



Pay for Success / Social Impact Bonds

Chapman is one of the few law firms in the country that has completed multiple Pay for Success financings.

Chapman attorneys have been at the forefront in the use of Pay for Success (PFS) financing, also known as social impact bonds, to finance public sector projects through private sector investments. Our attorneys have an in-depth understanding of the goals and concerns of government participants, social service agencies, and investors involved in these types of transactions.

Unique Experience. Chapman has served as lender's counsel, government counsel, service provider's counsel, and intermediary's counsel in several Pay for Success transactions across the country, providing Chapman a broad base of experience with this innovative financing tool. Chapman attorneys have also participated in multiple speaking panels and written articles highlighting the use of PFS financing and explaining the intricacies of its implementation. Chapman has even assisted with the drafting of enabling legislation for governments.

A Cutting-Edge Tool. A social impact bond is a financing tool that enables government agencies to finance important social projects in a nontraditional way. Under a PFS arrangement, a government sets a specific, measurable outcome it wants achieved in a population and promises to pay for such services if and only if the social services agency providing the services accomplishes the outcome. The social services are initially funded by investors from the private sector and, if success is achieved, the government repays the investors.

Opportunities. In the face of shrinking public budgets, Pay for Success is a powerful tool that can enable policymakers to use resources more efficiently and improve services for disadvantaged populations, while at the same time providing social-minded investors with attractive investment opportunities.

Attorneys

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Related Practices

501(c)(3) Not-for-Profit
Finance
Economic Development and
Redevelopment
ESG Counsel and Sustainable
Finance
Primary and Secondary
Education
Public Finance

Representative Matters

- Counsel to investors in a financing for the Denver Housing to Health (H2H) program, a new pay-for-success initiative leveraging local housing resources, \$11.75 million from six private funders, and up to \$5.5 million in the form of a Social Impact Partnership Pay for Results Act (SIPPRA) grant from the US Department of the Treasury. The H2H program funds permanent supportive housing to at least 125 people experiencing chronic homelessness and suffering from frequent mental and behavioral health crises requiring emergency care. Denver's H2H program is an extension of the nationally recognized and successful Social Impact Bond (SIB) program, launched in 2016, in which Chapman also served as counsel to investors.
- Counsel to a financial services company in the Pay for Success financing of a new social impact project that aims to address the underlying causes of asthma among low-income people in New York. The project provides in-home asthma care and environmental interventions—such as air filtration improvements and appliance efficiency upgrades that reduce pollutants—to hundreds of people who otherwise cannot afford it. The project is the first of its kind to use private sector investment to fund preventative asthma care services.
- Counsel to three investors in the first US pay-for-success financing that supports unemployed or underemployed veterans with PTSD in attaining competitive and compatible employment. The \$5.1 million Veterans Coordinated Approach to Recovery and Employment (Veterans CARE) initiative is a partnership of Social Finance, the US Department of Veterans Affairs, local governments, and impact investors.
- Special counsel to the lender in a social impact bond transaction to reduce homelessness in Salt Lake County, Utah by funding a program to provide housing, behavioral-health treatment, and employment counseling for 315 chronically homeless individuals.
- Special counsel to the lender in a program to reduce the recidivism rate in Salt Lake County, Utah by providing substance-abuse and behavioral-health treatment for 225 high-risk men.
- Counsel to government payor in a program to support pre-K education for more than 2,600 children from underserved communities in Chicago, with the goal of improving educational outcomes through increasing kindergarten readiness, improving third-grade literacy, and reducing the need for special education services.

Engagements

Denver Supportive Housing Financing
July 2022

First-of-Its-Kind Financing for Asthma Reduction Project
February 2022

Sustainability Bonds to Finance Affordable Senior Housing in California
January 2022

Social Impact Fund Formation
January 2021

First US Pay for Success Financing Supporting Veterans with PTSD
November 2018