

Second-Party Opinion

CSCDA Community Improvement Authority Social Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the CSCDA Community Improvement Authority Social Bond Framework (the “Framework”) is credible and impactful and aligns with the four core components of the Social Bond Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, Workforce Housing Program (the “Program”), is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes through investments in affordable housing for middle-income population in California. Sustainalytics considers that the eligible category will lead to positive social impact and advance the UN Sustainable Development Goals, specifically SDGs 10 and 11.



PROJECT EVALUATION / SELECTION All eligible acquisitions and financings undertaken by the CSCDA Community Improvement Authority will be reviewed and approved by the Authority’s Financial Advisor and Insurance Consultant. The Authority’s Executive Director will then recommend adoption of projects by the Board of Directors. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS The Authority will appoint property managers to track the revenues earned from the acquired properties and manage repayment to the bond trustees. The funds raised from the issuance of social bonds have been or will be used exclusively for activities that meet the eligibility criteria, with immediate allocation of all proceeds at the time of bond settlement. This is in line with market practice.



REPORTING The CSCDA Community Improvement Authority intends to publicly report on allocation of proceeds, where feasible, on an annual basis. The Framework mandates it to publish annual leasing updates, as per the disclosure requirements under the continuing disclosure agreement and the financing document requirements for each property financed under the Program. In addition, the Authority is committed to reporting on relevant impact metrics. Sustainalytics views the Authority’s allocation and impact reporting as aligned with market practice.

Evaluation date	January 6, 2021
Issuer Location	Walnut Creek, CA, U.S.

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For inquiries, contact the Sustainable Finance Solutions project team:

Jhankrut Shah (Toronto)
Project Manager
jhankrut.shah@sustainalytics.com
(+1) 647 264 6641

Hrithik Sharma (Toronto)
Project Support
hrithik.sharma@sustainalytics.com
(+1) 647 951 3309

Paramjot Kaur (New York)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

Introduction

The California Statewide Communities Development Authority (“CSCDA”) is a joint powers authority founded and sponsored by the League of California Cities and the California State Association of Counties in 1988.¹ The CSCDA aims to provide local government and eligible private entities access to low-cost, tax-exempt and taxable financing for projects that provide a tangible public benefit, contribute to social and economic growth and improve the overall quality of life in communities throughout California. Since inception, the CSCDA has helped finance more than 100,000 affordable-housing units, as part of deals involving federal low-income housing tax credits and other subsidies.² The CSCDA Community Improvement Authority (the “Authority” or the “Issuer”) was created in 2020 to enable the CSCDA to continue to broaden its program offerings by being able to acquire additional public benefit oriented capital projects through the issuance of governmental purpose bonds. The existing CSCDA commission members are the governing body of the Authority.

The Authority has developed the Framework as part of its Workforce Housing Program under which it intends to issue multiple social bonds and use the proceeds to finance, in whole or in part, future projects that support affordable housing. The Framework defines eligibility criteria in one area, Workforce Housing Program, and aims to invest in housing for middle-income populations in California.

The Authority engaged Sustainalytics to review the Framework, dated December 2020, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2020 (“SBP”).³ The Framework will be published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed the Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Bond Principles 2020, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of “the Authority”’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. “The Authority” representatives have confirmed (1) they understand it is the sole responsibility of “the Authority” to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that framework.

¹ CSCDA website, “About us”, at: <http://cscda.org/About-Us/About-Us.html>

² Next City website, “California Bond Program Helps Cities Secure Middle-Income Housing Without Upfront Cost”, at: <https://nextcity.org/daily/entry/california-bond-program-cities-middle-income-housing-without-upfront-cost>

³ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

⁴ The Framework is available as part of the offering document.

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and the Authority.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that "the Authority" has made available to Sustainalytics for the purpose of this Second Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Framework

Sustainalytics is of the opinion that the Framework is credible, impactful, and aligns with the four core components of the SBP. Sustainalytics highlights the following elements the Framework:

- Use of Proceeds:
 - The eligible category, Workforce Housing Program, is aligned with those recognized by the SBP.
 - The proceeds from issuances under the Framework will be used to acquire market-rate, fully operational apartment buildings in California from private sellers, which will be leased out to people with incomes up to 120% of the Area Median Income ("AMI"). These investments are in line with the Workforce Housing Program focused on enhancing affordability of housing in California for the middle-income population.
 - The U.S. Department of Housing and Urban Development ("HUD") defines "workforce" as workers with incomes between 80% to 120% of the AMI.⁶
 - While social finance related to affordable housing typically focuses on income earners at 80% of AMI or lower, Sustainalytics recognizes that, given the very high cost of housing in many parts of California, many people in the workforce category are unable to afford market-rate units in key areas. In this context, Sustainalytics finds the Program's targeting to be credible and aligned with market practice, while also noting that other affordable housing programs in California are focused on the low-income population.
 - The Program requires that the rents paid by the middle-income group not exceed 30% to 40% of their income.⁷ The cap on rent is expected to be in place for the entire duration of the bonds issued to purchase the respective apartment complexes. In addition, the Authority has confirmed that it intends to cap the annual rent increases at 4%, which is less than the rent limits under the Tenant Protection Act in California.^{8,9}

⁶ HUD report, "Worst Case Housing Needs 2019" (p68), at: <https://www.huduser.gov/PORTAL/sites/default/files/pdf/worst-case-housing-needs-2020.pdf>

⁷ Sustainalytics notes that the rent capping is in line with the limits set by HUD, "Housing Choice Voucher Program" (Maximum Initial Rent Burden), at: <https://www.hud.gov/hudprograms/hcyp>

⁸ CSCDA website (accessed on 4th Jan 2021), "CSCDA Community Improvement Authority Workforce Housing Program", at: <http://cscda.org/Workforce-Housing-Program/WorkforceHousingProgram.html>

⁹ The National Law Review website, "AB 1482 – Tenant Protection Act: Summary of Key Provisions", at: <https://www.natlawreview.com/article/ab-1482-tenant-protection-act-summary-key-provisions>

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- Sustainalytics notes that, through the system of capping rents to a percentage of income for a well-defined target group, the Framework contributes to increasing access to affordable housing in California. Accordingly, Sustainalytics considers these investments to be aligned with market practice.
- Project Evaluation and Selection:
 - The Authority will make the eligibility criteria for Program-related acquisitions and financings publicly available following which the prospective Project Administrators comprising private real estate developers will apply for project finance.
 - Projects are intended to be evaluated based on the affordability (as a percent of AMI) over time by the Authority's Financial Advisor and Insurance Consultant.
 - The Framework outlines that the Authority's Executive Director will review proposals and provide recommendations based on which the Authority's Board of Directors can select projects for financing.
 - Based on the use of defined internal procedures and executive-level involvement in decision-making, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Authority will manage the social bonds proceeds in accordance with its existing procedure whereby property managers¹⁰ are appointed to track the revenues earned from the acquired properties and manage repayment to the bond trustees for payment of debt service on the bonds.
 - Funds are intended to be raised under the Framework on a project-by-project basis and utilized exclusively for the activities outlined in the Use of Proceeds section of the Framework, namely to acquire market-rate, fully operational apartment buildings. Net proceeds raised through issuances under the Framework are intended to be immediately allocated following each bond issuance.
 - Sustainalytics considers the above process to be aligned with market practice.
- Reporting:
 - The Framework specifies that the Authority and/or the project administrator will publish annual leasing updates, as per the disclosure requirements under the continuing disclosure agreement and the financing document requirements for each property financed under the Program.
 - For impact reporting, the Authority will report on the following impact metrics and key performance indicators: (i) AMI and maximum allowable rents pursuant to the determination of fair market rents by the HUD and (ii) Unit mix and leasing status by AMI level.
 - All relevant information and disclosures associated with the social bonds issued under the Framework are intended to be made publicly available where feasible, on an annual basis.
 - Sustainalytics considers the Authority's reporting commitments to be in line with market practice.

Alignment with Social Bond Principles 2020

Sustainalytics has determined that the Framework aligns to the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

¹⁰ The Authority has communicated that it does not have a formal selection process for hiring property managers and prefers managers that have experience with the acquired properties.

Section 2: Sustainability Strategy of the CSCDA Community Improvement Authority

Contribution of the Framework to the CSCDA Community Improvement Authority's sustainability program strategy

The CSCDA Community Improvement Authority was created, in part, to address the growing challenge of affordable housing stress among the middle-income workforce in California¹¹ (please refer to Section 3 for further discussion on these impacts). The Authority's Local Debt Policy¹² allows for the financing of projects or programs that benefit "any local community" and the acquiring of properties for ownership by the Authority, among its primary purposes of debt financing. The Authority's Workforce Housing Program is aligned with its overarching Local Debt Policy and contributes to the CSCDA's mission statement¹³ through the following attributes:

- The Program requires the Authority to dedicate 100% of all units to tenants earning up to 120% of the asset's AMI, as determined by the HUD.¹⁴ Given the Authority is a governmental entity, it has the ability to finance the acquisition of the properties using tax-exempt debt and is also exempt from property taxes. So long as a local government remains the owner of the acquired units, all these units will be exempt from property taxes during the period of bond repayment.
- Upon repayment of the bond, the local municipality will have the flexibility to extend income restrictions in perpetuity, at its discretion, if it takes title to the property and after all debt has been repaid pursuant to a public benefit agreement between the Authority and the local municipality.
- The Authority has demonstrated a track record by raising USD 116 million¹⁵ in December 2020 through tax-exempt bonds for creating more than 1,000 affordable housing units in Anaheim. The housing is expected to focus on the city's workforce including nurses, first responders, and teachers who are not only ineligible for affordable housing properties but also struggle to meet rising rent prices near their office areas.¹⁶

The Authority has not released a publicly accessible sustainability target. Sustainalytics notes the importance and impact of financing affordable housing for the middle-income group in California and encourages the Authority to develop transparent targets. Sustainalytics is of the opinion that the Framework is aligned with the CSCDA Community Improvement Authority's overall strategy and will further the Authority's action on its key social priorities.

Well-positioned to address common social and environmental risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are recognized by the SBP to have positive social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include the environmental risks associated with the acquired buildings, community relations/stakeholder participation and social inequalities.

The Authority retains external consultants to conduct Environmental Site Assessments on the acquired buildings and requires property managers to operate buildings in compliance with regional environmental

¹¹ Brookings report, "How are communities making housing more affordable for middle-income families?", at: <https://www.brookings.edu/policy2020/votervital/how-are-communities-making-housing-more-affordable-for-middle-income-families/>

¹² CSCDA website, "CSCDA Community Improvement Authority Local Debt Policy", at: http://cscda.org/Workforce-Housing-Program/CIAPoliciesResources_files/CSCDACIALocalDebtPolicy.pdf

¹³ CSCDA's mission is to provide local governments access to low-cost financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities- Renew Financial website, "CaliforniaFIRST Efficiency Financing", at: <https://renewfinancial.com/sites/default/files/commercialpace-handbook.pdf>

¹⁴ As per the HUD, the workforce with incomes between 80-120% of the AMI is categorized as the "middle-income" workforce. HUD report, "Worst Case Housing Needs 2019" (p68), at: <https://www.huduser.gov/PORTAL/sites/default/files/pdf/worst-case-housing-needs-2020.pdf>

¹⁵ CSCDA website (accessed on 4th Jan 2021), "CSCDA CIA Projects", at: <http://cscda.org/Workforce-Housing-Program/CIAProjects.html>

¹⁶ Fox 11 report, "Anaheim introduces new approach to creating affordable housing", at: <https://www.foxla.com/news/anaheim-introduces-new-approach-to-creating-affordable-housing>

and social laws. While Sustainalytics notes that in acquiring the fully operational apartment buildings, the Authority is not directly responsible for the development or construction of residential units, it encourages the Authority to develop internal mitigation mechanisms in addition to regulatory compliances for the risks highlighted above. Sustainalytics highlights some of the key regulations and policies below:

- The laws and regulations of the United States provide stringent oversight of construction activities and that the United States is recognized under the Equator Principle's Designated Countries¹⁷ list for having robust environmental and social governance, as well as strong legislation in place.
- The state of California has been implementing the California Environmental Quality Act¹⁸ since 1970, which not only requires developers to involve the public in their building plans but also obligates them to minimize damage to the environment in accordance with public input and scientific study.¹⁹
- The Program prohibits the displacement of existing tenants at the property upon acquisition by the Authority and exercising the income restrictions only on the new tenants.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that the CSCDA Community Improvement Authority has implemented adequate measures to manage and mitigate environmental and social risks commonly associated with the eligible category.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the SBP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

The importance of accessible and affordable housing to the middle-income workforce in California

In the U.S., both the number and share of cost-burdened renters²⁰ are on the rise, especially among middle-income households.²¹ The lack of major subsidies from HUD that target the middle-income families,²² accompanied by the reduction in HUD's budget for FY 2021²³ has intensified the shortage of affordable housing for the middle-income group in the recent years. According to a study conducted by the Harvard Joint Center for Housing Studies in 2020, approximately 56% of the middle-income households in the U.S. paid over 30% of their income for housing costs, while an additional 12% paid even more than half of their income towards rent.²⁴

As per a report by the Brookings Institution, the housing stress on the country's middle-income group is "most acute in expensive metropolitan areas where regulatory barriers have driven up costs and restricted new development".²⁵ The situation is especially alarming in the state of California where a quarter of the country's homeless population resides.²⁶ The state already has four of the country's five most expensive residential markets with the median price for buying a house reaching over USD 600,000, more than twice the national average.²⁷ As per the National Low Income Housing Coalition, about 38% of the state's middle-

¹⁷ Designated Countries are those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment

¹⁸ Governor's Office of Planning and Research, State of California website, "CEQA: The California Environmental Quality Act", at: [https://www.opr.ca.gov/ceqa/#:~:text=The%20California%20Environmental%20Quality%20Act%20\(CEQA\)%20generally%20requires%20state%20and,im%20to%20the%20extent%20feasible](https://www.opr.ca.gov/ceqa/#:~:text=The%20California%20Environmental%20Quality%20Act%20(CEQA)%20generally%20requires%20state%20and,im%20to%20the%20extent%20feasible)

¹⁹ Capital and Main, "Is Environmental Law to Blame for California's Housing Crisis?", at: <https://capitalandmain.com/is-environmental-law-to-blame-for-californias-housing-crisis-0320>

²⁰ Cost-burdened renters are those who pay more than 30 percent of their income towards rent and utilities.

²¹ Joint Center for Housing Studies, "America's Rental Housing 2020", at: https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2020.pdf

²² Brookings report, "How are communities making housing more affordable for middle-income families?", at: <https://www.brookings.edu/policy2020/votervital/how-are-communities-making-housing-more-affordable-for-middle-income-families/>

²³ HUD report, "Fiscal Year 2021, Budget in Brief", at: https://www.hud.gov/sites/dfiles/CFO/documents/BudgetinBrief_2020-02_06_Online.pdf

²⁴ Joint Center for Housing Studies, "America's Rental Housing 2020", at: https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2020.pdf

²⁵ Brookings report, "How are communities making housing more affordable for middle-income families?", at: <https://www.brookings.edu/policy2020/votervital/how-are-communities-making-housing-more-affordable-for-middle-income-families/>

²⁶ Bloomberg report, "How California Became America's Housing Market Nightmare", at: <https://www.bloomberg.com/graphics/2019-california-housing-crisis/>

²⁷ Bloomberg report, "How California Became America's Housing Market Nightmare", at: <https://www.bloomberg.com/graphics/2019-california-housing-crisis/>

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income group was cost burdened in 2018.²⁸ Furthermore, the Housing Security Index²⁹ published by City Monitor in 2020 shows that 50% of the least housing-secure U.S. metro areas are in California. In the case of Los Angeles, the least housing-secure metro in the country, the middle-income renters spend 46% of their income on rent.³⁰

Based on the above, Sustainalytics believes that the Authority’s financing of the Workforce Housing Program will foster access to affordable housing for the middle-income workforce in California.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This social bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Workforce Housing Program	10. Reduced Inequalities	10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard
	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Conclusion

The CSCDA Community Improvement Authority has developed the Framework under which it will issue social bonds and use the proceeds to acquire market-rate, fully operational apartments with an aim to provide affordable housing to the middle-income group in California. Sustainalytics considers that the projects to be funded by the social bond proceeds are expected to provide positive social impact.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Authority and that the social use of proceeds category will contribute to the advancement of the UN Sustainable Development Goals 10 and 11. Additionally, Sustainalytics is of the opinion that the Authority has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that the CSCDA Community Improvement Authority is well-positioned to issue social bonds and that the Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2020.

²⁸ National Low-Income Housing Coalition website, “California”, at: <https://reports.nlihc.org/gap/2018/ca>

²⁹ This was City Monitor’s first Housing Security Index that analyzed 84 metros in the U.S. and identified those areas that are at high risk for housing insecurity amid the COVID-19 pandemic.

³⁰ City Monitor report, “The most and least housing-secure US metro areas in 2020”, at: <https://citymonitor.ai/housing/the-most-and-least-housing-secure-us-metro-areas-in-2020>

Appendix

Appendix 1: Social Bond/ Social Bond Programme -External Review Form

Section 1. Basic Information

Issuer name:	The CSCDA Community Improvement Authority
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	The CSCDA Community Improvement Authority Social Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 6, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible category for the use of proceeds, Workforce Housing Program (the "Program"), is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes through investments in affordable housing for middle-income population in California. Sustainalytics considers that the eligible category will lead to positive social impact and advance the UN Sustainable Development Goals, specifically SDGs 10 and 11.

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

All eligible acquisitions and financings undertaken by the CSCDA Community Improvement Authority will be reviewed and approved by the Authority's Financial Advisor and Insurance Consultant. The Authority's Executive Director will then recommend adoption of projects by the Board of Directors. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

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Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The Authority will appoint property managers to track the revenues earned from the acquired properties and manage repayment to the bond trustees. The funds raised from the issuance of social bonds have been or will be used exclusively for activities that meet the eligibility criteria, with immediate allocation of all proceeds at the time of bond settlement. This is in line with market practice.

Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
 Allocations to both existing and future investments
- Allocation to individual disbursements
 Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
 Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

The CSCDA Community Improvement Authority intends to publicly report on allocation of proceeds, where feasible, on an annual basis. The Framework mandates it to publish annual leasing updates, as per the disclosure requirements under the continuing disclosure agreement and the financing document requirements for each property financed under the Program. In addition, the Authority is committed to reporting on relevant impact metrics. Sustainalytics views the Authority's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

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Information reported:

- Allocated amounts
- Social Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported (expected or ex-post):

- Number of beneficiaries
- Target populations
- Other ESG indicators (*please specify*):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): Municipal Securities Rulemaking Board website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
- Certification

- Verification / Audit Rating
- Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- i. **Second-Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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