The County of Santa Clara is launching California’s first Pay for Success (PFS) project in partnership with Abode Services, a national leader in innovative housing services for homeless persons in Silicon Valley. Project Welcome Home will provide housing and supportive services for 150-200 chronically homeless individuals over six years to measurably improve their quality of life and to reduce reliance on costly government-funded services such as emergency room care.

Studies have shown that chronically homeless individuals, with little to no access to stable housing and long-term supportive services, end up utilizing significant and disproportionate government resources in the form of emergency room visits, jail time, and other services that provide only short-term relief. On any given night in Santa Clara County, more than 6,500 people in the County are homeless, of whom over 2,200 can be classified as chronically homeless. An individual who is chronically homeless is defined as an adult (or a family with at least one adult member) with a disabling condition, such as substance abuse or mental illness, who has been continuously homeless for one year or more and/or has experienced four or more episodes of homelessness within the past three years.

In partnership with the County’s Office of Supportive Housing and Behavioral Health Services Department, Abode will provide chronically homeless individuals with access to community-based clinical services and permanent supportive housing using evidence-based Assertive Community Treatment (ACT) and a Housing First approach. These services are designed to end the participants’ homelessness, increase income, and provide increased access to ongoing physical and behavioral health services.

Project Welcome Home includes:
- **Government**: County of Santa Clara, California
- **Service Provider**: Abode Services
- **Funders**: The Sobrato Family Foundation, The California Endowment, The Health Trust, The Reinvestment Fund (TRF), Corporation for Supportive Housing (CSH), The James Irvine Foundation, and Google.org
- **Early Community Supporters**: Step Up Silicon Valley, Catholic Charities of Santa Clara County, Silicon Valley Community Foundation, The Sobrato Family Foundation, The Health Trust, California Pay for Success Initiative (administered by Nonprofit Finance Fund and funded by The James Irvine Foundation)
- **Independent Evaluator**: University of California, San Francisco
- **Evaluation Grantor**: Laura and John Arnold Foundation
- **Government Advisor & Transaction Coordinator**: Third Sector Capital Partners, Inc.
- **Technology Partner**: Palantir Technologies

Pay for Success (PFS) is an innovative funding model that drives government resources toward social programs that prove effective at providing positive results to the people who need them most. PFS tracks the effectiveness of programs over time and requires governments to pay for those services only if and when they succeed in measurably improving the lives of people most in need.

PFS also enables governments to tap private investments to cover the upfront costs of the programs. If the program is successful in improving the lives of the people it is meant to serve, then government repays those who made the original investment. If, and only if, the program exceeds the pre-determined outcomes, the government pays a small return on the investment. If the program does not achieve its target results, the government does not fully repay those who made the original investment. This model ensures that taxpayer dollars are being spent only on programs that actually work.
• Private funders, philanthropic organizations, and Abode’s deferred service fees will provide a total of $6.9 million in funding for Project Welcome Home. The County of Santa Clara will repay these funders only if Abode is able to help chronically homeless individuals achieve continuous periods of stable housing. The County will pay a maximum of $8 million in success payments for this six-year project.

SERVICE PROVIDER
Abode Services is a nonprofit agency that provides an array of innovative programs to end homelessness throughout the San Francisco Bay Area. Founded in 1989, Abode has grown to a $29 million agency that provides housing and services to improve the lives of more than 4,400 adults and children each year. Abode operates over 30 supportive housing programs that keep close to 1,200 households in housing on any given night. A national leader in its field, Abode has consulted widely about permanent housing solutions, and its senior staff have been recruited to present nationally about its success in implementing housing strategies. It has received prestigious grants from the Charles and Helen Schwab Foundation, the U.S. Department of Housing and Urban Development, and the U.S. Department of Veterans Affairs, among many others. Abode also plays a critical role in 12 formal collaborative partnerships with more than 40 other public and private entities. Abode has worked toward its mission of ending homelessness for more than 25 years.

GOVERNMENT
The County of Santa Clara will make success payments based on the number of months of continuous stable tenancy achieved by project participants that are confirmed by the independent evaluator. The County of Santa Clara has a population of nearly 1.8 million, is the largest of the San Francisco Bay, and is the 4th largest county in California. San Jose is the largest city in the County, with a population of nearly 1 million. The County has over 15,000 employees across 26 diverse agencies and departments and operates with a $4 billion budget.

FUNDERS AND GRANTORS
A group of 8 funders, grantors, and Abode Services, through deferred service fees, is providing $6.9 million in upfront funding for the project.

• The Reinvestment Fund (TRF) will provide $500,000 in senior loan funding at 5% interest.
• Corporation for Supportive Housing (CSH) will provide $500,000 in senior loan funding at 5% interest.
• The Sobrato Family Foundation will provide $1,500,000 in subordinate loan funding at 2% interest.
• The California Endowment will provide $1,000,000 in subordinate loan funding at 2% interest.
• The Health Trust will provide $1,000,000 in subordinate loan funding at 0% interest.
• The James Irvine Foundation will provide nearly $300,000 in subordinate loan funding at 0% interest.
• Google.org will provide $500,000 in recoverable grants.
• Abode Services will defer $500,000 of service fees over six years to be repaid only if successful outcomes are achieved.
• Laura and John Arnold Foundation will provide over $1,000,000 in support for evaluation-related project costs.

EARLY COMMUNITY SUPPORTERS
The County of Santa Clara’s efforts to investigate and develop PFS initiatives were launched through a Disruptive Innovation grant funded by The Health Trust and awarded to Step Up Silicon Valley, a project of Catholic Charities of Santa Clara County. Critical philanthropic support was also provided by The Sobrato Family Foundation, the Silicon Valley Community Foundation, and the California Pay for Success Initiative, administered by Nonprofit Finance Fund and funded by The James Irvine Foundation.

INDEPENDENT EVALUATORS
University of California, San Francisco, School of Medicine (UCSF) is a leading university and research center dedicated to advancing human health through a fourfold mission of education, research, patient care and public service. UCSF will conduct an independent evaluation to rigorously measure whether provision of permanent supportive housing significantly improves clients’ health while decreasing use of costly County services. As part of the evaluation, UCSF will determine success payments based on the number of months of...
continuous stable tenancy achieved by participants over the six-year project. The project will use a Randomized Controlled Trial, the gold standard of evaluation, to track whether the combination of services implemented by Abode produces measurable improvement in health and social service utilization for these chronically homeless adults.

GOVERNMENT ADVISOR & TRANSACTION COORDINATOR
Third Sector Capital Partners, Inc. is a 501(c)(3) nonprofit that leads governments, high-performing nonprofits, and private funders in building collaborative, evidence-based initiatives that address society’s most persistent challenges. As experts in innovative public-private financing strategies, Third Sector is an architect and builder of the nation’s most promising PFS projects including the Commonwealth of Massachusetts and Cuyahoga County, Ohio. These projects are rewriting the book on how governments contract social services and how communities measurably improve the lives of people most in need. Since early 2013, Third Sector has led the County’s exploration of PFS, advised the implementation and ramp-up design, led contract construction and arranged upfront funding. Third Sector has supported capacity building within the County and community to develop future PFS projects including a project focused on acutely mentally ill population.

DETERMINING SUCCESS PAYMENTS
Success payments will be made throughout the six-year project based on the number of months of continuous stable housing achieved by individuals enrolled in the project. When chronically homeless individuals stay in continuous stable housing, especially if they achieve 12 months or more, they are less likely to utilize costly medical and behavioral health resources and more likely to experience improved health outcomes.

The project’s target impact is for more than 80% of participants to achieve 12 months of continuous stable tenancy. This represents more than 6,900 months of continuous stable tenancy from project participants over the six-year project. The County will make success payments when participants achieve specific tenancy milestones. The majority of success payments are earned when a participant is retained in continuous stable housing for over 12 months.

<table>
<thead>
<tr>
<th>Success Payment per Participant</th>
<th>Participant Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,242</td>
<td>3 months of continuous tenancy</td>
</tr>
<tr>
<td>$1,863</td>
<td>6 months of continuous tenancy</td>
</tr>
<tr>
<td>$2,484</td>
<td>9 months of continuous tenancy</td>
</tr>
<tr>
<td>$6,831</td>
<td>12 months of continuous tenancy</td>
</tr>
<tr>
<td>$12,420</td>
<td>Cumulative payment through 12 months of continuous tenancy</td>
</tr>
<tr>
<td>$1,035</td>
<td>Each month after the first year of stable tenancy</td>
</tr>
</tbody>
</table>

At the target level of impact, the amount of success payments would fully repay all funders their principal investment and base annual interest. At higher levels of impact, additional success payments will be made, subject to a maximum of $8 million in total success payments. 75% of additional success payments will be distributed to Abode as performance incentive and 25% to senior and subordinate funders. Google.org will reinvest any of its repaid grant funding into Abode for additional capacity building. Any repaid funds from Laura and John Arnold Foundation’s evaluation grant will go towards continued support of County initiatives.

LEGAL
Throughout the structuring and negotiation of the project, Abode received pro bono counsel from Gibson, Dunn & Crutcher LLP. The County of Santa Clara received pro bono counsel from Fenwick & West LLP. The law firm Miles & Stockbridge P.C. provided additional legal services.

TECHNOLOGY
Palantir Technologies is providing the County with software and related services in support of the project.