

New York State Housing Finance Agency

PROGRAMMATIC POST-ISSUANCE VERIFICATION LETTER

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: June 2019

Approved verifier: Sustainalytics

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Scope and Objectives

In 2018, New York State Housing Finance Agency ("HFA") issued green bonds aimed at financing the new construction of energy efficient buildings built in accordance with ENERGY STAR green building standards. In June 2019, HFA engaged Sustainalytics to review the 2018 Series I, H, F, D, and B green bonds and provide an assessment as to whether the projects met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Schedule 1 provides details of the green bond projects and Disbursement of Proceeds.

Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

Issuing Entity's Responsibility

HFA is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each project, and disbursed amounts.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of HFA's green bond, issued to finance eligible green buildings, and provided an independent opinion informing HFA as to the conformance of the green bond with the Post-Issuance requirement and Low Carbon Buildings criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by HFA with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by HFA.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Information.

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The work undertaken as part of this engagement included conversations with relevant HFA employees and review of relevant documentation to confirm the conformance of HFA's green bonds with the Programmatic Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

Exceptions

No exceptions were identified.

All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance to the Low Carbon Buildings criteria.

Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of the following HFA green bonds, issued to fund eligible green projects, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard:

- USD 187,485,000 from 2018 Series I
- USD 135,965,000 from 2018 Series H
- USD 117,355,000 from 2018 Series F
- USD 99,420,000 from 2018 Series D
- USD 68,880,000 from 2018 Series B

Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of 21 projects funded by the 2018 Series I, H, F, D, and B green bonds to determine if Part A: General Requirements were met (See Schedule 2A and 2B).	All 21 projects reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of 21 projects funded by the 2018 Series I, H, F, D, and B green bonds to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Low Carbon Buildings technical criteria.	All 21 projects fall under the Low Carbon Buildings criteria and meet the requirements of the Low Carbon Buildings technical criteria.	None
Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

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Schedule 1: Detailed Overview of Nominated Projects and Assets

New York State Housing Finance Agency Green Series Snapshot 2018 (as of December 27, 2018)						
2018 Series I Projects						
Project and Location	Type of Project	Reserved Units	Total Units	Total Development Cost	Total Bond Amount	Green Standards
153-19 Jamaica Avenue, Queens	New Construction	69 Supportive (Prevent and End Homelessness & Support Vulnerable Populations)	139	\$80,634,307	\$39,960,000	ENERGY STAR Multifamily High Rise
Apple Blossom Apartments Erie	New Construction	48 Supportive (Prevent and End Homelessness & Support Vulnerable Populations)	110	\$37,010,072	\$19,375,000	ENERGY STAR Certified Homes Version 3.1; NYSERDA Incentive Program ¹
Arthur Avenue Apartments, Bronx	New Construction	54 Supportive (ESSHI awarded by NYSDOH)	177	\$90,937,186	\$45,540,000	ENERGY STAR Multifamily High Rise
BP Neptune 33, Kings	New Construction	72 Supportive (ESSHI awarded by NYSOMH)	200	\$82,981,384	\$45,190,000	ENERGY STAR Multifamily High Rise
Cottage Place Gardens Phase IV Apartments, Westchester	New Construction		85	\$51,527,893	\$24,950,000	ENERGY STAR Multifamily High Rise
The Swinburne Building, Albany	New Construction	20 Supportive (Prevent and End Homelessness & Support Vulnerable Populations)	74	\$25,174,990	\$12,470,000	ENERGY STAR Certified Homes Version 3.1 ² ; NYSERDA Incentive Program ¹
2018 Series I Total			785	\$368,265,832	\$187,485,000	
2018 Series H Projects						
Grand Street Apartments, Nassau	New Construction	76 Supportive (Specific Local Housing Needs & Community Revitalization)	77	\$24,422,385	\$12,395,000	ENERGY STAR New Homes Version 3.1 Program ²
Jefferson Avenue, Erie	New Construction	16 Supportive (Intellectual/Developmental Disabilities)	90	\$31,096,219	\$15,895,000	Energy Star New Homes, Version 3.1, NYSERDA Incentive Program ¹
Drum Hill Flats, Westchester	New Construction	51 Supportive (Specific Local Housing Needs)	52	\$19,114,326	\$9,790,000	ENERGY STAR Multifamily High Rise
Town Side at Pre Emption, Ontario	New Construction	44 Supportive (Prevent and End Homelessness &	88	\$18,584,552	\$9,315,000	ENERGY STAR New Homes Version 3.1 Program ²

¹ HFA has confirmed that the projects which were supported with NYSERDA Incentive Program are also required to achieve ENERGY STAR green building standards in order to qualify as eligible projects.

² ENERGY STAR New Homes refers to the Multifamily Residential Proxy, which includes at least a 9% improvement over ENERGY STAR Certified Homes Version 3.0 or at least an 8% improvement over ENERGY STAR Certified Homes, Version 3.1.

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		Support Vulnerable Populations)				
Ravenhall Apartments, Kings	New Construction	77 Supportive (ESSHI awarded by OTDA)	216	\$133,407,927	\$63,485,000	Multifamily High Rise, NYSERDA Incentive Program ¹
The Forge on Broadway, Erie	New Construction	17 Supportive (Promoting economic integration and community revitalization)	158	\$50,687,459	\$25,085,000	ENERGY STAR New Homes Version 3.1 Program ²
		2018 Series H Total	681	\$277,312,868	\$135,965,000	
2018 Series F Projects						
Eastman Kodak Park, Monroe	New Construction	27 Supportive (Formerly Homeless young adults)	187	\$52,396,138	\$25,610,000	ENERGY STAR New Homes Version 3.1 Program ²
Edwins Place, Kings	New Construction	74 Supportive (Referred by NYC Office for Persons with Mental Illness)	126	\$75,051,823	\$37,975,000	ENERGY STAR Multifamily High Rise
Intrada Saratoga Springs, Saratoga	New Construction	10 Supportive (Formerly youth aging out of foster care)	158	\$33,619,414	\$16,165,000	ENERGY STAR New Homes Version 3.1 Program ²
315 Linwood St., Kings	New Construction	30 Supportive (Formerly Homeless Families)	100	\$54,220,900	\$28,065,000	ENERGY STAR Multifamily High Rise
Oyster Bay Gardens, Nassau	New Construction	12 Supportive(Referred by NYS Office for Persons with Developmental Disabilities)	48	\$18,816,470	\$9,540,000	ENERGY STAR New Homes Version 3.1 Program ²
		2018 Series F Total	\$619	\$215,288,275	\$117,355,000	
2018 Series D Projects						
Fountains Avenue B6, Kings	New Construction	66 Supportive (Developmentally/Intell ectually Disabled)	422	\$138,812,130	\$75,250,000	ENERGY STAR Multifamily High Rise
3500 Park Avenue, Bronx	New Construction	69 Supportive (Formerly Homeless Veterans/Special Needs/Seniors)	115	\$47,633,134	\$24,170,000	ENERGY STAR Multifamily High Rise
		2018 Series D Total	537	\$186,445,264	\$99,420,000	
2018 Series B Projects						
Craft Apartments, Westchester	New Construction	12 Supportive (Referred by NYS Office for Persons with Developmental Disabilities)	75	\$27,402,833	\$15,590,000	ENERGY STAR Multifamily High Rise
22 South West Apartments, Westchester	New Construction	N/A	188	\$95,532,668	\$53,290,000	ENERGY STAR Multifamily High Rise
		2018 Series B Total	263	\$122,935,501	\$68,880,000	
		Green Series Totals	2,885	1,170,247,740	609,105,000	

Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

<p>Nominated Projects & Assets</p>	<p>4.1 Statement on the environmental objectives of the bond</p> <p>4.2 Nominated Projects meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
<p>Use of Proceeds</p>	<p>5.1 Net Proceeds of the bond allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance</p>
<p>Non-Contamination of Proceeds</p>	<p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
<p>Confidentiality</p>	<p>7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the bond and the Nominated Projects & Assets to the market</p>
<p>Reporting Post-Issuance</p>	<p>8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated</p>

Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>4.1 The objective of the bond is to primarily use proceeds to finance twelve energy efficient buildings which are built in accordance with ENERGY STAR green building standards (Nominated Projects).</p> <p>4.2 HFA's management confirms that the nominated projects meet the Eligibility Criteria.</p> <p>4.3 HFA's management confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p>5.1 Net Proceeds of the bond have been allocated to the twelve Nominated Projects.</p> <p>5.2 HFA's management has confirmed that funds have been allocated to Nominated Projects through immediate deposit into each project's construction finance account and drawn over the course of the construction term.</p> <p>5.3 HFA's management has confirmed that all Net Proceeds of the bond were used for financing only.</p> <p>5.4 HFA's management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process.</p> <p>5.5 HFA's management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 HFA's management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p>6.2 HFA's management confirms that pending the investment of proceeds, they shall be held in temporary investment instruments: (i) that are cash, or cash equivalent instruments, within Treasury function; or (ii) that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy.</p> <p>6.3 N/A</p>	None

<p>Verification of requirements specified under Confidentiality</p>	<p>7.1 HFA's management confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>7.2 HFA's management confirms that all relevant information about the bond and the Nominated Projects has been disclosed to the market.</p>	<p>None</p>
<p>Verification of requirements specified under Reporting Post-Issuance</p>	<p>8.1 HFA's management has provided a report containing the list of Nominated Projects to which proceeds of the bond have been allocated (See Schedule 1). The developers of each Nominated Project have contracted energy consultants in order to ensure Climate Bond Standard requirements are complied with.</p>	<p>None</p>

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