



Building Sustainable Infrastructure

Promoting Positive Social, Economic, and Environmental Impacts

Bryant Jenkins, *Principal*
Sperry Capital

What Are Green Bonds?

- Issued to finance projects with clear and measurable environmental benefits
- Green Bond Principles
 1. Use of Proceeds
 2. Process for Project Evaluation and Selection
 3. Management of Proceeds
 4. Reporting
- Broad green project categories
 - Energy
 - Buildings
 - Transport
 - Water management
 - Waste management & pollution control
 - Nature-based assets including land use, agriculture and forestry
 - Industry & energy-intensive commercial
 - Information technology & communications

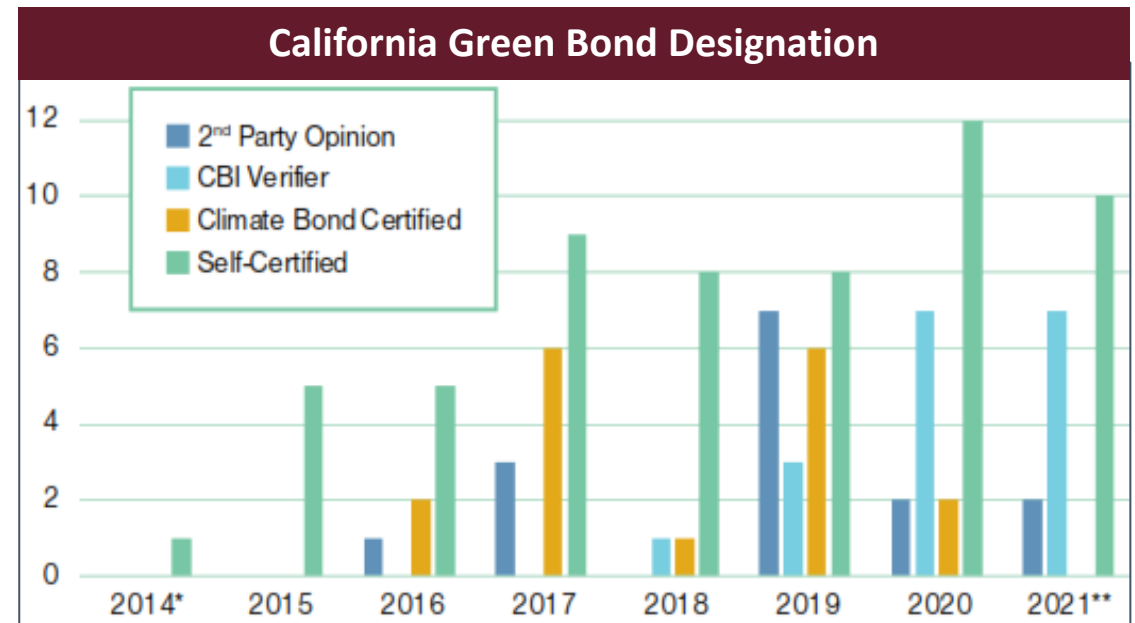


Source: <https://www.climatebonds.net/market/best-practice-guidelines>



Growth of Green Bonds

- Green Bond issuance is at an all time high
- Four main labels in fixed income market
 - Green
 - Social
 - Sustainability
 - Sustainability-Linked
- Certification
 - Self-Certified
 - 2nd Party Opinion
 - 3rd Party Verification



*Period in 2014 includes September 1 through December 31, 2014

** Period in 2021 includes January 1 through September 30, 2021

Note: Climate Bond Certified has transitioned to CBI Verifier as of 2020

- Between September 2014 and September 2021, more than \$19 billion Green Bonds have been issued in California
- From January 2021 to September 2021, green bonds accounted for 4% of total volume in California, up from 1.3% in 2014



Self Certification

- Issuer internally develops guidelines to self-certify their bonds as green
 - Typically basing their guidelines on existing taxonomies such as the Green Bond Principles or CBI
- Pros
 - Less costly
 - Less time-consuming for issuer
- Cons
 - Lack of transparency
 - Requires increased, decentralized due-diligence from sustainability-focus investors to assess efficacy of self-developed guidelines

San Diego County Water Authority (SDCWA)

- San Diego County Water Authority has issued 5 self-certified Water Revenue Refunding Green Bonds totaling \$918M
- First Green Bond issuance for SDCWA in 2016
- Three issuances in 2021



Second Party Opinion

- Provides investors with assurance that internally created bond framework is aligned to accepted market principles (i.e., Green Bond Principles) and that the proceeds of the bond or loan, as set out in the framework, are aligned to market practices and expectations from the investment community
- Two most prominent Second Party Opinion providers
 - Sustainalytics
 - Cicero



°CICERO
Shades of
Green

Sound Transit

- Has issued three Green Bonds. In 2015, Sound Transit became the first US Transit Agency to issue Green Bonds
- Sound Transit's green bonds are compliant with ICMA Green Bond Principles and validated through an independent opinion
- Green Bonds have financed projects consistent with its Sustainability Plan, including:
 - Reducing car trips by carrying more transit riders
 - Supporting smart regional growth
 - Transit-oriented development and improved transit access, designing and building greener projects and operating fleets and facilities more efficiently



Climate Bonds Initiative (CBI)

- CBI is an international not-for-profit organization
- Certification under CBI means that a bond, loan, or other debt instrument is:
 - Fully aligned with Green Bond Principles
 - Using best practices for internal controls, tracking, reporting and verification
 - Financing assets that are consistent with achieving goals of the Paris Climate Agreement
- Certified Bonds issued hit \$210 billion cumulative by end of 2021



Sources: <https://www.climatebonds.net/certification/certified-bonds>
<https://www.climatebonds.net/>

BART Green Bond Program Highlights

- The San Francisco Bay Area Rapid Transit District (BART) is one of the largest Green Bond issuer in California
- Issued over \$1.9 billion Green Bonds to date, including both GO Bonds and Sales Tax Revenue Bonds
- 2017: BART's first Green Bond issuance
 - Second transit issuer to obtain CBI certification and first in the West
- 2019: Updated official statement to include relevant United Nations Sustainable Development Goals



Social Bonds

- Social Bond Principles (SBP) are defined by ICMA
- SBP are voluntary process guidelines
 - Recommend transparency and disclosure to promote integrity in Social Bond market as it develops
- Four core components for reporting purposes are same as Green Bonds
- Recommendations for increased transparency
 - Social Bond frameworks
 - External reviews

City of Los Angeles

- City of Los Angeles issued bonds in 2018, designating one of the series as Social Bonds
- Designated as Social Bonds in accordance with requirements of Proposition HHH – to address needs of people experiencing homelessness
- Designed to “generally comport” with the ICMA SBP
- Recognize that Social Bond and Social Project terminology is entirely self-designating



Sustainability Bonds

- Social Bond Guidelines (SBG) are defined by the ICMA
- Aligned with both the Green Bond Principles and Social Bond Principles

Century CityView Apartments

- Multifamily Housing Revenue Bonds, 2021 Series A, designated as Sustainability Bonds issued through CMFA
 - Century CityView Apartments located in Long Beach, California
- Received a second party sustainability rating from Sustainalytics
- Designation was intended to comply with Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021 as presented by ICMA
- Century CityView developed the Century Affordable Development Sustainability Bond Framework which defines eligibility criteria in two areas
 - Affordable housing
 - Energy efficiency



Sources:

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

<https://emma.msrb.org/P21513782-P21170926-P21586733.pdf>

What Does It Mean?

