

NEW YORK STATE HOUSING FINANCE AGENCY CLIMATE BOND

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD POST-ISSUANCE VERIFICATION LETTER

Issuing Entity: New York State Housing Finance Agency (HFA)

Kind of engagement: Assurance Engagement

Period engagement was carried out: February 6th 2017 to February 14th 2017

Approved verifier: Sustainalytics US Inc.,

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Scope and Objectives:

In December 2016 and January 2017, the 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 February 2017, HFA engaged Sustainalytics to review the four projects funded through the issued 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.

Green Bond Projects include:

1. Fountains Community Residences, Kings – *new construction*
2. Crossroads at Baldwin Place, Westchester – *new construction*
3. DePaul Upper Falls, Monroe – *new construction*
4. Bella Vista/Temple Hill, Orange – *new construction*

Schedule 1 provides details of the Green Bond Projects and Disbursement of Proceeds.

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 projects, and disbursed amounts.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant HFA employees and review of relevant documentation to confirm:

1. Conformance of New York State and Housing Finance Agency's Green Bond with the Climate Bonds Standard Version 2.1, which includes:
 - Part A: General Requirements - All of 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 and 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.
2. Conformance of New York State and Housing Finance Agency's Green Bond with the Technical Criteria on Low Carbon Buildings for Residential Buildings

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. Sustainalytics is not responsible for any aspect of the Nominated Projects referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by HFA management and used as a basis for this assessment were not correct or complete.

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.

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 technical criteria.

Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of four projects funded by the green bond in 2016 to determine if Part A: General Requirements were met.	All four projects reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of four projects funded by the green bond in 2016 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 four 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

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 USD 99,120,000 million from the HFA green bonds, issued to fund eligible green projects, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

Schedule 1: Detailed Overview of Projects and Disbursement of Proceeds

New York State Housing Finance Agency 2016-2017 AHRB Green Projects Snapshot								
Project	County	Type of Project	Reserved Units	Total Units	Total Development Cost	Total Bond Amount	Amount Disbursed into CFA at Closing*	Green Standards
Confirmed Projects								
Crossroads at Baldwin Place (2017 Series A)	Westchester/ Putnam	New Construction	12 Family & 52 Senior Units	64	\$25,000,405	\$12,265,000	\$12,200,000	Energy Star New Homes Version 3.1 Program
Upper Falls Square (2017 Series A)	Monroe	New Construction	75 Supportive Units	150	\$47,476,056	\$23,190,000	\$23,000,000	Energy Star New Homes Version 3.0 Program
Bella Vista/Temple Hill (2017 Series A)	Orange	New Construction	54 Supportive Units	162	\$35,472,908	\$18,540,000	\$18,465,000	Energy Star New Homes Version 3.0 Program
Fountains Community Residences (2016 Series H)	Kings	New Construction	67 Supportive Units	267	\$86,478,932	\$45,125,000	\$45,000,000	Energy Star Multifamily High Rise Program
Green Series Totals				643	\$194,428,301	\$99,120,000	\$98,665,000	
* This amount differs from the Total Bond Amount by the amount deposited into the debt service reserve fund pursuant to the Letter of Instructions and as disclosed in the 2016 Series H & I and 2017 Series A & B Official Statements, p.3.								

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

Nominated Projects & Assets	<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>
Use of Proceeds	<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>
Non-Contamination of Proceeds	<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>
Confidentiality	<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>
Reporting Post-Issuance	<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 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 four energy efficient buildings which are built in accordance with ENERGY STAR green standards (Nominated Projects).</p> <p>4.2 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 four Nominated Projects.</p> <p>5.2 HFA's management has confirmed that funds have been allocated to Nominated Projects within two months of the issuance.</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 a Treasury</p>	None

	<p>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>	
Verification of requirements specified under Confidentiality	<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>	None
Verification of requirements specified under Reporting Post-Issuance	<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).</p> <p>The developers of each Nominated Project has contracted energy consultants in order to ensure Climate Bond Standard requirements are complied with.</p>	None

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Sustainalytics is headed by seasoned professionals in the field of business, finance, and sustainability, with a wealth of experience in the Responsible Investment area. After more than 20 years of local experience and expertise in the Responsible Investment (RI) market Sustainalytics has developed a comprehensive understanding of trends and best practices and a solid process to assist organisations in integrating ESG considerations into their policies and strategies. We have worked with some of the world's financial institutions including pension plans, investment managers and banks providing customised support to help them achieve their RI objectives. Clients include ABN AMRO, APG, BBVA, BNP Paribas, Deutsche Bank, ING Bank, Lombard Odier, Lloyds Bank, Triodos Bank, UBS and over 250 other financial institutions and organisations.

Sustainalytics now has a staff of 250 employees globally, including over 120 analysts, with operations in Amsterdam, Boston, Bucharest, Frankfurt, New York, Paris, London, Singapore, Sydney, Timisoara, and Toronto, and representation in Brussels and Washington DC.



In 2015, Sustainalytics was named the Best SRI or Green Bond Research Firm by GlobalCapital. In December 2014, for the third year in a row, Sustainalytics was named best sustainable and responsible investment research firm in the Independent Research in Responsible Investment (IRRI) Survey, conducted by Thomson Reuters and SRI-CONNECT.



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