



Second Party Opinion

EXECUTIVE SUMMARY

ISSUER

Sales Tax Securitization Corporation

OPINION ON

\$100,449,000 Sales Tax Securitization Bonds, Series 2023A (Social Bonds)

\$59,422,000 Sales Tax Securitization Bonds, Taxable Series 2023B (Social Bonds)

SOCIAL STANDARD AND CATEGORIES



- COVID-19 Response
- Affordable Housing
- Access to Essential Services
- Socioeconomic Advancement and Empowerment

TARGET POPULATION

Residents of the City of Chicago, Illinois

KEYWORDS

Chicago Recovery Plan; COVID-19 pandemic response; affordable housing; homeless supportive housing; ecosystem services; decarbonization; environmental justice

EVALUATION DATE

December 6, 2022

SUMMARY

Kestrel Verifiers is of the opinion that the Sales Tax Securitization Bonds, Series 2023A (Social Bonds) and the Sales Tax Securitization Bonds, Taxable Series 2023B (Social Bonds) (“Senior Lien Series 2023 Bonds”) are highly impactful, conform with the four core components of the Social Bond Principles (2021), and align with the United Nations Sustainable Development Goals as follows:

▪ Use of Proceeds

The Sales Tax Securitization Corporation intends to issue Social Bonds to (i) finance certain initiatives and projects within the Chicago Recovery Plan (“CRP”), (ii) pay capitalized interest, and (iii) pay costs of issuance. The Senior Lien Series 2023 Bonds will provide funding to advance a variety of affordable housing, homeless support services, environmental justice, and community development initiatives and projects outlined in the CRP (collectively, “initiatives” or “projects”). The Senior Lien Series 2023 Bonds align with four eligible project categories under the Social Bond Principles: *COVID-19 Response*, *Affordable Housing*, *Access to Essential Services*, and *Socioeconomic Advancement and Empowerment*.

▪ Process for Project Evaluation and Selection

The projects outlined in the CRP were selected and prioritized based on comprehensive, evidence-based planning and conformance with federal requirements. Each initiative supports two major themes of the CRP. The City of Chicago (“City”) conducted robust outreach to understand community needs and priorities related to public safety, arts and culture, neighborhood development, community services, infrastructure, and regulatory services. The projects also advance goals and strategies identified in the City’s 2022 Climate Action Plan.

▪ Management of Proceeds

Bond proceeds will be allocated to the CRP projects, will fund capitalized interest, and will pay costs of issuance. The Department of Finance, the Comptroller, and the Office of Budget and Management will oversee allocation and management of proceeds. Bond funds will be held in distinct accounts and may be held in temporary investments prior to allocation.

- **Reporting**

Pursuant to an agreement with the Corporation, the City intends to track and report the uses of proceeds of the Senior Lien Series 2023 Bonds and outcomes relating to the bond-financed CRP projects annually through the Electronic Municipal Market Access (“EMMA”) system on a voluntary basis. Additionally, the City will assess the effectiveness of CRP programs and impacts to improve future performance.

- **United Nations Sustainable Development Goals**

Kestrel Verifiers views the bond-financed activities as highly impactful across multiple sectors. The Senior Lien Series 2023 Bonds will advance the CRP which includes many programs and initiatives to expand social services, public greenspace, and economic recovery from the COVID-19 pandemic. The projects support and advance multiple UN SDGs, including Goals 1: *No Poverty*, 8: *Decent Work and Economic Growth*, 9: *Industry, Innovation and Infrastructure*, 10: *Reduced Inequalities*, 11: *Sustainable Cities and Communities*, 15: *Life on Land*, and 17: *Partnerships for the Goals*.



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Second Party Opinion

Issuer:	Sales Tax Securitization Corporation
Issue Description:	\$100,449,000 Sales Tax Securitization Bonds, Series 2023A (Social Bonds) \$59,422,000 Sales Tax Securitization Bonds, Taxable Series 2023B (Social Bonds)
Project:	Chicago Recovery Plan (“CRP”)
Social Standard:	Social Bond Principles
Social Categories:	COVID-19 Response Affordable Housing Access to Essential Services Socioeconomic Advancement and Empowerment
Target Population:	Residents in the City of Chicago, Illinois
Keywords:	Chicago Recovery Plan; COVID-19 pandemic response; affordable housing; homeless supportive housing; ecosystem services; decarbonization; environmental justice
Par:	\$159,871,000
Evaluation Date:	December 6, 2022

SOCIAL BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of the Sales Tax Securitization Bonds, Series 2023A (Social Bonds) and the Sales Tax Securitization Bonds, Taxable Series 2023B (Social Bonds) (“Senior Lien Series 2023 Bonds”) to evaluate conformance with the Social Bond Principles (June 2021) established by the International Capital Market Association. Our team for this engagement included analysts with backgrounds in social science and environmental science.

This Second Party Opinion reflects our review of the uses and allocation of proceeds, oversight, and conformance of the Senior Lien Series 2023 Bonds with the Social Bond Principles. In our opinion, the Senior Lien Series 2023 Bonds are highly impactful, align with the four core components of the Social Bond Principles, and qualify for Social Bonds designation.

ABOUT THE ISSUER

The Sales Tax Securitization Corporation (“STSC” or “the Corporation”) is a special purpose, bankruptcy-remote not-for-profit corporation and is an instrumentality of the City of Chicago.

ABOUT THE CITY OF CHICAGO AND THE CHICAGO RECOVERY PLAN

The City of Chicago (the “City”) governs the largest city in Illinois with a population of approximately 2.7 million—the third-largest city in the United States. Chicago is a national hub for business, education, healthcare, government, and manufacturing, and comprises approximately 50 wards and 100 neighborhoods. The mayor, City Council, and various City departments set priorities for planning and development, public health, cultural affairs, housing, utilities, parks and other public services. As noted in

the City’s 2022 Climate Action Plan, the City aims to reduce Chicago’s greenhouse gas emissions 62% by 2040, to support a path to net zero.

In its Chicago Recovery Plan (“CRP”), published September 2021, the City outlines its vision for sustainable and equitable recovery from the COVID-19 pandemic.¹ The CRP has two strategic investment themes:

- **Thriving and Safe Communities:** investments in the well-being of people and communities to allow them to thrive and collectively improve community safety
- **Equitable Economic Recovery:** strategic investments to create an equitable economic recovery for Chicago neighborhoods and communities hardest hit by the pandemic

The CRP also leverages federal COVID-19 resources, general obligation bond funds, and the City’s existing capital plan to facilitate equitable recovery from the pandemic, with an emphasis on providing services to disadvantaged groups and underserved communities (including the South and West Sides of Chicago). As of November 2022, Chicago has received \$1.887 billion in Local Fiscal Recovery Funds authorized by Congress as part of the American Rescue Plan. Local Fiscal Recovery Funds were allocated to state, local, and Tribal governments to address lost revenue, public health and economic impacts, wages for essential workers, and infrastructure needs related to COVID-19 recovery.²

ALIGNMENT TO SOCIAL STANDARDS³

Use of Proceeds

Proceeds of the Senior Lien Series 2023 Bonds will (i) finance certain initiatives and projects within the Chicago Recovery Plan (“CRP”), as authorized by the STSC 2017 Resolution and the City’s bond ordinance in October 2021,⁴ (ii) pay capitalized interest, and (iii) pay costs of issuance. These initiatives align with four eligible project categories identified in the Social Bond Principles (2021).

By prioritizing initiatives to address critical needs of Chicago residents the Senior Lien Series 2023 Bonds catalyze the impact of the CRP. The City expects a portion of the CRP to be funded with a total of \$660 million in bonds to augment the Local Fiscal Recovery Fund (“LFRF”) allocation and accelerate the equitable and sustainable recovery from the COVID-19 pandemic for all Chicagoans. A total of \$2.5 billion will finance the CRP and more specifically, 13 programs under the strategic investment themes (Figure 1). The funds raised through the Corporation’s sales tax securitization debt and the City’s general obligation debt combined with available American Rescue Plan funds represents a pivotal opportunity for the City to invest in historically disinvested communities as it recovers from the COVID-19 pandemic.

Social Standard



The Social Bond Principles

Eligible Project Categories:

- COVID-19 Response
- Affordable Housing
- Access to Essential Services
- Socioeconomic Advancement and Empowerment

¹ “Chicago Recovery Plan,” City of Chicago, September 20, 2021, https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2022Budget/ChicagoRecoveryPlan.pdf.

² Metrics and COVID-19 impacts summarized from the CRP and references therein. “COVID-19 Dashboard,” City of Chicago, September 7, 2021, <https://www.chicago.gov/city/en/sites/covid-19/home/covid-dashboard.html>.

³ Social Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance eligible Social Projects which are aligned with the four core components of ICMA’s Social Bond Principles.

⁴ Ordinance: Issuance and sale of various City bonds and amendment of various bond ordinances, City of Chicago, passed October 27, 2021, <https://chicago.legistar.com>.

Figure 1. Summary of Chicago Recovery Plan Impact and Funding Sources

Source	Strategic Investment Themes			Total (\$M)
	Essential City Services (\$M)	Thriving & Safe Communities (\$M)	Equitable Economic Recovery (\$M)	
Local Fiscal Recovery Fund (LFRF)	1,320	420	147	1,887
Bond Funds (Bonds)	-	356	304	660
Total Investment	1,320	776	451	2,547

Program	Bonds (\$M)	LFRF (\$M)	Total (\$M)
Affordable Housing	157	-	157
Assistance to Families	31	126	157
City Priorities for Health & Wellness	5	103	108
Violence Prevention	-	85	85
Environmental Justice	78	9	87
Homelessness Support Services	85	32	117
Youth Opportunities	-	65	65
Total	356	420	776

Program	Bonds (\$M)	LFRF (\$M)	Total (\$M)
Arts & Culture	-	16	16
Community Climate Investments	101	-	101
Community Development	136	30	166
Infrastructure & Parks	51	10	61
Small Business & Workforce Support	16	71	87
Tourism & Industry Support	-	20	20
Total	304	147	451

See Table 2 in Appendix A for a full list of bond-financed and non-bond-financed CRP initiatives and their total initiative budgets. The Senior Lien Series 2023 Bonds will provide funds for planning, design and/or implementation of a variety of affordable housing, homeless support services, environmental justice, and community development initiatives and projects outlined in the CRP (collectively, the “initiatives” or “projects”), as shown below in Table 1. Bond proceeds are expected to fund CRP cash flows through June 2023. In addition, supplemental funding from the City’s ongoing capital plan, *Chicago Works*, has also been allocated to increase investment for two of the initiatives listed below.

Table 1. Expected allocation⁵ of bond proceeds to initiatives identified in the CRP

Initiative	Investment Focus Area	Parent Program	Description & Impact ⁶	Preliminary Sum of Bond Total (\$M) ⁷	Total CRP Initiative Budget (\$M)	Supplemental Budget from Chicago Works (\$M)
Development of Mixed-Use Housing	Thriving and Safe Communities	Affordable Housing	Create mixed-use, multi-family housing developments for low- and moderate-income residents in neighborhoods hardest hit by COVID-19 through expanded investment and incentives programs	\$36.3	\$75.1	N/A
Non-Congregate Housing	Thriving and Safe Communities	Homelessness Support Services	Utilize former hotel and lodging buildings for use as permanent supportive housing	\$24.9	\$30	N/A

⁵ Expected allocation of proceeds and budget amounts are subject to change.

⁶ Project description text can be found in the Chicago Recovery Plan. “Chicago Recovery Plan,” City of Chicago, September 20, 2021, https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2022Budget/ChicagoRecoveryPlan.pdf.

⁷ Column may not add up to total sum due to rounding.

Initiative	Investment Focus Area	Parent Program	Description & Impact ⁶	Preliminary Sum of Bond Total (\$M) ⁷	Total CRP Initiative Budget (\$M)	Supplemental Budget from Chicago Works (\$M)
Permanent Supportive Housing	Thriving and Safe Communities	Homelessness Support Services	Create new units for permanent supportive housing across newly rehabilitated housing buildings	\$19.5	\$35	N/A
Tree Canopy Equity Expansion Program	Thriving and Safe Communities	Environmental Justice	Expand tree canopy coverage throughout the City to be more equitable	\$17.2	\$46	N/A
Community Development Grants	Equitable Economic Recovery	Community Development / Small Business & Workforce Development	Rehabilitate vacant commercial and mixed-use buildings in neighborhoods for use by residents and business owners, emphasizing areas identified as key violence reduction areas; provide grants and business support services to revitalize commercial corridors, support new small business owners, and involve local artists in beautification projects	\$16.1	\$70	\$40.0
Vacant Lot Reduction Strategy	Equitable Economic Recovery	Community Development	Reactivate vacant city-owned land, streamline environmental reviews, transfer ownership to neighborhood residents for community benefit, and finance small business grants	\$12.4	\$82	N/A
Decarbonized Fleet and electric vehicle replacement ⁸	Equitable Economic Recovery	Community Climate Investments	Purchase of electric vehicles for the City's public facility fleet, as well as fund electric vehicle charging infrastructure	\$23.6	\$8.3	\$33.0
Total				\$150.0	\$346.4	\$73.0

⁸ A portion of bond-financed electric vehicle replacement projects fall under the *Chicago Works Capital Improvement Plan: Investing in Communities Through Infrastructure* ("Chicago Works") - not the CRP. *Chicago Works* is a five-year needs-based program for 2021-2025 that prioritizes infrastructure investments and projects that support community safety, equity, cost effectiveness, climate change adaptation and job creation.

Key Features of Select High-Impact Projects

Kestrel Verifiers recognizes the paramount importance of all initiatives in the Chicago Recovery Plan, and in particular the significant positive impact that projects in Table 1 will have on community health and empowerment. Kestrel Verifiers views several of these bond-financed initiatives as having significant positive social impact, including:

- *Homelessness Support Services (all projects)*
Shelter is a basic human need: access to safe and reliable housing ensures access to a bed and bathroom, supports physical security, and offers the human dignity of an autonomous space. Moreover, access to shelter (i.e., safe and affordable housing) is a social determinant of health, and housing interventions for low-income persons have been found to improve health outcomes and decrease healthcare costs.⁹ For example, persons who are chronically homeless face substantially higher morbidity in terms of both physical and mental health, in addition to increased mortality.¹⁰ Unfortunately, many communities across the United States lack the capital or the policies to support significant housing opportunities for persons and families experiencing homelessness, thus prolonging unsheltered homelessness and the detrimental impact on public health. Chicago's approach that combines non-congregate emergency housing and permanent housing solutions reflects best practices to ameliorate homelessness.
- *Tree Canopy Equity Expansion Program*
Low-income neighborhoods and communities of color in Chicago and across the United States tend to have less access to parks and trees compared to wealthier, whiter neighborhoods.¹¹ In the US, communities of color have 33% less tree canopy on average than majority white communities, and neighborhoods with 90% or more of their residents living in poverty have 41% less tree canopy than communities with only 10% or less of the population in poverty.¹² The equitable distribution of ecosystem services is a matter of environmental justice. The City's pursuit of this tree canopy program addresses these disparities by expanding ecosystem services to communities that disproportionately lack access not only to trees, parks and greenery, but also to the inherent environmental, public health, community and economic benefits that follow. These benefits include, but are not limited to, the removal of carbon dioxide from the air, the improvement of air quality, the mitigation of the urban heat island effect, and the reduction in energy costs and building emissions related to indoor cooling. The goal of the program is to plant 15,000 trees annually, a 300% increase, for 5 years. In this way, the City aims to create local jobs in tree planting and maintenance, and improve equitable access to ecosystem services. As of November 2022, tree planting is already underway.
- *Community Development Grants / Vacant Lot Reduction Strategy*
In the US in general, and in Chicago specifically, historically disinvested neighborhoods or blighted areas require strategic investment to build social capital and increase community wealth. For example, vacant lots can be repurposed and transformed into community gardens and greenspaces, affordable housing developments, parks and recreation areas, and other types of neighborhood assets. Private investment in vacant buildings and lots can sometimes lead to gentrification and displacement of original inhabitants, however, the City aims to benefit existing communities through these CRP initiatives to rehabilitate and develop land and properties. The City's goal behind these initiatives is to keep mixed-use housing affordable, reduce violence and support small businesses.

Furthermore, the Senior Lien Series 2023 Bonds may have additional social impact and benefit, as the Corporation proposes to offer a small denomination option for bonds and special consideration for Chicago residents pursuing this option. This approach may enable individuals who have not historically had access

⁹ "Social Determinants of Health," US Department of Health and Human Services, accessed November 10, 2022, <https://health.gov/healthypeople/objectives-and-data/social-determinants-health>.

¹⁰ Lauren Taylor, "Housing and Health: An Overview of the Literature," Health Affairs, June 2018, <https://www.healthaffairs.org/doi/10.1377/hpb20180313.396577/full/>.

¹¹ "Advancing sustainability through urban green space: Cultural ecosystem services, equity, and social determinants of health," Children & Nature Network, accessed November 10, 2022, <https://research.childrenandnature.org/research/more-equitable-access-to-urban-green-space-may-help-alleviate-health-gaps-between-socio-economic-groups/>.

¹² "Trees Are Missing in Low-Income Neighborhoods," *Scientific American*, June 22, 2021, <https://www.scientificamerican.com/article/trees-are-missing-in-low-income-neighborhoods/>.

to high quality investments to invest in bonds that directly support projects and activities that are beneficial to the local community.

Projects Advance the Just Transition to a Decarbonized Economy¹³

Mitigation of transition risk requires planning for the necessary structural changes to address climate change and the transition to a low-carbon economy, with recognition of the risks associated with inaction. The projects and initiatives financed by the Senior Lien Series 2023 Bonds advance climate investment activities, support climate and environmental justice initiatives, and align with Chicago's 2022 Climate Action Plan.¹⁴ Climate resilience is an integral component of CRP, as demonstrated by the tree canopy equity expansion program and fleet decarbonization program.

The Senior Lien Series 2023 Bonds also finance activities which align with the *just transition*, characterized by the equitable inclusion and accommodation of all individuals, with a special focus on disadvantaged groups who may be directly or indirectly affected by the structural changes necessary for the transition to a low-carbon economy. Projects that support the just transition are planned in a way that incorporates the understanding of physical, transition and/or societal risk. By catalyzing the CRP, which prioritizes investment in the City's most vulnerable communities, the Senior Lien Series 2023 Bonds support a just and equitable transition. All bond-financed initiatives will contribute to the City's equitable recovery from the COVID-19 pandemic, and advance a long-term vision for thriving and safe communities over the next decade. In these ways, the Senior Lien Series 2023 Bonds advance *the just transition to a low-carbon economy*.

Process for Project Evaluation and Selection

The City used a comprehensive planning process to develop priorities, projects and actions for equitable recovery from the pandemic as laid out in the Chicago Recovery Plan. This was a requirement for federal funds. Using an evidence- and research-based approach, the City modeled successful programs and projects from elsewhere while also prioritizing input from its diverse local stakeholders. The resulting CRP aims to maximize positive impact through two overarching strategic themes, *Thriving and Safe Communities* and *Equitable Economic Recovery*. Further, the CRP advances 13 prioritized programs within these themes, including Affordable Housing, Community Climate Investments, Parks & Infrastructure, and Environmental Justice. All CRP projects also advance sustainability goals identified in the City of Chicago 2022 Climate Action Plan. The City selected high-prioritized CRP projects in Table 1 to be financed with bond proceeds for the remainder of 2022 and through the end of 2023.

Management of Proceeds

The Program Management Office within City government coordinates implementation of the Chicago Recovery Plan and ensures all financed activities comport with federal requirements for the Local Fiscal Recovery Funds. Funds may not be used for pensions, legal settlements or judgments.

Bond proceeds will finance certain projects within the CRP, fund capitalized interest, pay costs of issuance, and are expected to fund CRP cash flows through the end of 2023. Proceeds will be allocated to the initiatives, tracked at the project level, and managed by the Department of Finance and the Comptroller. Proceeds will not be intermingled with other funds, and may be held temporarily in Permitted Investments prior to allocation. The Office of Budget and Management and the City Council will approve the allocation of funds to projects prior to distribution.

Reporting

Prior to the issuance of the Senior Lien Series 2023 Bonds, the Corporation will enter into a Voluntary Reporting Agreement with the City. Under the Voluntary Reporting Agreement, the City intends to track

¹³ Climate change poses significant systemic risks to US financial systems and municipal issuers. These risks may broadly be divided into physical risk, transition risk and societal risk. Physical risk includes effects of climate change on physical assets, such as extreme weather events and sea level rise. Transition risk includes market and technology risks, reputational risks, policy risks and legal risks. Societal risk includes risk to stable democracies, risk to civil liberties and human rights, risk to labor supply, and risk to public health. Mitigation of transition risk requires planning for the necessary structural changes to address climate change and societal inequity with recognition of the risks associated with inaction. We refer to this as the just transition to a decarbonized economy, or the just transition.

¹⁴ "2022 Chicago Climate Action Plan," City of Chicago, accessed November 10, 2022, <https://www.chicago.gov/city/en/sites/climate-action-plan/home.html>.

and report the uses of proceeds of the Senior Lien Series 2023 Bonds and the outcomes relating to the bond-financed CRP projects. The City intends to annually file a report electronically with the Electronic Municipal Market Access (“EMMA”) system operated by the Municipal Securities Rulemaking Board (“MSRB”) (each, a “Voluntary Report”) regarding the expenditure of the net proceeds of the Senior Lien Series 2023 Bonds until the net proceeds of the Senior Lien Series 2023 Bonds have been fully expended.

Achievement of the equitable recovery goals identified in the CRP is contingent upon ongoing adjustments to maximize impact. The CRP includes requirements to continually monitor the performance of various initiatives and adjust accordingly. The City will identify adjustments to improve impacts as measured through community engagement, delivery of services, economic outcomes, and more. In this way, the City will maintain its commitment to an evidence-based approach.

A subcommittee within the Program Management Office will oversee these assessments, as well as program adjustments, appropriation of funds to projects, and preparation of performance reports. Performance reports are anticipated to include the percentage of bond proceeds allocated to certain CRP initiatives, project descriptions and updates, and socially positive outcomes and outputs for each CRP initiative (as described in the Official Statement). These performance reports are expected to be published on EMMA and on the City’s website: <https://www.chicago.gov/city/en/sites/chicago-recovery-plan/home.html>.

IMPACT AND ALIGNMENT WITH UN SDGs

The bond-financed projects help to address UN SDGs 1, 8, 9, 10, 11, 15, and 17 by improving equitable access to services, including housing and urban greenspace, promoting collaborative community partnerships, and ensuring economic stability.¹⁵ Housing initiatives in the CRP advance Targets 1.2, 1.4, 10.2, and 11.1 by increasing the number of housing units in Chicago, and creating permanent housing for individuals experiencing or at-risk of homelessness. Bond-financed small business grants and other support services advance Target 8.3. The tree planting program will increase equitable access to greenspaces for communities of color, low-income areas, and neighborhoods with historically less trees, thereby advancing Target 10.2. This program also promotes sustainable urban forest management and advances Targets 11.7 and 15.2. By investing in programs and services that provide a social safety net to support economic recovery following the COVID-19 pandemic, the CRP supports Targets 1.2 and 17.13. The vacant lots and buildings programs will advance Targets 9.1, 10.2 and 11.1 by expanding infrastructure and advancing community wealth, which is especially impactful for vulnerable and historically disinvested neighborhoods. Development of the CRP advances Target 17.17 through the collaborative engagement of community partnerships, in addition to federal and local collaboration.

Full text of the Targets for Goals 1, 8, 9, 10, 11, 15, and 17 is available in Appendix B, with additional information available on the United Nations website: un.org/sustainabledevelopment



<p>1 NO POVERTY</p>	<p>No Poverty (Targets 1.2, 1.4)</p> <p><u>Possible Indicators</u></p> <ul style="list-style-type: none"> Number of housing units provided or preserved Number of non-congregate, long-term homeless housing units developed
<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Decent Work and Economic Growth (Target 8.3)</p> <p><u>Possible Indicators</u></p> <ul style="list-style-type: none"> Number of small businesses provided access to grants and other support services
<p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p>	<p>Industry, Innovation and Infrastructure (Target 9.1)</p> <p><u>Possible Indicators</u></p> <ul style="list-style-type: none"> Number of vacant lots revitalized Number of vacant buildings rehabilitated

¹⁵ Due to the robust programs and initiatives outlined in the CRP, we have chosen to focus Targets and Possible Indicators on the programs and initiatives receiving larger amounts of funding from the bond proceeds.



Reduced Inequalities (Target 10.2)

Possible Indicators

- Number of housing units created or preserved
- Number of trees planted in neighborhoods with historically low tree canopy



Sustainable Cities and Communities (Targets 11.1, 11.7)

Possible Indicators

- Number of trees planted
- Number of affordable housing units created or preserved in low-income neighborhoods
- Number of vacant lots and buildings revitalized



Life on Land (Target 15.2)

Possible Indicators

- Air quality reports following tree planting efforts



Partnerships for the Goals (Targets 17.13, 17.17)

Possible Indicators

- Number of stakeholder engagements held during CRP development and implementation
- Number of jobs created through CRP initiatives and projects

CONCLUSION

Based on our independent external review, the Sales Tax Securitization Bonds, Series 2023A (Social Bonds) and the Sales Tax Securitization Bonds, Taxable Series 2023B (Social Bonds) are highly impactful, conform, in all material respects, with the Social Bond Principles (2021) and are in complete alignment with four eligible project categories: *COVID-19 Response, Affordable Housing, Access to Essential Services, and Socioeconomic Advancement and Empowerment.*

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ABOUT KESTREL VERIFIERS



**KESTREL
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For over 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based certified Women’s Business Enterprise. For more information, visit kestrelverifiers.com.

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DISCLAIMER

This Opinion aims to explain how and why the discussed financing meets the ICMA Social Bond Principles based on the information that was provided by the City or made publicly available by the City and relied

upon by Kestrel only during the time of this engagement (July 2022 - January 2023), and only for purposes of providing this Opinion.

We have relied on information obtained from sources believed to be reliable, and assumed the information to be accurate and complete. However, Kestrel Verifiers can make no warranty, express or implied, nor can we guarantee the accuracy, comprehensive nature, merchantability, or fitness for a particular purpose of the information we were provided or obtained.

By providing this Opinion, Kestrel Verifiers is neither addressing nor certifying the credit risk, liquidity risk, market value risk or price volatility of the projects financed by the Social Bonds. It was beyond Kestrel Verifiers' scope of work to review for regulatory compliance, and no surveys or site visits were conducted by us. Furthermore, we are not responsible for surveillance, monitoring, or implementation of the project, or use of proceeds.

The Opinion delivered by Kestrel Verifiers is for informational purposes only, is current as of the date of issuance, and does not address financial performance of the Social Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the Corporation, nor its ability to pay principal and interest when due. This Opinion does not address the suitability of a Bond as an investment, and contains no offer, solicitation, endorsement of the Bonds nor any recommendation to buy, sell or hold the Bonds. Kestrel Verifiers accepts no liability for direct, indirect, special, punitive, consequential or any other damages (including lost profits), for any consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions.

This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers reserves the right to revoke or withdraw this Opinion at any time. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the City or the projects discussed. We are 100% independent. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services, or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.



Appendix A.

CHICAGO RECOVERY PLAN INITIATIVE BUDGETS

Table 2. Full list of bond-financed and non-bond-financed CRP initiatives and their total initiative budgets

Initiative	Parent Program	Total Initiative Budget (\$M)
Development of Mixed-Use Housing	Affordable Housing	\$75.1
Non-Congregate Housing	Homelessness Support Services	\$30.0
Increasing Access to Broadband Internet Connection	Assistance to Families	\$18.0
Permanent Supportive Housing	Homelessness Support Services	\$35.0
Owner-Occupied Repair Grants	Affordable Housing	\$18.0
Tree Canopy Equity Expansion Program	Environmental Justice	\$46.0
Household Lead Abatement Program	Affordable Housing	\$47.3
Gender-based violence reduction	City Priorities for Health & Wellness	\$5.0
Direct Homebuyer Assistance Program	Affordable Housing	\$5.0
Acquisition Rehab Program for Small/Mid-Sized Buildings	Affordable Housing	\$12.0
Shelter Infrastructure	Homelessness Support Services	\$20.0
Neighborhood Climate Resiliency Projects	Environmental Justice	\$25.0
Env. Rem. & Air Quality	Environmental Justice	\$24.0
Environmental Reviews	Environmental Justice	\$6.0
Water Reconnection Program	Assistance to Families	\$13.0
Neighborhood Power	Assistance to Families	\$10.0
Community Infrastructure Fund	Community Climate Investments	\$5.0
Community Development Grants	Community Development	\$54.0
Vacant Lot Reduction Strategy	Community Development	\$82.0
Neighborhood Parks Improvement	Infrastructure & Parks	\$27.6
Decarbonized Fleet	Community Climate Investments	\$41.3
Low Carbon Mobility	Community Climate Investments	\$10.0
Commercial Corridors and Responsive Neighborhood Activation Investments	Small Business & Workforce Support	\$16.0
Park Infrastructure Improvements	Infrastructure & Parks	\$8.0
African American Heritage Trail	Infrastructure & Parks	\$1.5
Compost & Microhaul Program	Community Climate Investments	\$6.5
Updates to City Digital Services	Infrastructure & Parks	\$15.0
MWRD Rain Ready Chatham	Environmental Justice	\$0.8
Library Solar	Community Climate Investments	\$5.0
Industrial Solar	Community Climate Investments	\$5.0
Low/Mod Income Housing Retrofit	Community Climate Investments	\$15.0
Multi-Family Decarbonization & Housing Retrofit	Community Climate Investments	\$6.0
Clean Water Restoration	Community Climate Investments	\$5.0
Small Business Grants	Chicago Works	\$40.0
GRAND TOTAL¹⁶		\$733.1

¹⁶ The listed total includes \$73 million in supplemental project budget from Chicago Works.

Appendix B.

UN SDG TARGET DEFINITIONS

Target 1.2

By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions

Target 1.4

By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

Target 8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services

Target 9.1

Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Target 10.2

By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Target 11.1

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Target 11.7

By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities

Target 15.2

By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

Target 17.13

Enhance global macroeconomic stability, including through policy coordination and policy coherence

Target 17.17

Encourage and promote effective public, public private and civil society partnerships, building on the experience and resourcing strategies of partnerships