculate the supportive housing costs and benefits in Minnesota. In brief, most of the calculations use actual individual-identified quarterly wages and program expenditures, allowing us to compute the dollar values when each person was homeless relative to when he or she was in supportive housing. The statistical differences in dollar values between the two time periods, using fixed-effect estimation techniques, represent the marginal effects or impact parameters of supportive housing. In the aggregate, these parameters provide the average quarterly and annualized total costs or savings associated with the entry into supportive housing.

An 18-month companion outcomes study by Wilder Research, funded by the F.R. Bigelow, The Jay and Rose Phillips Family, and The Minneapolis Foundations and Minnesota Housing, began early in 2010 and is examining the impact of supportive housing on the lives of the people served.

Wilder Research

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For more information

This summary presents highlights of the *Return on investment in supportive housing in Minnesota*, funded by John D. and Catherine T. MacArthur Foundation. For more information about this report, contact Richard Chase at Wilder Research, 651-280-2706.

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JANUARY 2012