



# DIGNITY BOND

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

## 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. Czech Republic has one of the highest homeless ratios in the European Union and is among the few countries that has not have adopted any strategy yet in proactively tackling the rising homeless crisis. 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.

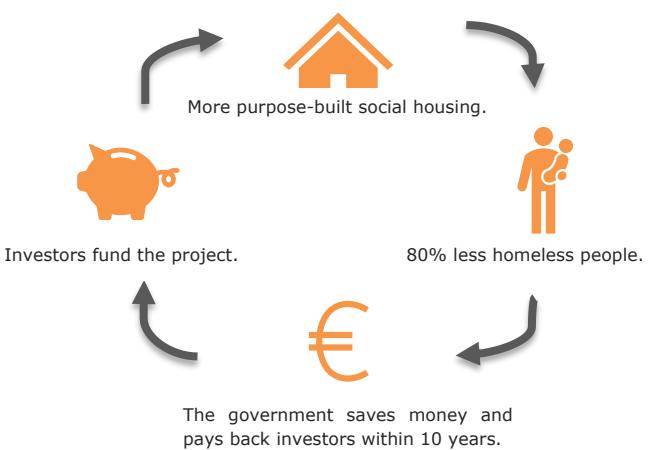
## SOLUTION

The Housing First System, introduced successfully 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.<sup>1</sup> 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 aims at collecting funds from family offices and impact-oriented investors and institutions to develop more purpose-built social housing, starting in Prague, Czech Republic. The Bond aims at reducing homelessness by up to 80% and save the city an amount between €5,000 and €15,000 per year for homeless person off the streets. The savings will sustain in the long term and ensure a profitable return on the investment with a 10-years' time horizon.

## INVESTMENT STRUCTURE/DIAGRAM



## 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.

<sup>1</sup><https://www.weforum.org/agenda/2018/02/how-finland-solved-homelessness/>

## BOND PROJECTIONS

<b>Investment Size</b>	€150M
<b>Minimum Investment</b>	€1M
<b>Rating (Moody's)</b>	A2
<b>Bond Term</b>	10-15 years
<b>Note Coupons</b>	3.56%
<b>Maximum Potential Yield</b>	4.9%
<b>Minimum Potential Yield</b>	2.12%
<b>Target Investors</b>	Family offices, impact-oriented institutions and investors, social funds.
<b>Asset Class</b>	Fixed Income Security
<b>Fees</b>	0-2% management fee in committed capital
<b>Metrics for Social Impact</b>	% decrease of homeless people in Prague. € saved per city.

## ASSUMPTIONS

Housing First would work best with purpose-built social housing rather than adopting pre-existing spaces (another possibility). Furthermore, we assume that the Czech government is willing to cooperate to win the cause for the homeless crisis.

## RISKS DUE DILIGENCE PROCESS

**Cost Effectiveness Risk:** government spending is expected to save on every homeless person between 10% to 15% per year, especially related to the healthcare sector should occur in the first years.

**Marginalization Risk:** piloted social housing in locations that could help such people improve their situation. Thus selecting the highest priority areas both in terms of human need and real estate potential.

**Rehabilitation in the workforce 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 the Czech Republic.

**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

We consider the Czech Republic as a primary market for the Dignity Bond mainly for three factors: a) the high ratio of homeless people living in the country; b) the shortage of affordable rental homes; c) no current national social housing law. As 2019, homeless people living in the Czech Republic amount to nearly 23,900, out of which 2,600 are under the age of 18. Most of the homeless concentrate in large cities and towns, with more than 3,250 of them living in the capital, Prague. The goal is to start building social housing in Prague and to eradicate homelessness within a timeframe of 10 years. We expect that the city of Prague will be able to shelter 80% of its homeless population and save up to €11,600 per person in the first years, depending on health levels and other factors. Furthermore, stable living conditions will enable the use of mainstream services instead of using expensive emergency services, saving money in the long term.

## IMPACT



The Dignity Bond aims at ending homelessness one city at the time, starting from Prague, Czech.

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).

## CAN PLASTIC HELP US?

What if we could turn plastic waste product into a construction material? Using recycled plastic and rubber, we can create structures at a lower cost. Conceptos Plásticos adopts recycled plastic blocks to build houses for those who need it in Peru. A standard house can be built for \$5,200 in nearly five days using interlocking cleaned and recycled structures. More affordable housing, less plastic, and a better world.