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Wildfire Explosion Leads to Higher Financing Costs for Vulnerable Cities

Municipal bond buyers expect higher interest rates from communities more prone to wildfires

Wildfire season is approaching, threatening not only property and lives but municipal bond prices in the most vulnerable places.

A study from the University of Iowa's Tippie College of Business found that communities more prone to wildfires pay higher interest rates on their municipal bonds as investors demand higher returns for the increased risk.

Those cities pay an additional .36% in interest on average, which can translate to thousands if not millions of additional dollars depending on the size of the bond issue.

That means taxpayers in the most affected cities had to pay an additional $4 billion in property taxes to cover the interest rate premium between 2000 and 2022.

Continue reading.

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