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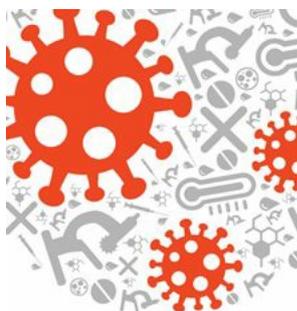
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## Environmental, Social and Green (Sustainable) Bonds Come Home

Social impact and green bonds are a type of municipal bond issued by a governmental entity that has a social or environmental outcome attached to the project being financed through the issuance of those bonds. Though some form of social impact and green bonds have existed in the realm of governmental and utility bonds for nearly a decade, the concept is relatively new to affordable housing and mortgage-backed bond financings. At the inception of the “green” bonds, an issuer could simply designate its own bonds as “green” based on the intended use of proceeds of those bonds needing no additional certification or on-going tracking of how those proceeds would actually be spent. The primary capital market had high hopes that one day in the future, the “green” label would provide a pricing benefit as conscious investors would prefer investing in green bonds. In fact, in the United States, the Climate Bonds Initiative in its *Green Bond Pricing in the Primary Market* (June 2020) (the “Report”) reported that on average green bonds experienced a higher spread to traditional municipal bonds. Nevertheless, the United States had the highest issuance of green bonds in 2019 (\$32.2 billion) among countries that track such statistics. From a global perspective as cited in the Report, in the first half of 2020, 21 out of 46 primary market green bond offerings experienced a “greenium”—meaning investors paid more for the same type of traditional municipal bond that was labeled as “green.”

Juxtapose the above with Fannie Mae, Freddie Mac and Ginnie Mae’s interest rate incentives to encourage landlords to retrofit older buildings for energy efficiency together with Fannie Mae’s upcoming social impact bond offering<sup>[1]</sup> and the Colorado Housing Finance Authority’s single-family social bond offering<sup>[2]</sup>, and it appears the housing capital markets are poised to experience the same “greening” seen in the governmental and utility capital markets. Just as one example, the green revolution has found its way into affordable housing in the Midwest region; last year, the Dayton-Montgomery County Port Authority issued \$16.3 million of “green” bonds to refurbish the historic former Biltmore Hotel in downtown Dayton, Ohio as an affordable senior living facility. Ostensibly, the social impact and green bond boom should be seen as a “win-win-win,” as they provide opportunities for investors to participate in meaningful initiatives, diversification of investors for borrower and issuers and the hope of better interest rates. Investors can “do well by doing good.”

As the popularity of social impact and green bonds continues to grow, investors are looking for independent verification that social impact and green criteria are being met and requiring more on-going disclosure from borrowers and issuers to ensure that those green bond proceeds are spent in a manner consistent with the bond’s labeling as “green.” Ice Miller has been at the forefront of the social impact and green trend in governmental borrowing and affordable housing space and welcomes the opportunity to consult with borrowers and issuers to navigate and evaluate accessing this growing capital market, the market trends and criteria for social impact and green bonds.

Please contact [Tyler Kalachnick](#), [Kip Wahlers](#), [Chris Magill](#), [Matthew Miller](#), [Lindsay Miller](#) or [Lauren Campbell](#) to discuss your interest in social impact and green bonds.

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[1] Such offering is backed by mortgage loans that financed, in part, energy efficient improvements.  
[2] The proceeds of such single-family mortgage revenue bonds, similar to all tax-exempt single-family mortgage revenue bonds, assist low- and moderate-income first-time homebuyers.

