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Social Impact Bonds for Affordable Housing Gain Popularity Among Cities.

New York City, Philadelphia and San Francisco are among the cities getting in on the trend.

For decades, local governments have financed affordable housing construction with municipal bonds to address the nationwide shortage of affordable housing. Now communities are turning to environmental, social and governance bonds — meant to finance socially- or environmentally-responsible projects such as renewable energy — to fund affordable housing.

Some recent city experiences suggest their predictability can attract investors. The fastest growing segment of ESG bonds is those funding affordable housing. In 2021, these bond issuances rose 288%, or $14.5 billion, accounting for more than three-quarters of the growth of the entire sustainable debt market, according to S&P Global Ratings.

Last year, Philadelphia sold $100 million in social bonds, a type of ESG bond, to fund an affordable housing initiative. San Francisco has sold millions in social bonds for affordable housing projects since at least 2019.

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