

THE BOND BUYER

New York City to sell \$700 million of taxable social bonds next month

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New York City is planning to bring about \$700 million of taxable fixed-rate general obligation social bonds in October. Proceeds will go toward financing the construction of around 4,500 affordable housing units, Mayor Eric Adams and Comptroller Brad Lander said Friday.

Adams said the social bond sale would provide support for his [blueprint plan](#) for housing. The mayor has committed \$24 billion of capital funds over the next 10 years to expand the city's stock of affordable housing units.



A "Now Leasing" sign is seen in the city's East Village neighborhood. *Bloomberg News*

"The city's second issuance of social bonds supports the Adams administration's 'Housing Our Neighbors' plan and gives our investors a solid opportunity to support an upstream pathway towards generating much-needed social and environmental change in our great city," the mayor said.

Last October, the city sold \$400 million of taxable GOs, the city's [first issuance](#) of social bonds. The bonds supported the creation of more than 3,000 units of affordable housing.

"Last year's successful social bond issuance has proven that there is growing investor demand for socially conscious investments, and I am thrilled that we are able to offer this opportunity again," Lander said.

On Friday, S&P Global Ratings said the city's newest issue of social bonds will be aligned with the ICMA's 2023 statement of social bond principles.

"The financing creates over 1,400 housing units for the formerly homeless. Such units comprise nearly one-third of the financing," S&P said. "By focusing on housing some of the most vulnerable residents in New York City, the issuer directly tackles a highly material issue for its stakeholders."

S&P noted that the financing will take place "under a stringent regulatory environment, which ensures compliance with social objectives. The issuer is subject to federal, state, and municipal regulations pertaining to affordable housing."

Social bonds are intended to broaden the appeal for the city's bonds by appealing to a growing demand among those buyers who want investments aimed at addressing specific social objectives.

Proceeds from October's sale will be used to reimburse prior spending by the city under Housing Preservation and Development's (HPD) Extremely Low- and Low-Income Affordability (ELLA) program, Supportive Housing Loan Program (SHLP), and Senior Affordable Rental Apartments (SARA) program.

The projects being financed are estimated to provide 2,684 units under the ELLA program, 1,187 units under the SHLP program, and 627 units under the SARA program.

More than 80% of the units are for households earning 60% of the area median income of \$84,720 for a family of four or below while 1,443 of the units will provide housing for the homelessness.

S&P said the city could face some challenges, such as construction delays, high construction costs or rising maintenance and operations costs.

"HPD has navigated challenges stemming from exogenous (e.g. COVID-19 pandemic, supply chain) as well as endogenous forces in recent years and these factors could lead to challenges for the city's affordable housing goals," S&P said.

Along with the social bond sale, the city also expects to sell roughly \$235 million of taxable fixed-rates to finance some of its capital projects.

Both issues of bonds are expected to be priced Oct. 4 by an underwriting syndicate led by book-running senior manager Barclays Capital and joint senior managers Citigroup and Morgan Stanley. BofA Securities, Goldman Sachs, J.P. Morgan Securities, Jefferies, Loop Capital Markets, Ramirez & Co., Raymond James, RBC Capital Markets, Siebert Williams Shank, UBS and Wells Fargo Securities will serve as co-managers.

The city is one of the biggest issuers of municipal bonds in the nation. In the second quarter of fiscal 2023, the city had about \$39.3 billion of GOs outstanding. The city's GOs are rated Aa1 by Moody's Investors Service, AA by S&P Global Ratings and Fitch Ratings and AA-plus by Kroll Bond Rating Agency.

"Ensuring a resilient New York City requires financing the infrastructure that New Yorkers depend on," Lander said. "As record inflation and rising cost of living continues to strain the pockets of New Yorkers, expanding our affordable housing supply remains an urgent need."