

Detroit receives Social Bond of the Year award for its unique program that targets blight in neighborhoods

- Environmental Finance names the City's 2021 Neighborhood Improvement Bonds the Social Bond of the Year in the US muni category
- The award cites the uniqueness of Detroit's \$175 million neighborhood improvement bond program that has led to 1,633 demolitions and 434 home preservations
- Detroit's use of social bonds garnered strong investor interest, setting a growing trend

The City of Detroit has won another award for its unique bond program that targets blighted houses with either demolition or preservation. Environmental Finance today named Detroit's Unlimited Tax General Obligation Bond series **Social Bond of the Year** in the US muni bond category. This is the second such award in less than a year. In November, Bond Buyer selected Detroit's Proposal N voter approved bond program as Midwest Bond of the Year, citing its rare social use.

Detroit sets trend for social bond use

In 2021 Detroit was pioneering in issuing social bonds to fund neighborhood improvement through the demolition of blighted houses while preserving salvageable structures. This groundbreaking bond series attracted major investor interest, selling \$175 million in bonds setting-off a trend that has grown. According to an S&P Global Ratings report, 2021 saw \$188 billion of total Social Bond issuance, nearly a 10x increase from 2019 when total issuance was just over \$200 million. Early on Detroit's program was one of very few examples—if any—of municipal bonds being used for blight remediation.

Proposal N's demolitions are in addition to the more than 15,000 blighted properties Detroit has torn down using Federal Hardest Hit Fund dollars. To date, Proposal N has led to 1,633 demolitions, with over 1,000 more under contract, and more than 653 in the demolition pipeline. Meanwhile, the stabilization of 434 salvageable homes has been completed, with another 936 under contract.

Investor demand soars for Detroit bonds

Detroit's robust financial performance in combination with the compelling use of bond proceeds resulted in strong investor demand in the bond sale. More than 60 institutional investors placed orders, many of which were repeat investors that purchased the City's 2020 and 2018 bonds demonstrating their continued support and interest in the City. Total orders for the 2021 Social Bonds were so high that they could have been sold 20x over. That overwhelming level of demand allowed the City to achieve a much lower interest rate than it

had initially expected and will translate to much lower repayment costs over time for Detroit taxpayers.

Chief Financial Officer, Jay Rising noted, “the extraordinary interest we saw in Detroit’s inaugural Social Bond offering is a byproduct of its purpose. It acknowledges the fact that the City’s credit relies upon our social environment, and that credit will continue to improve as we continue reinvestment in our City to make it beautiful and safe for residents and a destination of opportunity. Projects that create a positive social impact reward investors.”

Environmental Finance is an online international news and analysis publication based in the UK.