**A person wearing a black hat and looking at the camera

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**DIGNITY BOND**

**As the homelessness rate keeps increasing across the developed countries mostly due to higher housing prices and the lack of social housing, more people find themselves living on the streets. Financing the Housing First model will provide sustainable affordable housing and to restore life stability for those in need.**

**PROBLEM**

Only in Europe, at least 700,000 people sleep on the streets or are in emergency accommodation on any given night, a 70% increase since 2010. Italy is one of the few countries which has not adopted yet a general strategy in proactively tackling the rising homeless crisis. The city of Milan has the highest homeless population in the country with more than 12,000 people lacking a safe place to call home. Not only the current model, “Housing Readiness”, provides several friction points that undermine the program itself, but also it implies that these human beings are not entitled of a shelter.

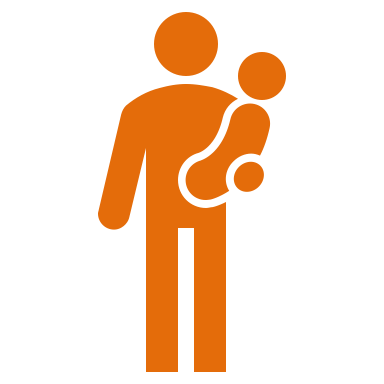
**SOLUTION**

The Housing First Model, successfully re-introduced by Finland, proves that with the right methodology we can fix a broken system for a sustainable growth while improving human lives. By ensuring and stabilizing physiological needs through social housing, we can achieve personal security, health and employment. By offering a small apartment and counselling, without any preconditions, 4 out of 5 people homeless people make their way back into a stable life. Evidence from several countries shows it is always more cost-effective to aim to end homelessness instead of just trying to manage.[[1]](#footnote-1)For each homeless person in properly supported housing, the government can save in emergency healthcare, social services and the justice system as much as €15,000 a year. Therefore, investing in permanent supportive housing drives humanitarian progress by eradicating homelessness while reducing taxpayers’ spending, ensuring a positive return on the investment for both the country and the investors.

**INVESTMENT THESIS**

The Dignity Bond is an outcome-based security that aims at collecting funds from family offices and impact-oriented investors and institutions to develop more purpose-built social housing, starting in Milan, Italy. The proceeds of the bonds will finance 1,500 housing units for 1,500 chronic homeless people and target an 80% reintegration rate. For each positive outcome, the city will save approximately € 9,000 per year for each homeless person off the streets. The project will also save the city nearly €10 million for the expected 1,200 re-integrated people. The yearly savings will sustain in the long term and ensure a profitable return on the investment with a 10-years’ time horizon. The returns will be calculated based upon achieve outcomes and total savings generated for the city council.

**INVESTMENT STRUCTURE/DIAGRAM**

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More purpose-built social housing.

Investors fund the project.

80% less homeless people.

****

The government saves money and pays back investors within 10 years.

**ASSUMPTIONS**

Housing First would work best with restructured housing rather than adopting pre-existing spaces (another possibility). Furthermore, based on the Housing First necessity to be a long-term investment,

we assume that the Italian government, municipal offices and service providers are willing to cooperate to win the cause for the homeless crisis.

**BOND PROJECTIONS**

|  |  |
| --- | --- |
| **Face Val** | €150M |
| **Minimum Investment** | €1M |
| **Rating (Moody’s)** | BBB |
| **Bond Term** | 7-10 years |
| **Maximum Potential Yield** | 6,34% |
| **Minimum Potential Yield** | 4.92% |
| **Target Investors** | Family offices, impact-oriented institutions and investors, social funds. |
| **Asset Class** | Fixed Income Security |
| **Fees** | 0-0.2% management fee in committed capital |
| **Metrics for Social Impact** | % decrease of homeless people in Milan.  € saved per city. |

**RISKS DUE DILIGENCE PROCESS**

**Cost Effectiveness Risk**: the Milan City Council is expected to save on every re-integrated homeless person an average of €9,000 per year, a value that might fluctuate depending on the initial condition of the person and endure in the following years.

**Marginalization Risk**: piloted social housing in locations that could help such people improve their situation. Thus, through a data-driven housing allocation strategy, we’ll select the highest priority areas both in terms of human need and real estate potential.

**Workforce Reintegration Risk**: cooperation with the Ministry of Labor and Social Affairs will allow the project to influence social housing policy and legislation and to better develop methodologies for better, more inclusive, employment opportunities in Italy.

**Sustainability**: the social housing system is designed to become self-financing as people will return to a stable, working life within the lifetime of the bond.

**MARKET AND RETURNS**

As 2020, homeless people living in the Italy amount to over 50,000, four out of ten homeless people have been living on the streets for more than four years, and 30% of them are young. Most of the homeless concentrate in large cities and towns, with more than 12,000 of them living in Milan.

We decided to consider Milan as our primary market for the Dignity Bond mainly for three factors: a) the highest amount of homeless people in the country, b) the rising prices of rent; c) best opportunities for workplace reintegration. The goal is to start building housing first units in Milan and to begin eradicating homelessness within a timeframe of 10 years. We expect that the city of Milan will be able to shelter and re-integrate 80% of the targeted 1,500 homeless population and save up to €14,900 per person in the in the years to come, depending on health levels, financial autonomy, and other housing factors.

Furthermore, stable living conditions will enable the use of mainstream services instead of using expensive emergency services, saving money in the long term.

**SCALABILITY**

As cities grow, so does the number of homeless people. This crisis is rising across the globe, counting more than 150 million people living without a shelter.

In the United Kingdom, a homeless person costs the taxpayer up to €31,050 per year. By enacting supporting housing through the Housing First model, costs can be reduced by up to 35.4%. Support costs plus median rent are on average €11,014, making the net savings nearly €20,038 per year. The Housing First Principle can and should be applied in more cities since it’s not only an effective solution to end a humanitarian crisis but also a sound investment in real estate for long term returns.

**IMPACT**

**A close up of a sign

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The Dignity Bond aims at ending homelessness one city at the time, starting from Milan, Italy.

By investing in the Housing First project, Dignity Bonds can restore sustainable communities, reduce inequalities and re-empower people to obtain a decent work and a stable life. There is strong evidence that the Housing First model can move homeless people with sustained experiences of living rough, with problematic drug and alcohol use, and with severe mental illness straight into ordinary housing, and successfully sustain them in that housing. The Dignity Bond will save lives through rehabilitation (shelter and privacy), empowerment and skill creation (support from trained personnel), and integration in the community and society (dignity).

1. <https://www.weforum.org/agenda/2018/02/how-finland-solved-homelessness/> [↑](#footnote-ref-1)