

NEW YORK STATE HOUSING FINANCE AGENCY CLIMATE BOND

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD – VERIFICATION LETTER

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

Kind of engagement: Assurance Engagement

Period engagement was carried out: November 1st 2016 to November 11th 2016

Approved verifier: Sustainalytics US Inc.,

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Scope and Objectives:

The New York State Housing Finance Agency (HFA), has engaged Sustainalytics to review and verify that HFA's Green Bond meets the requirements under the Low Carbon Buildings criteria of the Climate Bonds Standard. The proceeds from the 34-year bond will finance the new construction of energy efficient buildings which are built in accordance with ENERGY STAR green building standards. Details of the Nominated Projects are provided in Schedule 1.

Nominated 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*

Eligibility Criteria

According to CBI's Low Carbon Building criteria, property assets must be in the top 15 percentile of its local market in terms of carbon performance. HFA will be using existing instruments such as local building codes (NYC Local Law 84) and energy rating schemes (US ENERGY STAR) as proxies for the achievement of the 15 percentile hurdle rate.

The energy use intensity (EUI) 2016 baseline is a Site EUI of 56.5. HFA will need to achieve a minimum target reduction of 38% lower (or EUI Site 35) than the baseline in order to issue a 34-year bond in accordance with Climate Bond Standards.

Multifamily residential proxies for a 34-year Climate Bond includes:

- ENERGY STAR Multifamily High Rise, 2015 International Energy Conservation Code (IECC) permit delivers a 31.96 Site EUI – which is superior to the target EUI and remains valid for issues up to 2019.
- At least 8% improvement over ENERGY STAR Certified Homes, Version 3.1 Revision 08 delivers a 34.96 Site EUI (base standard only delivers 37.995 Site EUI - which does not meet the minimum target)
- At least 9% improvement over ENERGY STAR Certified Homes, Version 3.0 Revision 08 delivers a 34.8 Site EUI (base standard only delivers 38.24 Site EUI, which does not meet the minimum target)

The developers of each Nominated Project has contracted energy consultants in order to ensure Climate Bond Standard requirements are complied with.

HFA's Environmental Commitment:

The HFA has adopted the following objective which demonstrates the organization's environmental commitment:

The Agency seeks to encourage the growth of green building in the affordable housing sector to standards that will promote a timely transition to a low carbon economy.

Climate Bonds Standards Criteria:

- Low Carbon Buildings criteria of the Climate Bond Standard Version 2.0
 - Residential Property Climate Bonds

Issuing Entity's Responsibility

HFA was responsible for providing information and documents relating to:

- The details concerning the selection process for the Nominated Projects
- The details of the Nominated Projects
- Assessment of proxies and their conformance with the Climate Bond Standard.
- The management systems for internal processes and controls for Nominated Projects, including: tracking of proceeds, managing unallocated proceeds and Earmarking funds to Nominated Projects
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

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 Low Carbon Buildings criteria of the Climate Bonds Standard. 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

The work undertaken as part of this engagement included conversations with relevant HFA employees and review of relevant documentation to confirm the Green Bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of New York State and Housing Finance Agency's Green Bond with the Climate Bonds Standard Version 2.0;
- Conformance with the Technical Criteria on Low Carbon Buildings for Residential Buildings
- Conformance with the Internal Processes & Controls requirements
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

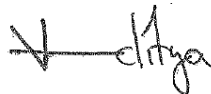
Sustainalytics conducted the verification in accordance with the Climate Bond Standard Version 2.0 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give reasonable assurance that the HFA Green Bond meets the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that HFA will ensure compliance with Climate Bond Standard requirements.

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.

Opinion

Based on the limited assurance procedures conducted of New York State Housing Finance Agency's inaugural Green Bond under the Low Carbon Buildings criteria of the Climate Bonds Standard, Sustainalytics believes that, in all material respects, HFA's Green Bond is in conformance with the Low Carbon Buildings criteria of the Climate Bonds Standard Pre-Issuance Requirements.



Vikram Puppala
November 11th, 2016
215 Spadina Ave, Suite 300,
Toronto ON M5T 2C7, Canada



Schedule 1: Detailed Overview of Nominated Projects

Details of the Nominated Projects are provided below:

New York State Housing Finance Agency December 2016 AHRB Series H & I Projects Snapshot As of November 10, 2016							
Project	County	Type of Project	Reserved Units	Total Units	Total Development Cost	Total Loan Amount*	Green Standards
Confirmed Projects							
Fountains Community Residences	Kings	New Construction	67 Supportive Units	267	\$86,478,932	\$45,140,000	Energy Star Multifamily High Rise Program
Crossroads at Baldwin Place	Westchester	New Construction	12 Family & 52 Senior Units	64	\$25,000,405	\$12,260,000	Energy Star New Homes Version 3.1 Program
DePaul Upper Falls	Monroe	New Construction	75 Supportive Units	150	\$47,476,056	\$23,160,000	Energy Star New Homes Version 3.0 Program
Bella Vista/Temple Hill	Orange	New Construction	54 Supportive Units	162	\$35,472,908	\$18,605,000	Energy Star New Homes Version 3.0 Program
Green Series Totals				643	\$194,428,301	\$99,165,000	

* Preliminary, subject to change

Schedule 2A: Criteria of the Climate Bonds Standard

<p>Selection of Nominated Projects:</p>	<p>1.1 Statement on the environmental objectives of the bond</p> <p>1.2 Nominated Projects meet the Climate Bonds criteria</p> <p>1.3 Document a list of Nominated Projects and Assets</p> <p>1.4 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> <p>1.5 Confirmation that Net Proceeds of the Green Private Placement shall not be greater than the value of the Nominated Projects and Assets</p>
<p>Internal Processes and Controls</p>	<p>2.1.1 Tracking of proceeds</p> <p>2.1.2 Managing of unallocated proceeds</p> <p>2.1.3 Earmarking funds to Nominated Projects and Assets</p>
<p>Reporting Prior to Issuance</p>	<p>3.1.1 Investment area of Nominated Projects and Assets</p> <p>3.1.2 Intended types of temporary investments of unallocated proceeds</p> <p>3.1.3 Approach of Verifier</p> <p>3.1.4 Whether periodic assurance engagement will be undertaken</p>

Schedule 2B: Conformance to the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
<p>Verification of requirements specified under Selection of Nominated Projects</p> <p>Assessment of documents from energy consultants to verify nominated projects meet the meet the eligibility criteria.</p>	<p>1.1 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>1.2 HFA’s management confirms that the nominated projects meet the Eligibility Criteria</p> <p>1.3 The Nominated Projects meet the Low Carbon Building criteria under Part B of the Climate Bond Standard.</p> <p>1.4 The four Nominated Projects include:</p> <ul style="list-style-type: none"> • Fountains Community Residences, Kings • Crossroads at Baldwin Place, Westchester • DePaul Upper Falls, Monroe • Bella Vista/Temple Hill, Orange <p>1.5 HFA’s management confirms that the projects shall not be nominated to other Climate Bonds.</p> <p>1.6 HFA’s management confirms that the net proceeds of the bond shall not be greater than the value of the projects.</p>	<p>None</p>
<p>Verification of requirements specified under Internal Processes and Controls</p>	<p>2.1.1 HFA’s management confirms that proceeds will be segregated and tracked in a systematic manner and will be exclusively used to finance Nominated Projects.</p> <p>2.1.2 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 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>None</p>

	<p>2.1.3 HFA’s management has confirmed that the proceeds from the bond will remain in the Construction Financing Accounts (CFAs) associated with the Projects until the proceeds are fully drawn or until the Project converts to the permanent phase.</p> <p>There is a small portion of the proceeds of the green bonds for each nominated project that will be held in the resolution's debt service reserve fund. Those funds are expected to stay in that reserve fund until the earlier of the redemption of the nominated project's bonds or the maturity date of the project's mortgage loan.</p>	
<p>Verification of requirements specified under Reporting Prior to Issuance</p>	<p>3.1.1 HFA’s management confirms that the proceeds of the transaction will primarily be used to finance energy efficient buildings which are built in accordance with ENERGY STAR green standards and meet the eligibility criteria.</p> <p>3.1.2 HFA’s management confirms that unallocated proceeds shall be ‘held in temporary investment instruments (i) that are cash, or cash equivalent instruments, within a 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>3.1.3 The bond’s offer letter confirms that an approved third party verifier has been appointed to confirm the bond’s conformance with pre-issuance requirements of the Low Carbon Buildings criteria of the Climate Bonds Standard.</p> <p>3.1.4 The bond’s offer letter confirms that an approved third party verifier will conduct post-issuance assurance exercise within a year’s time to reaffirm conformance of the bond with the Low Carbon Buildings criteria of the Climate Bonds Standard.</p>	<p>None</p>

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Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

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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