



NEWS Release

Office of Richmond Mayor Tom Butt

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RICHMOND CITY COUNCIL APPROVES FIRST IN NATION SOCIAL IMPACT BOND TO ADDRESS BLIGHTED HOUSING CONDITIONS

RICHMOND, Calif., In a first-of-its-kind decision to address the City's growing problem of blighted homes, the Richmond City Council voted tonight to issue up to \$3 million in Social Impact Bonds for the purpose of rehabilitating and repairing abandoned residential properties in the City.

Social impact bonds, also known as pay for success bonds, are the latest tool for philanthropists to blend private investments and charity to effect social change. Investors provide low-interest loans to non-profits to fund programs designed to address social issues. If the program is successful and earns a profit as a result, the profits are used to repay the investors and help continue the work to tackle social problems. In Richmond, that problem is blighted homes.

"This program will accomplish the important task of acquiring and rehabilitating distressed homes in order to improve neighborhoods and provide safer and more affordable housing for Richmond residents," said Mayor Tom Butt. "The City will, as a whole, benefit from the practice of social impact investing because the bonds are paid solely from the revenues generated from the sale of the rehabilitated properties."

The targets of this program are "zombie properties" -- those that the private sector walks away from because they are so dilapidated and distressed it is cost prohibitive to undertake rehabilitation. There are an estimated 1000 boarded-up, abandoned houses in Richmond and each one costs the City \$7,000 per year in clean-up and police response to crime. That amounts to \$7 million each year.

"The problems that we face from these blighted properties and houses present the greatest challenges to Code Enforcement," said Tim Higaes, the City's Code Enforcement Manager. "Not only are they crime magnets and safety hazards, they are neglected to the degree that we eventually have to perform abatement measures ourselves which is costly and time consuming."

The Richmond Community Foundation (RCF) will facilitate the program from acquisition to sale of the properties. Families who are participating in SparkPoint Contra Costa, a financial literacy program, will be given the first opportunity to purchase the homes through SparkPoint's First Time Home Buyer (FTHB) program. The FTHB is designed to remove barriers for middle and low income potential homebuyers through counseling, improved access to resources and financial advice.

The benefits of this program will also be extended to local contractors who will perform the renovation work and hire out of the City's RichmondBUILD job training program.

The bonds are expected to be funded in the next 30 to 60 days.

The City has identified 10-15 properties, the majority of which are located in the Belding Woods, Iron Triangle, Pullman, Santa Fe and Coronado Neighborhoods, to launch the program.

The program was originally proposed by John Knox of Orrick, Herrington & Sutcliffe, LLP, who is providing legal support for the project on a pro bono basis for the City and the Foundation. Additionally, Home Depot has recently agreed to provide assistance to the program.

"No City revenues will be used to fund the program," said Mayor Butt. "The partnership with private investors is truly a win-win scenario."

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