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## **Two Cities Will Get Chance to Raise Money for Green Infrastructure.**

For nearly 800 cities around the United States, the storm drains you see along the streets send stormwater into the same sewer pipes handling the wastewater coming from homes and businesses. All of it ultimately ends up at a plant where it's treated and sent back out into a river, lake or other body of water. When it rains hard and the system can't handle all the water, overflow goes directly into natural bodies of water. If it's raining hard enough, and long enough, you may be flushing your toilet straight into the nearest river. The systems are called "combined sewer overflows" — and the Environmental Protection Agency's mandate to eliminate them carries a total price tag in the billions. Still, many cities are working on the problem.

Last fall, the DC Water and Sewer Authority issued an Environmental Impact Bond or EIB. Investors put up \$25 million to construct green infrastructure designed to mimic natural processes to absorb and slow surges of stormwater during periods of heavy rainfall. The investors in that case were Goldman Sachs and the Calvert Foundation.

Two more cities will soon issue EIBs for infrastructure projects (not just stormwater management) — and the investors could be you or me.

Which two cities exactly will be determined in a competition announced by Neighborly, a company with a platform that makes it easy for the public to invest directly in municipal bonds via the internet, and the Rockefeller Foundation's 100 Resilient Cities initiative.

"We need new models and financing mechanisms to produce more jobs, create new opportunities and build more resilient cities," said Neighborly CEO Jase Wilson, in a statement calling for cities to apply.

Eligible EIB proposals must geographically include one of the cities that are part of the 100 Resilient Cities network (regional authorities that include a city in the network may submit a proposal). Among other factors, proposals will be judged on impact, including environmental impact as well as benefits to poor and vulnerable communities; the financial strength of the issuing agency or government; the size of the proposed transaction (\$5 million or greater is suggested); and the scalability of the proposed project and finance approach within the city or to other cities.

Proposals may also incorporate multiple projects and aspects of environmental impact, such as stormwater reduction, clean energy infrastructure, water conservation, or recycling and waste reduction.

The winning cities will get technical help with designing their EIB offerings.

Like D.C.'s stormwater EIB, the new EIBs will use a pay-for-success model. In D.C.'s case, the district will pay investors back with interest only if the green infrastructure meets a certain stormwater reduction goal within a specified time frame. If that goal isn't met, the investors lose their money.

The pay-for-success model was meant in part to be a way of shifting risk off of taxpayers and onto investors, generally people who take risks with money for a living. But the new pay-for-success EIBs will be offered for sale to nonprofessional investors via Neighborly.

Municipal bonds in general can be very safe, but pay-for-success has less of a track record. The first pay-for-success bond in the U.S. failed to meet its goals, resulting in investor losses. So this will be interesting, in more ways than usual.

NEXT CITY

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