

Impact Report for Bonds and Loans

The Proactive Realty Group, LLC


Impact Summary

Evaluation Date June 21, 2024

Issuer Location Chicago, USA

Sustainalytics has calculated the estimated social impact achieved by affordable housing projects within The Proactive Realty Income Funds' footprint, namely USD 29 million allocated to projects in Alabama, Illinois, Nevada and South Carolina in the United States. Using the number of individual housing units financed and the number of individuals financed, Sustainalytics has calculated the beneficiary savings at USD 4 million over a 12-month period.

 **\$29M**
Allocated funds

 **\$4M**
Beneficiary savings

 **14**
Projects

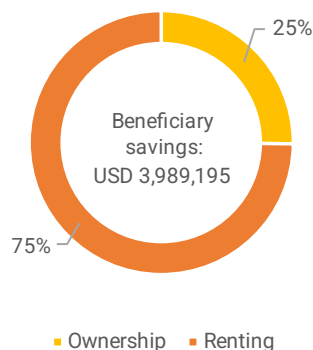
 **926**
Number of individual housing units financed

 **1**
Country

 **4,122**
Number of individuals financed



Total Beneficiary Savings by Housing Type



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Introduction

Proactive Realty Income Funds (“PRIF” or “The Company”) is a real estate equity fund established in August 2019 in Chicago, USA. The Company focuses on repositioning distressed real estate assets into affordable community development and developing manufactured housing for American communities.¹ As of March 2024, PRIF has 8 employees, at least 15 contract employees and a portfolio that consists of 115 manufactured housing pads. The Proactive Realty Income Funds intends to issue a sustainability bond under an upcoming sustainable finance framework to finance or refinance a portfolio of affordable housing units for underserved communities.

In May 2024, The Proactive Realty Income Funds engaged Sustainalytics to quantify the environmental benefits of the projects funded with the proceeds from the Company’s upcoming bond. Using established methodologies, Sustainalytics has estimated the monetary beneficiary savings from the affordable housing projects. This report presents the details of our findings, including a description of the methodology used to calculate the estimated impacts.

The company also engaged Sustainalytics to provide a Second-Party Opinion of the upcoming bond framework. The Second-Party Opinion will be published separately.

Scope of Work and Limitations

For this report, Sustainalytics relied on the data provided by PRIF on the affordable housing developments, allocated amount, the rent and further housing data on the projects financed.

Sustainalytics’ impact reporting is aligned with the International Capital Market Association’s June 2023 Harmonised Framework for Impact Reporting for Social Bonds.² The methodology and assumptions made for the impact calculation are outlined in the methodology chapter.

As part of this engagement, Sustainalytics exchanged information with the Company’s management team to understand the sustainability impact of its project. Through these exchanges, Proactive Realty Income Funds’ representatives have confirmed that:

- (1) They understand it is the sole responsibility of PRIF to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information;
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information.

¹ Proactive Realty Group LLC, at: <https://proactiveincomefund.com/>

² ICMA, “Handbook - Harmonised Framework for Impact Reporting for Social Bonds”, at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf>

Impact Findings

For reporting, Sustainalytics follows the ICMA Harmonised Framework for Impact Reporting for Social Bonds,³ which synthesizes market expectations and outlines recommendations for impact reporting to create a standardized reporting structure and to enhance the understanding of the financed impact to all stakeholders, including investors.

Table 1 below provides a summary of the impact for all projects potentially financed by the intended bond issuance, which Sustainalytics calculated from the planned allocation of proceeds. Table 2 provides summaries of the social impact at the project type level. Appendix 1 provides project-level impact based on the intended 100% share of project financing.

Table 1: Summary of Impact⁴ – Affordable Housing

Allocated Amount	Financed Number of Individual Housing Units	Financed Number of Individuals	Average Monthly Beneficiary Savings	Average Beneficiary Savings	Financed Annual Total Beneficiary Savings	Financed Annual Total Beneficiary Savings/Allocated Amount
USD			USD	%	USD	USD/USD
29,430,000	926	4,122	357	27%	3,989,195	0.14

Table 2: Affordable Housing by Housing Type

Housing type	Allocated Amount	Financed Housing Units	Financed Beneficiaries	Monthly Beneficiary Savings, Monthly	Average Monthly Beneficiary Savings	Financed Annual Total Beneficiary Savings	Financed Total Beneficiary Savings/Allocated Amount USD
	USD			USD	%	USD	USD/USD
Ownership	2,215,000	57	257	1,467	62%	1,003,125	0.45
Renting	27,215,000	869	3,865	286	24%	2,986,070	0.11

³ ICMA, "Harmonised Framework for Impact Reporting for Social Bonds", (2023), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf>

⁴ All data is based on PRIF's intended allocation as communicated to Sustainalytics up to 30 May 2024. The final composition and allocation of the bond proceeds may be adjusted at PRIF's discretion.

Methodology

Sustainalytics developed a methodology for quantifying the beneficiary savings or savings of affordable rent compared to market rent, specifically for affordable housing rentals. The metric beneficiary savings is recommended for impact reporting in the Harmonized Framework for Impact Reporting for Social Bonds⁵ and the Global Impact Investment Network's IRIS+ catalogue of metrics.⁶

Affordable Housing

Affordable housing is offered to a target group at a significantly lower price than the housing of the same quality offered in the market. It is assumed that in the absence of affordable housing, dwellers would have needed to pay market rent for housing, and the difference between the two is the beneficiary savings.

- a) The affordable cost of the project itself is built on data from the issuer to the extent available. Where no detailed rent data is available, affordable rent is estimated with eligibility criteria, where the highest rent that can be considered affordable is estimated.
- b) The market cost, which constitutes the baseline for the estimate, is sourced from credible regional statistics.

Data Sources and Assumptions

- The rents charged by the affordable housing projects was provided by the client.
- For estimating the market rent, city-level data was sourced from US government sources.⁷ Based on this data, city- or zip code-level values were estimated based on the number of bedrooms in each home.
- For estimating the monthly housing cost of house ownership, the monthly cost was estimated as the cost of a standard mortgage of 6.25% for 30 years.⁸
- Some affordable homes include different types of utilities, and these have been estimated from local sources and deducted from the baseline cost.^{9,10,11}

⁵ ICMA, "Harmonised Framework for Impact Reporting for Social Bonds", (2023), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf>

⁶ IRIS+, available at: <https://iris.thegiin.org/>

⁷ US Department of Housing and Urban Development, "FY 2023 Fair Market Rent Documentation System", at: [https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2023_code/2023summary.odn?&year=2023&fmrtype=\\$fmrtype&cbsasub=METRO45220M45220](https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2023_code/2023summary.odn?&year=2023&fmrtype=$fmrtype&cbsasub=METRO45220M45220)

⁸ Metropolitan Council, "2024 Ownership and Rent Affordability Limits", (2024), at: <https://metro council.org/Housing/Planning/Affordable-Housing-Measures/Ownership-and-Rent-Affordability-Limits.aspx>

⁹ Robert Little Group, "Las Vegas Cost of Living 2024", at: <https://www.totalvegasrealestate.com/blog/las-vegas-nv-cost-of-living-guide/#:~:text=Utility%20Bills%3A%20What%20to%20Expect&text=The%20average%20utility%20costs%20for,a%20bit%20of%20careful%20budgeting>

¹⁰ City of Selma, "Infrastructure Assessment", at: <https://selma-al.gov/wp-content/uploads/2022/04/Sanitary-Sewer-Plan.pdf>

¹¹ Montgomery County, "Garbage Collection", at: <https://www.mc-ala.org/services/living/garbage-collection/#:~:text=If%20you%20live%20in%20the,Pick%20up%20is%20done%20weekly>

Appendix 1: Impacts of Affordable Housing Projects

Project Name	Housing Type	Eligibility Criteria	Allocated Amount	Financed Housing Units	Financed Beneficiaries	Monthly Beneficiary Savings	Average Monthly Beneficiary Savings	Financed Annual Total Beneficiary Savings	Financed Total Beneficiary Savings/Allocated Amount
		%	USD			USD	%	USD	USD/USD
Hammonds Mobile Estates ¹²	Renting	80%	1,265,000	135	608	260	29%	420,390	0.33
Hammonds Mobile Estates ¹²	Ownership	80%	1,265,000	52	234	1,563	65%	975,000	0.77
1735 N Ranch Drive ¹²	Renting	80%	950,000	15	20	527	30%	94,770	0.10
1735 N Ranch Drive ¹²	Ownership	80%	950,000	5	23	469	38%	28,125	0.03
13847 S State Street	Renting	80%	105,000	2	9	583	37%	13,980	0.13
13845 S Atlantic Avenue	Renting	80%	115,000	3	14	583	37%	20,970	0.18
N Main Street	Renting	80%	6,200,000	50	225	195	19%	117,000	0.02
1900 Las Vegas Boulevard	Renting	80%	3,100,000	27	122	195	19%	63,180	0.02
1873 Las Vegas Boulevard	Renting	80%	3,000,000	26	117	195	19%	60,840	0.02
2 Chahaba West	Renting	80%	1,145,000	200	900	161	19%	387,080	0.34
3920 Las Vegas Boulevard	Renting	80%	5,100,000	196	882	527	30%	1,238,328	0.24
1508 South Las Vegas Boulevard	Renting	80%	5,250,000	42	189	195	19%	98,280	0.02
1489 Eastland Avenue	Renting	80%	685,000	85	383	227	24%	231,540	0.34
362 US Highway 52 (Tobacco Road)	Renting	80%	300,000	88	396	227	24%	239,712	0.80

¹² Projects 1-4 are self-financed and will not be financed under the bond.

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