



Second-Party Opinion  
**LIIF Sustainability Bond**  
 Low Income Investment Fund

**Evaluation Summary**

Sustainalytics is of the opinion that the LIIF Sustainability Bond Framework, contained with the bond’s POM, is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers green projects related to green buildings, energy efficiency, and transit-oriented development and social projects in the areas of affordable housing, child care, education, community health care, and healthy foods to have positive environmental or social impacts and advance various UN Sustainable Development Goals.



**PROJECT EVALUATION / SELECTION** LIIF has used its existing policies and procedures to select the eligible projects for its Sustainability Bond. The final approval for all credit offered rests with its Chief Credit Officer or its Internal Loan Committee. If a policy exception be required, approval from the Lending Risk Committee is required before the loan is approved. This is in line with market practice.



**MANAGEMENT OF PROCEEDS** LIIF will immediately use the proceeds of the bond to finance a portfolio of projects which has been previously identified, and there will be no ongoing management of proceeds once this allocation occurs. This is in line with market practice.



**REPORTING** Considering the intention to fully allocate at time of issuance to a defined list of projects, no further allocation reporting is considered necessary; this is in line with market practice. LIIF will provide impact reporting in line with its existing reporting regime, which provide project-level details for a selection of projects to its website and in its annual report. Sustainalytics views positively LIIF’s overall approach to reporting, while noting that transparency around the specific impacts of the Sustainability Bond would be furthered by the publication of annual impact reporting related to the Bond.

<b>Evaluation date</b>	June 28, 2019
<b>Issuer Location</b>	San Francisco, USA

**Report Sections**

Introduction.....	2
Sustainalytics’ Opinion .....	3
Appendices .....	10

**For inquiries, contact the Sustainable Finance Solutions project team:**

**Zach Margolis (Toronto)**  
 Project Manager  
 zach.margolis@sustainalytics.com  
 (+1) 647 695 4341

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

## Introduction

The Low Income Investment Fund (“LIIF”, the “Fund”, or the “Issuer”) is a non-profit community development financial institution (CDFI), which is committed to serving low income people and communities by supporting investments to alleviate poverty and promote economic self-sufficiency. LIIF invests private capital in socially beneficial projects such as housing, child care, education, healthcare, healthy food access, and other community facilities.

LIIF has developed the LIIF Sustainability Bond Framework (the “Framework”) under which it intends to issue a sustainability bond and use the proceeds to refinance, in whole or in part, a portfolio of projects that fulfil LIIF’s mission of providing necessary capital to low income neighbourhoods. The Framework defines specific eligibility criteria in three green areas and five social areas:

1. Transit Oriented Development
2. Energy Retrofitting
3. LEED-Certified Green Buildings
4. Affordable Housing
5. Child Care
6. Education
7. Community Health Care
8. Healthy Foods

A description of the eligible projects and projected allocations for the 2019 sustainability bond issuance is provided in the Preliminary Offering Memorandum and in Appendix 1.

LIIF engaged Sustainalytics to review the LIIF Sustainability Bond Framework, as published within the Fund’s Preliminary Offering Memorandum dated July 1, 2019, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).<sup>1</sup>

As part of this engagement, Sustainalytics held conversations with various members of LIIF’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 Issuer’s Sustainability Bond. Sustainalytics also reviewed relevant public documents and non-public information.

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

---

<sup>1</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the LIIF Sustainability Bond Framework

#### Summary

Sustainalytics is of the opinion that the LIIF Sustainability Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. Sustainalytics highlights the following elements of LIIF's Sustainability Bond Framework:

- Use of Proceeds:
  - The use of proceeds categories are recognized as impactful by the GBP and/or the SBP.
  - Sustainalytics views positively the targeted nature of social investments, and notes in particular that 97% of the individuals served by LIIFs various programs are considered low income. LIIF has defined specific metrics, relevant to the various project categories, by which it will evaluate the socioeconomic status of program users.
  - LIIF has committed to incorporating the principles of environmentally sound development into the evaluation of all projects financed by its Sustainability Bonds. Additionally, Sustainalytics notes the following regarding the areas specifically noted in the Framework as its primary green focus for its Sustainability Bond:
    - Transit Oriented Development: LIIF will select projects for development which have been assessed through its internal processes as well-located near public transportation, with the goal of reducing transportation-related emissions. While qualification for this category is at the discretion of LIIF's internal assessments, Sustainalytics notes the high greenhouse gas mitigation potential of these activities (refer to Section 3 for further discussion of impact).
    - Energy Retrofitting: LIIF has stated that projects in this category aim for improvements of 10-30%, measured in either energy savings or energy cost savings. Sustainalytics views positively the objectives of this category, while noting as a limitation that market practice is to prefer projects that result in savings of at least 15%.
    - LEED Certified Buildings: The Framework specifies that buildings meeting the criteria of LEED Silver and higher are eligible. Sustainalytics recognizes that market practice is to select projects which are certified Gold or above, and considers this a limitation to the Framework. Nevertheless, it is considered that this category will generate positive overall impacts based on (1) that projects within this category will additionally qualify within one of the social categories, and (2) that of the selected projects for the Sustainability Bond only one is "Silver" with the remainder being higher-performing.
  - Sustainalytics notes the following regarding the various socially-focused projects areas defined in the Framework:
    - Affordable Housing: LIIF makes use of the HUD's definitions of low (LI) and very low income (VLI).<sup>2</sup> Where possible this is correlated with other government-sponsored income-based programs such as Section 8 vouchers. Although the Framework does not specify a set percentage of residents of housing projects which must be LI or VLI, based on the overall objectives of the program and LIIF's selection processes Sustainalytics considers this category to be credible.
    - Child Care: LIIF's child care projects are selected accounting for the criteria which must be met for the specific facilities to receive subsidies, such as the Head Start<sup>3</sup> program or state department of education contracts. Sustainalytics views positively this use of government initiatives in determining eligible projects.

<sup>2</sup> The US Department of Housing and Urban Development (HUD) defines low income as those earning less than 80% of area median income (AMI), while very low represents those earning less than 60% of AMI.

<sup>3</sup> Head Start is administered by the US Department of Health & Human Services, and is restricted to children from low income families, homeless families, or families receiving some specific social supports. See: <https://eclkc.ohs.acf.hhs.gov/eligibility-ersea/article/poverty-guidelines-determining-eligibility-participation-head-start>

- Education: LIIF will finance loans to high-performing charter schools which serve primarily low-income communities. The Framework notes that eligibility will be evaluated by referring to the proportion of students qualifying for free or reduced lunches through the USDA's National School Lunch Program.<sup>4</sup> Although the Framework does not specify a set percentage of students which must qualify, based on the overall objectives of the program and LIIF's selection processes Sustainalytics considers this category to be credible.
- Community Health Care: The Framework specifies that LIIF will determine if a clinic qualifies as low-income based on the payer-mix. Although the Framework does not specify a set percentage of patients which must be low income, based on the overall objectives of the program and LIIF's selection processes Sustainalytics considers this category to be credible.
- Healthy Foods: The Framework specifies that projects within the area are identified using the USDA's Food Access Research Atlas, which maps indicators of food access for low-income census tracts.<sup>5</sup> Sustainalytics views positively the use of this tool in determining eligible projects.
- Project Evaluation and Selection:
  - LIIF has existing policies and procedures in place to identify eligible projects within each of the intended investment areas. All eligible projects must be approved in accordance with the Issuer's Lending Standards and Guidelines, which defines specific criteria based on loan type and structure. LIIF's Loan Officers recommend eligible loans, and final signoff is provided by either the Chief Credit Officer, the Internal Loan Committee, or the Lending Risk Committee depending on the value of the loan.
  - The specific projects included in the 2019 issuance have been selected by LIIF's finance team, in consultation with various program areas.
  - Based on the reliance on existing internal policies, and the requirement for executive-level signoff on lending decision, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The net proceeds of the bond will be deposited into an account of the trustee and be used immediately to refinance existing projects. As such, there is no process for ongoing management of proceeds.
  - Based on the intention to fully allocate at time of issuance, Sustainalytics considers this approach to be in line with market practice.
- Reporting:
  - LIIF intends to fully allocate the net proceeds of the bonds at time of issuance to refinance the projects specified; therefore, ongoing allocation reporting is not relevant.
  - LIIF's existing reporting regime, which involves disclosure of project-level details on its corporate website, will be leveraged to provide impact reporting. No supplementary impact reporting will be provided in relation to the sustainability bonds.
  - Based on the pre-issuance disclosure of intended allocation, Sustainalytics considers the allocation reporting to be in line with market practice. Sustainalytics notes the overall quality of LIIF's reporting, and considers this to provide a strong level of transparency, while noting that best practice in the Sustainability Bond market is to provide impact reporting associated with the project portfolio financed.

#### **Alignment with Sustainability Bond Guidelines 2018**

Sustainalytics has determined that the Issuer's sustainability bond aligns to the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

<sup>4</sup> The National School Lunch Program operates in public and nonprofit private schools. See: <https://www.fns.usda.gov/nslp>

<sup>5</sup> See: <https://www.ers.usda.gov/data-products/food-access-research-atlas/>

## Section 2: Sustainability Strategy of the Issuer

### Contribution of Framework to LIIF's sustainability mandate

Sustainability is embedded in the business strategy of LIIF, whose role as a Community Development Financial Institution (CDFI) is to support low-income communities by serving as a bridge between various public and private financial groups and channelling capital into social projects.<sup>6</sup>

Within its public policy, LIIF commits to enhancing its community's development impact through federal, state and local policy efforts and informing policymakers about the benefits of community investments in poverty alleviation.<sup>7</sup> Moreover, LIIF's community development agenda has two main goals: preserving community capital programs, such as the US Department of the Treasury's CDFI Fund programs and New Markets Tax Credits, and supporting innovative initiatives to grow the community development field.<sup>8</sup> In addition, LIIF has several other policies in place which provide policymakers with guidance and support on sustainability issues, such as affordable housing, child care, education, green financing, healthy food and transit-oriented development.<sup>9</sup> Moreover, LIIF is involved in programmes that act on their sustainability policies and commitments, such as providing financing for the development, rehabilitation and green retrofit of affordable houses, child care and educational facilities, community health centers, green buildings and transit-oriented development projects.<sup>10</sup> Furthermore, LIIF also offers a number of financial products, which includes community capital loans, New Market Tax Credits, grants and technical assistance, that are aimed providing affordable financing solutions for underrepresented communities in the areas of healthcare, education, employment and housing.<sup>11</sup>

LIIF also reports on its social investments outcomes, disclosing that its financing of housing (\$1.2 billion) supported 78,000 homes, child care (\$153 million) providing 271,000 slots, education (\$680 million) creating 98,000 spaces at school, and community facilities (\$397 million) building 36 million square feet of community space.<sup>12</sup> Overall, as of December 2018, LIIF has invested around \$2.5 billion, reaching approximately 2 million people and supporting monetary benefits to families and communities worth \$65.1 billion.<sup>13</sup> Since its founding in 1984, LIIF's capital investments have serviced millions of Americans, 97% of whom are low-income,<sup>14</sup> as LIIF's core markets are home to around 50% of the country's low-income citizens, while also having some of the highest costs of living in the world.<sup>15</sup>

Given its sustainability commitments, strategy, vision and progress reporting, Sustainalytics is of the opinion that LIIF is well positioned to issue Sustainability Bonds and that its Sustainability Bonds will further LIIF's overall vision and mission.

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

While the projects funded by LIIF's Sustainability Bond are anticipated to have overall positive impacts, as with any undertaking, there may be associated environmental and social risks. Sustainalytics has assessed the eligible projects under the Framework, and considers that there are two classes of risks that are relevant to the financed projects, those related to the physical development of financed projects and those related to the social impacts of the resulting programs.

With regards to physical risks, these relate primarily to environmental impacts from the development of infrastructure, workplace health and safety on construction sites, and impacts on local communities such as noise, pollution, and displacement. Sustainalytics considers that these adverse impacts are mitigated by (i) the existing regulations in place in the jurisdictions in which LIIF operates and (ii) LIIF's internal selection procedures, which include prioritizing environmentally sustainable practices and a commitment to creating equitable communities.

<sup>6</sup> LIIF Corporate Website, "How We Do It", at: <http://www.liifund.org/about-liif/what-we-do/how-we-do-it/>.

<sup>7</sup> LIIF Corporate Website, "Policy", at: <http://www.liifund.org/programs/policy/>.

<sup>8</sup> LIIF Corporate Website, "Policy", at: <http://www.liifund.org/programs/policy/>.

<sup>9</sup> LIIF Corporate Website, "Policy", at: <http://www.liifund.org/programs/policy/>.

LIIF Corporate Website, "Our Programs", at: <http://www.liifund.org/programs/our-programs/>.

<sup>10</sup> LIIF Corporate Website, "Our Programs", at: <http://www.liifund.org/programs/our-programs/>.

<sup>11</sup> LIIF Corporate Website, "Our Products", at: <http://www.liifund.org/products/our-products/>.

<sup>12</sup> LIIF Corporate Website, "Our Impact", at: <http://www.liifund.org/about-liif/our-impact-2/>.

<sup>13</sup> LIIF Corporate Website, "Our Impact", at: <http://www.liifund.org/about-liif/our-impact-2/>.

<sup>14</sup> LIIF, "Annual Report 2018", at: <http://www.liifund.org/annual-report/>.

<sup>15</sup> LIIF Corporate Website, "How We Do It", at: <http://www.liifund.org/about-liif/what-we-do/how-we-do-it/>.

With regards to social risks, Sustainalytics recognizes that well-intentioned social programs may inadvertently exacerbate existing inequalities if they are not well targeted to specific communities and groups. LIIF has strong procedures in place to mitigate this possibility, including the use of the US Government's Department of Housing and Urban Development's definitions for low income when qualifying affordable housing projects, the use of eligibility for the US Department of Agriculture's free and reduced lunch program as a metric to evaluate if schools are serving low-income students, and the use of income stats contextualized to statewide median income for other initiatives such as health and childcare.

Overall, Sustainalytics is of the opinion that LIIF, through its own actions as well as the regulatory context in which it operates, is well-placed to mitigate any environmental and social risks related to the projects finance by its Sustainability Bonds.

### Section 3: Impact of Use of Proceeds

All use of proceeds categories are recognized as impactful by GBP and/or the SBP. Sustainalytics has focused below on areas which are most strongly represented within LIIF's portfolio of projects for the 2019 issuance, as well as where the impact is specifically significant to the organization's mission.

#### Affordable housing

Affordable housing is the largest thematic area for project projects in LIIF's Sustainability Bond, making up approximately 50.2% of the value of the projects to be refinanced. LIIF considers the provision of homes for low-income people to be a "cornerstone of [its] poverty alleviation strategy".<sup>16</sup> This focus is especially relevant in light of the ongoing challenges low-income individuals are facing with regards to shelter; 75% of low-income families spend more than half of their income on rent, while a gap of 7.2 million affordable units has been identified to meet the needs of extremely low-income families in the US.<sup>17</sup> Meanwhile, only one in five households that are eligible for federal government housing assistance receives support.<sup>18</sup> Furthermore, studies have shown that housing poverty leads to negative social outcomes across multiple dimensions, as families and individuals must make tradeoffs between the cost of rent and spending on food, healthcare, and transportation.<sup>19</sup> In this context, and considering the thresholds for low income which are used by LIIF to determine eligibility, Sustainalytics views positively investment in subsidized and affordable housing projects.

#### Education

LIIF will use the proceeds to provide loans to various elementary, middle, and secondary charter schools, with the goal of allowing these schools to build or expand their facilities. LIIF has elected to focus its funding on charter schools, as it takes the stance that these institutions can provide a "promising alternative to some traditional public schools in underserved neighborhoods".<sup>20</sup> LIIF offers financing to these organizations with the objective of providing increased educational opportunities to communities which lack strong access to high-performing schools.

Charter schools are an alternative to traditional public schools, offering tuition-free education to students while providing the operator a significant degree of autonomy in how the school is run. This concept has at times been controversial; advocates point to the increased variety of educational options, new opportunities for underserved communities, specialized course offerings, and high academic performance, while detractors highlight a lack of accountability resulting in some poorly-performing schools and argue that charters draw funding away from public school districts.<sup>21</sup> Studies have suggested in particular that charter schools can provide the greatest benefits for urban, low-income, and minority students.<sup>22,23</sup> Considering that LIIF is specifically targeting schools which feature low-income and underserved populations, and in particular those

<sup>16</sup> LIIF, "Affordable Housing", <http://www.liifund.org/programs/affordable-housing/>

<sup>17</sup> National Low-Income Housing Coalition, "The Problem", <https://nlihc.org/explore-issues/why-we-care/problem>

<sup>18</sup> Scally et al, "Gaps in Evidence for Proposed Policy Changes", <https://www.urban.org/research/publication/case-more-not-less-shortfalls-federal-housing-assistance-and-gaps-evidence-proposed-policy-changes>

<sup>19</sup> CityLab, "For Low-Income Renters, the Affordable Housing Gap Persists", <https://www.citylab.com/equity/2018/03/for-low-income-renters-the-gap-in-affordable-housing-persists/555458/>

<sup>20</sup> LIIF, "Education", <http://www.liifund.org/programs/education/>

<sup>21</sup> Jason, Z, "The Battle Over Charter Schools", <https://www.gse.harvard.edu/news/ed/17/05/battle-over-charter-schools>

<sup>22</sup> The Center for Research on Education Outcomes, "Overview of the Urban Charter School Study", <http://urbancharter.stanford.edu/overview.php>

<sup>23</sup> Cohodes, S, "Charter Schools and the Achievement Gap", [https://futureofchildren.princeton.edu/sites/futureofchildren/files/resource-links/charter\\_schools\\_compiled.pdf](https://futureofchildren.princeton.edu/sites/futureofchildren/files/resource-links/charter_schools_compiled.pdf)

with a “demonstrated success in increasing the academic and life outcomes of their students”, Sustainalytics views positively these investments and considers that they will provide overall positive social impacts.

#### **Transit-oriented development**

One focus area for LIIF’s investments is transit-oriented development (TOD), which seeks to locate housing and other community services in proximity to higher-order transit, allowing affordable and time-sensitive access to jobs. Studies have shown that as housing prices have increased, low-income Americans have been increasingly pushed to live further from their workplace in order to afford growing rental costs; this tradeoff results in both longer commutes times as well as increased dollars spent on transportation, which can partially offset the overall household savings.<sup>24</sup> Among the working poor, it is estimated that commuting costs equal an average of 6% of income, a rate twice as high as for those with higher incomes.<sup>25</sup> Over the period 2000-2012, 61% of high-poverty census tracts faced declines in average job proximity, a trend which “signals diverging economic opportunity, particularly for residents of poor neighborhoods”.<sup>26</sup> By focusing the development of housing and social services in areas with strong transportation connectivity, projects financed in this area will support improved social and economic wellbeing for the individuals served.

In addition to these aforementioned social benefits, TOD is recognized to generate positive environmental outcomes. The environmental footprint of well-developed TODs is estimated to be approximately 35% lower than for conventional developments,<sup>27</sup> while expanding TOD on a regional scale has been modeled to reduce transportation emissions growth by as much as 36%.<sup>28</sup> While the primary environmental impacts relate to a reduction in vehicle miles travelled, ancillary benefits have also been noted, including an increased suitability for energy conservation and district energy applications, improved stormwater management as less impermeable surface is required for parking, and greater opportunities for photovoltaic solar power usage.<sup>29</sup> Considering these factors, as well as LIIFs overall commitment to incorporating environmental concerns into its project selection process, Sustainalytics views LIIFs TOD program to generate substantial positive environmental benefits.

#### **The incorporation of environmentally-friendly attributes into projects financed**

In addition to a specific category of projects which have been identified as having strong green credentials, LIIF strives to incorporate environmentally friendly design into all projects where applicable, focusing on initiatives such as “solar power, environmental remediation and clean-up, zero-carbon output design, energy retrofitting, water efficiency, use of recycled and existing materials for construction, and storm water management”. This environmental lens is of particular relevance considering the populations that LIIF serves, as low-income and minority communities “often bear a disproportionate share of environmental costs” such as environmental degradation and pollution.<sup>30</sup> A study from Yale University found that, in major US metro areas, communities with higher rates of poverty and unemployment were more likely to be exposed to higher levels of fine particulate air pollution, including toxic substances, and face commensurately greater health risks.<sup>31</sup> Considering the forgoing, Sustainalytics views positively both the specific green investments considered under the Framework, as well as the broader focus on addressing the environmental impact of the built environment serving low-income populations.

#### **Alignment with and 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. Sustainalytics has assessed the eligible project categories and is of the opinion that the Sustainability Bond will advance Goal 1: No Poverty, across all eligible categories.

<sup>24</sup> Sisson, P, “Supercommuters, skyrocketing commutes, and America’s affordable housing crisis”, <https://www.curbed.com/2017/6/20/15834514/rent-transportation-commute-affordable-housing>

<sup>25</sup> Taylor, C, “Your commute is costing you more than you realize”, <https://www.reuters.com/article/us-usa-commute-costs-idUSKBN0E721M20140527>

<sup>26</sup> Holmes & Kneebone, “The growing distance between people and jobs in metropolitan America”, [https://www.brookings.edu/wp-content/uploads/2016/07/Srvy\\_JobsProximity.pdf](https://www.brookings.edu/wp-content/uploads/2016/07/Srvy_JobsProximity.pdf)

<sup>27</sup> Cervero & Sullivan, “Toward Green TODs”, <https://trid.trb.org/view/1084149>

<sup>28</sup> Center for Neighborhood Technology, “Transit Oriented Development and The Potential for VMT-related Greenhouse Gas Emissions Growth Reduction”, [https://www.cnt.org/sites/default/files/publications/TOD-Potential-GHG-Emissions-Growth.FINAL\\_.pdf](https://www.cnt.org/sites/default/files/publications/TOD-Potential-GHG-Emissions-Growth.FINAL_.pdf)

<sup>29</sup> Cervero & Sullivan, “Green TODs: marrying transit-oriented development and green urbanism”, <https://www.tandfonline.com/doi/abs/10.1080/13504509.2011.570801>

<sup>30</sup> Massey, R, “Environmental Justice: Income, Race, and Health”, [http://www.ase.tufts.edu/gdae/education\\_materials/modules/environmental\\_justice.pdf](http://www.ase.tufts.edu/gdae/education_materials/modules/environmental_justice.pdf)

<sup>31</sup> Katz, C, “People in Poor Neighborhoods Breathe More Hazardous Particles”, <https://www.scientificamerican.com/article/people-poor-neighborhoods-breathe-more-hazardous-particles/>

Furthermore, the Bond advances the following additional SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Transit Oriented Development	8. Industry, Innovation and Infrastructure	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy Retrofitting	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
LEED-Certified Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Affordable Housing	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
Child Care	4. Quality Education	4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education
Education	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
Community Health Care	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Healthy Foods	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

---

## Conclusion

LIIF has developed a Sustainability Bond Framework, under which it intends to issue Sustainability Bonds and use the proceeds to refinance a portfolio of socially beneficial projects such as housing, child care, education, healthcare, healthy food access, and other community facilities. Specifically, LIIF has identified three green project areas - Transit Oriented Development, Energy Retrofitting, and LEED-Certified Green Buildings – and five social project areas - Affordable Housing, Child Care, Education, Community Health Care, Healthy Foods.

All of the use of proceeds categories specified in the framework are aligned with those of the Green Bond Principles 2018 or the Social Bond Principles 2018; LIIF has described the process by which loans are qualified for the Bond; commitments have been made regarding the allocation of proceeds; and the approach to reporting on allocation and impacts has been described. Sustainalytics is further of the opinion that the initiatives described by the Framework will advance the UN Sustainable Development Goals, in particular Goals 1, 2, 3, 4, 8, 9, 10, and 11.

Based on the above, Sustainalytics considers the LIIF Sustainability Bond Framework to be robust, credible and transparent, and in alignment with the four core components of the ICMA's Sustainability Bond Guidelines 2018.

## Appendices

### Appendix 1: List of Projects for the 2019 Sustainability Bond Issuance

Project Name	Amount	% of Total	Description	Social/Environmental Attributes
DCI Delano Hall	7,908,879	8.00%	Financing for rehabilitating building on Walter Reed campus for charter middle & high school	Access to Education
People's Bank Passaic	6,859,981	6.94%	Financing to sustainably redevelop an Art Deco building into office and retail space to revitalize urban downtown Passaic, NJ	Energy Efficiency
MED Cascade	6,846,000	6.92%	Financing for acquisition and preservation of occupied naturally occurring affordable housing	Affordable Housing Quality Food Access LEED Silver
Triangle Plaza Hub	6,378,049	6.45%	Financing of a 14,598 square foot Fine Fare supermarket anchor in a transit oriented development	Affordable Housing Transit Oriented
2205 Mission St.	5,345,953	5.41%	Transit oriented financing to Mission Economic Development Agency to redevelop a site into a mixed use building	Affordable Housing Transit Oriented
TM 1550 First Street SW	5,030,000	5.09%	Transit oriented financing for development of 76-unit affordable housing project	Access to Education Transit Oriented
DC Prep Anacostia	4,460,000	4.51%	Transit oriented financing to an elementary and middle charter school	Access to Education Transit Oriented
St Paul's	4,375,000	4.42%	Financing for the purchase and development of property for a charter school incubator	Access to Education
Vine Street Senior Supportive Housing	4,268,863	4.32%	Transit oriented financing for a 128-unit affordable senior housing project with 27 supportive housing units, all for seniors	Affordable Housing - Seniors Transit Oriented
Hanover Apartments	3,852,000	3.90%	Financing for the preservation of 74 affordable housing apartments	Affordable Housing
1530 First Street	3,839,543	3.88%	Financing for new construction of 102 units of affordable and supportive housing in SW DC	Affordable Housing - Supportive
Northside Commons Mixed Use Housing	3,800,000	3.84%	Financing for a mixed used project including housing and medical space	Affordable Housing Health Outcomes
Utica Place	3,500,000	3.54%	Financing of a transit-oriented, four-story commercial and community facility with parking, daycare, community & retail space	Child Care Transit Oriented
Elysian Fields Campus	3,215,502	3.25%	Financing for a Federally Qualified Health Clinic (FQHC) with space for additional program services and credit union	Health Outcomes
Remington Row	3,000,000	3.03%	Financing for a 160,000 SF, LEED certified five-story mixed use building in the Remington neighborhood of Baltimore, MD	LEED Platinum
ECA	2,875,000	2.91%	Financing for the new construction of an elementary charter school.	Access to Education
1825 San Pablo	2,873,153	2.91%	Transit oriented financing for East Bay Asian Local Development Corporation headquarters, including commercial space	Transit Oriented
Legacy Charter School NMTC	2,765,452	2.80%	Financing to enable Legacy to build a new permanent home, aiming to prepare students for college and responsible citizenship	Access to Education LEED Platinum
ACCS Krank St.	2,553,424	2.58%	Financing for Albany Community Charter School's acquisition of its elementary school building	Access to Education
Kulana Hale at Kapolei	2,467,372	2.50%	Transit oriented financing for 143 units of affordable housing with 2,605 square feet of ground floor retail in an 11-story high-rise	Affordable Housing LEED Platinum
Alberta Abbey	1,494,000	1.51%	Transit oriented financing for new affordable housing and rehab of a chapel	Affordable Housing Transit Oriented
Barry Farm	1,487,429	1.50%	Transit oriented financing to redevelop a public housing project in DC that will be developed at a neighborhood-scale.	Affordable Housing Transit Oriented
Pineville	1,480,000	1.50%	Master Line of Credit financing to purchase and moderately repair a 200 unit property in Pineville, NC.	Affordable Housing
South Main Street Apartments	1,369,416	1.38%	Transit oriented financing to provide permanent supportive housing for homeless individuals and those at risk of homelessness	Affordable Housing - Supportive Transit Oriented
2510 Penn Av	1,350,000	1.37%	Financing for a future mixed use, affordable housing project	Affordable Housing
Turnbridge Public Charter School	984,894	1.00%	Financing for a start-up charter school, opened in fall 2010	Access to Education
Zocalo at Tiny Tim	749,738	0.76%	Transit oriented financing to develop an underutilized strip retail center with 51 low income family rental housing units	Affordable Housing Transit Oriented
1736 Rhode Island	719,775	0.73%	Financing for 63 affordable units for seniors, with 13 supportive housing units	Affordable Housing - Supportive
Lamp Lodge	706,124	0.71%	Transit oriented financing for the redevelopment of existing 50-unit residential into 82 unit supportive housing	Affordable Housing Transit Oriented
Carlsbad Veterans Housing	500,000	0.51%	Financing to acquire two sites, totaling 42,514 square feet, in Carlsbad, CA. These site developments will be for veterans	Affordable Housing - Veterans
Alberta Abbey	470,996	0.48%	Transit oriented financing for new affordable housing and rehab of a chapel	Affordable Housing Transit Oriented
The Educational Alliance	439,835	0.44%	Transit oriented development to improve program facilities to bring education to low-income youth (80% of AMI or less )	Access to Education Transit Oriented
Imperial Jazz House	438,095	0.44%	Financing to Regional Economic Development Inc. for Jazz House, a new 90-unit mixed-use affordable multifamily housing project	Affordable Housing
Brent Place	189,826	0.19%	Financing for energy retrofit measures for Brent Place, potentially reducing energy and water costs by 9.5% (\$47,797/year).	Energy Efficiency
Tukwila Vespers Apartments	182,286	0.18%	Transit oriented financing for a building to include 112 units of affordable housing to small and large households, all below 60% AMI	Affordable Housing Transit Oriented
Tenderloin Neighborhood Development Corporation	36,212	0.04%	Transit oriented financing to green retrofit three properties: the Dalt Hotel, the Ritz Hotel, and the Yosemite Apartments	Energy Efficiency Transit Oriented
Beachwood Apartments	32,770	0.03%	Transit oriented financing to energy retrofit Beachwood Apartments (built in 1979), which provides housing for low-income elders	Energy Efficiency Transit Oriented
Lucille Bulger Center for Community Life	12,525	0.01%	Transit oriented financing to develop a multi-use community center with a public school, a medical facility and an after school program	Child Care/Access to Education Transit Oriented
San Cristina Residence	12,295	0.01%	Transit oriented financing for green retrofitting, potentially saving 18% and 16% in electricity and gas costs, respectively	Energy Efficiency Transit Oriented
Iroquois Residence	11,075	0.01%	Transit oriented financing for green retrofitting, potentially saving 2% and 28% in electricity and gas costs, respectively.	Energy Efficiency Transit Oriented
<b>Totals</b>	<b>\$98,881,463</b>	<b>100.00%</b>		

## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Low Income Investment Fund
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	LIIF Sustainability Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	June 28, 2019
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	

### 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 GBPs and SBPs:

- |  |  |
|--|--|
| <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 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :                        |  |

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 categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers green projects related to green buildings, energy efficiency, and transit-oriented development and social projects in the areas of affordable housing, child care, education, community health care, and healthy foods to have positive environmental or social impacts and advance various UN Sustainable Development Goals.

#### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

#### Use of proceeds categories as per SBP:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services                        |
| <input checked="" type="checkbox"/> Affordable housing              | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security                   | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment           |

- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs       Other (please specify):

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

LIIF has used its existing policies and procedures to select the eligible projects for its Sustainability Bond. The final approval for all credit offered rests with its Chief Credit Officer or its Internal Loan Committee. If a policy exception be required, approval from the Lending Risk Committee is required before the loan is approved. This is in line with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green 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 Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                           | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

### Information on Responsibilities and Accountability

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |   |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

LIIF will immediately use the proceeds of the bond to finance a portfolio of projects which has been previously identified, and there will be no ongoing management of proceeds once this allocation occurs. This is in line with market practice.

### Tracking of proceeds:

- Sustainability 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
- Allocation to individual disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Allocations to both existing and future investments
- Allocation to a portfolio of disbursements
- Other (*please specify*): Full allocation at time of issuance

**4. REPORTING**

Overall comment on section (if applicable):

Considering the intention to fully allocate at time of issuance to a defined list of projects, no further allocation reporting is considered necessary; this is in line with market practice. LIIF will provide impact reporting in line with its existing reporting regime, which provide project-level details for a selection of projects to its website and in its annual report. Sustainalytics views positively LIIF's overall approach to reporting, while noting that transparency around the specific impacts of the Sustainability Bond would be furthered by the publication of annual impact reporting related to the Bond.

**Use of proceeds reporting:**

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

***Information reported:***

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

***Frequency:***

- Annual
- Semi-annual
- Other (please specify): At time of issuance

**Impact reporting:**

- Project-by-project
- On a project portfolio basis

- Linkage to individual bond(s)  Other (please specify):

**Frequency:**

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

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings  
 Decrease in water use  Number of beneficiaries  
 Target populations  Other ESG indicators (please specify): Various metrics as appropriate for each category

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify): Online  
 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.)

<http://www.liifund.org/projects/our-projects/>  
<http://www.liifund.org/annual-report/>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (please specify):

**Review provider(s):**

**Date of publication:**

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

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability

Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.

- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

## Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the “Opinion”) are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the “Sustainability Bond Framework” in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)

