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Hot Topics in Municipal Bonds and Public Finance for 2026: McGuireWoods

Municipal issuers entered 2026 navigating a complex mix of policy priorities, market dynamics and operational risks. Three themes stand out across jurisdictions and sectors: accelerating the delivery of affordable housing through scalable financing models; managing arbitrage exposure due to the rate environment of the early 2020s; and strengthening cybersecurity readiness and disclosure practices amid persistent threat activity. Public finance professionals and capital markets participants should keep some practical considerations in mind.

Affordable Housing: Scaling Impact Through Programmatic Finance

Affordable housing remains a top priority for cities and states as supply-demand imbalances, construction cost inflation and demographic shifts exacerbate affordability pressures. Meeting these challenges requires programmatic, multitool financing approaches that move beyond stand-alone projects to large portfolios of projects.

Baltimore provides a powerful example of how to finance affordable housing at-scale through a tax increment financing program that can be adapted by other jurisdictions. In 2023, Mayor Brandon Scott launched Reframe Baltimore, a 15-year, \$3 billion vacancy reduction initiative to convert vacant and blighted properties into affordable homes, expand homeownership opportunities and revitalize communities. The tax increment financing (TIF) district legislation drafted by the firm to support the bonds encompasses approximately 8,500 properties across 190 neighborhoods. The financing uses TIF bond proceeds to fund grants to homeowners, for nonprofit community entities, and small for-profit developers to renovate vacant units. Grants are expected to average \$75,000 per property, enabling a comprehensive, citywide vacancy reduction and community redevelopment program. By channeling TIF bond proceeds directly into rehabilitation grants, Baltimore can catalyze private investment, accelerate the return of properties to productive use and broaden access to quality affordable housing.

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