

BRIDGE Housing Sustainability Bond Framework

Sustainability Bonds

The term “Sustainability Bonds” is not defined in or related to the Bond Indenture and its use herein is for identification purposes only and is not intended to imply or to provide that a holder of the Bonds is entitled to additional security other than as provided in the Bond Indenture.

Introduction. BRIDGE intends to issue sustainability bonds and to use the proceeds to finance/refinance existing or future projects that fit within its Sustainability Bond Framework. The Sustainability Bond Framework defines eligibility in three areas:

- Affordable Housing
- Transit Oriented Development
- Green Building and Energy Efficiency

BRIDGE’s Sustainability Bond Framework is designed to track the Sustainability Bond Guidelines and corresponding Green Bond Principles and Social Bond Principles as promulgated by the International Capital Market Association (“ICMA”). By reference to the ICMA’s “Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals,” BRIDGE’s Sustainability Bonds designation also aims to further certain of the United Nations 17 Sustainable Development Goals (“UNSDGs”), specifically:

- Goal 1: No Poverty – End poverty in all its forms everywhere
- Goal 7: Affordable and Clean Energy – Ensure access to affordable, reliable, sustainable and modern energy
- Goal 10: Reduced Inequalities – Reduce inequality within and among countries
- Goal 11: Sustainable Cities and Communities – Make cities and human settlements inclusive, safe, resilient, and sustainable

The UNSDGs were adopted by the United Nations General Assembly in September 2015 as part of its 2030 Agenda for Sustainable Development. Identifying the Bonds as Sustainability Bonds allows investors to invest directly in bonds which finance social and sustainable impacts in the underserved communities of the United States. Holders of the Bonds do not assume any specific project risk related to any of the funded projects. See “SECURITY FOR THE BONDS” herein.

BRIDGE Sustainability Bond Framework

Use of Proceeds. The Bonds are being issued to refinance existing debt obligations and provide predevelopment and acquisition loans that are aligned with BRIDGE’s Sustainability Bond Framework as described herein. All projects financed with proceeds of the Bonds will meet the criteria for eligibility in a least one of the three pillars of BRIDGE’s Sustainability Framework – Affordable Housing, Transit-Oriented Development or Green Building and Energy Efficiency. Proceeds from sustainability bonds are intended to finance the creation and preservation of affordable housing that have environmentally-friendly features and spur holistic community revitalization. BRIDGE currently has a pipeline of over 8,000 units, with total development costs of \$3.5 billion. It is worth noting that BRIDGE has created and preserved 5,148 units of affordable housing in the past 5 years, leveraging more than \$1.6 billion in total development costs. All of these projects utilized either 4% or 9% Low-Income Housing Tax Credit (“LIHTC”) and hence qualify in Area Median Income (“AMI”) and Green categories as described above. In 2019, the average targeted AMI for BRIDGE created/preserved units was 50% of AMI, highlighting BRIDGE’s commitment to creating housing with deep affordability.

Affordable Housing. Throughout the West Coast, the shortage of affordable housing has reached crisis proportions. According to the 2019 report from the National Low-Income Housing Coalition, Washington, Oregon and California has some of the lowest number of rental homes affordable to extremely low-income families (0-30%

of AMI)¹. Very low-income (“VLI”) and low income (31-80% of AMI) households have also struggled, with +80% of VLI (50% and under of AMI) households across the 3 states considered rent burdened². This shortage of affordable housing significantly increased the number of people who are homeless and has also put many working families one or two paychecks away from homelessness.

BRIDGE is responding to this crisis through a two-pronged strategy for creating and preserving affordable housing. First, BRIDGE builds and preserves housing in high poverty areas, strengthening communities through holistic community development practices and providing critical programs and services to stabilize families and provide access to greater economic opportunity. Second, BRIDGE builds affordable housing in high-cost areas that are near quality schools, public transportation, and employment centers. BRIDGE believes that in so doing, working families have increased chances to access good schools, employment centers, healthcare, etc. As Raj Chetty³ found, children who grow up in affluent communities are more likely to achieve better educational and career outcomes.

BRIDGE utilizes a holistic community development lens on how it plans, implements, and manages affordable housing. BRIDGE leverages its role as a real estate developer to partner with and improve neighborhood institutions and communities by also focusing on the social determinants of health that affect residents’ quality of life and long-term health and success. BRIDGE’s Community Development (“CD”) approach ensures that its developments help stabilize the neighborhoods that surround its properties, improve housing conditions for residents and increase access to their economic advancement and social mobility. BRIDGE’s CD framework starts in the beginning of the development process and ensures that neighborhood conditions are systematically considered early in the process and integrated into all aspects of the development and property management practice. At the start of each project, BRIDGE will prepare a Neighborhood Environment Assessment for each property being considered, pulling publicly available data to give a snapshot of the environmental conditions, such as demographics, a stabilization index (to see if a community is in danger of gentrification), access to transit, quality of schools, etc. Based on these assessments, BRIDGE offers quality resident support services in the areas of Adult Education, Community Building, Youth Programming and Service Coordination (such as early childhood education, vocational/job training, afterschool programs, etc), that ensures that BRIDGE’s developments help stabilize the neighborhoods that surround its properties, improve housing conditions for its residents and increase access to economic advancement and social mobility.

BRIDGE is also working on “Bridging the Digital Divide” by helping to provide access to low or no-cost internet services to residents and the larger community. Through this approach, BRIDGE ensures that its developments:

- Improve housing conditions for its residents through affordability, quality and safety;
- Stabilize residents’ lives and communities by reducing displacement and exclusion of low-income families;
- Improve social mobility through income integration within its properties and their surrounding neighborhoods; and
- Provide access to resources for advancement that include civic participation, transit, technology, quality education, social support and open space.

Since inception in 1983, BRIDGE has developed over 18,000 total homes or apartment units, leveraging about \$3 billion in total development costs, of which over 14,000 or 78% have been affordable to tenants or families earning \leq 80% AMI. BRIDGE prioritizes properties that include larger percentages of affordable units that target households at deeper affordability levels, especially those earning \leq 60% AMI. Currently, the BRIDGE portfolio

¹National Low-Income Housing Coalition, “Out of Reach – the High Cost of Housing”:
https://reports.nlihc.org/sites/default/files/oor/OOR_2020.pdf.

²National Low-Income Housing Coalition, Housing Needs by State, Washington: <https://nlihc.org/housing-needs-by-state/washington>;
<https://nlihc.org/housing-needs-by-state/california>; <https://nlihc.org/housing-needs-by-state/oregon>.

³Chetty, Raj, et al. “Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States.” *Quarterly Journal of Economics* 129(4): 1553-1623,2014.

includes a majority (54%) of units targeting extremely low income (“ELI”)/30% AMI and below households; with 94% of all units in its portfolio affordable to households earning 79% and below of AMI.

Transit-Oriented Development (“TOD”). BRIDGE believes that walkable communities are healthier communities. BRIDGE prioritizes developments that are in walkable-distance to transit which not only cuts carbon emissions/pollution but also promotes healthier habits. A study by John MacDonald⁴ found that residents in a TOD community (on average) have increased probability of becoming less obese and having lower BMI. Further, research has shown that low-income households are unfairly burdened by long and expensive commutes⁵ with some spending more than two hours each day commuting from homes to their place of work. Eighty-two percent of BRIDGE’s affordable housing units are in TOD or transit-friendly sites (1/4 mile from transit). BRIDGE has several large pipeline projects that are in TOD (Balboa, Northgate ETOD, Vermont and Manchester, etc.) constituting more than 1,499 units and will prioritize such projects in regard to use of Bond proceeds.

Green Building and Energy Efficiency. BRIDGE is committed to environmentally sound smart-growth development, providing transit-oriented housing and retail, remediation of neighborhood toxicity, and green building measures in its new developments. Green building provides multiple benefits to residents, property owners, and the community. Design approaches and equipment that reduce energy and water use result in lower utility costs and reduced stress on the environment. Low-VOC products and good ventilation improve the health of the living environment. Features that capture stormwater, reduce the urban heat island effect, and restore landscapes contribute to community-wide and regional efforts to improve regional ecosystems. BRIDGE’s commitment to energy reduction has led to a 42% decrease in energy use throughout its existing portfolio of properties. Additionally, 29% of BRIDGE properties are designated as Green which include sustainable and regenerative development approaches or components such as:

- **LEED Certifications:** LEED certification provides independent verification of a building or neighborhood’s green features, allowing for the design, construction, operations and maintenance of resource-efficient, high-performing, healthy, cost-effective buildings. Projects that qualify under the LEED criteria will be built to at least the LEED Silver standard, with most properties qualifying for LEED Gold.
- **GreenPoint Rated:** Launched in 2005, GreenPoint Rated’s recommended measures and performance benchmarks specifically address climate and market conditions across five categories: energy and water conservation, indoor air quality, sustainable building materials, and community benefits such as proximity to public transportation. GreenPoint Rated is recognized by several third-party sources, including the Fannie Mae Green Certification program.
- **Low Income Housing Tax Credit Qualified Allocation Plans:** The majority of the BRIDGE’s projects will be financed with either 4% or 9% LIHTC. In order to qualify for funding, developers must meet requirements administered by the Washington/Oregon/California governmental body which administers the tax credit allocation. The allocation is dependent upon meeting minimum construction and environmental standards for both new construction and rehabilitation projects. Note that prospective developers must score full points on various environmental and energy metrics in the area of sustainable design, building methods and materials, including compliance with various recognized green building standards and the integration of energy and water efficiency measures to be competitive in the awarding of LIHTC investments. In addition, LIHTC allocation limits rental costs to a maximum of 80% of AMI. Most of these developments will be exempt from Federal and State income taxes because these projects meet the IRS Safe Harbor for relieving the poor and distressed by providing affordable housing in which 75% of the units are occupied by households with incomes at 80% of AMI or less; and (1) at least 20% of the units are occupied by households at 50% of AMI or less; or (2) 40% of the units are occupied by households at 60% of median income or less. BRIDGE will also pursue acquisition of Naturally Occurring Affordable Housing to ensure continued affordability:

⁴ MacDonald JM, Stokes RJ, Cohen DA, Kofner A, Ridgeway GK. The effect of light rail transit on body mass index and physical activity. *Am J Prev Med.* 2010;39(2):105-112. doi:10.1016/j.amepre.2010.03.016.

⁵White, Gillian. “Long Commutes are Awful, Especially for the Poor.” *The Atlantic*: June 10, 2015. <https://www.theatlantic.com/business/archive/2015/06/long-commutes-are-awful-especially-for-the-poor/395519/>.

A summary of the refinanced properties is found below.

Series 2020 (Sustainability Bonds) Property Summary																									
No	Property Name	City	State	Zip Code	Current Loan Amount	New Loan Amount	Projected Loan Amount	Total Units	Unit Set-Aside Breakdown at or Below Indicated AMI										Rental Subsidy	Target Population	Tenant Service(s) Provided	Qualified Census Tract (QCT)	Racially- or Ethnically-Concentrated Area of Poverty (RECAP)	Environmental Characteristics	Allocation of LIHTC
									MGR	30%	40%	50%	60%	70%	80%	90%	100%	120%							
1	4840 Mission	San Francisco	CA	94112	\$400,000	\$0	\$400,000	137	2	44	22	30	-	5	34	-	-	-	PBV and Local Affordable Program	Family	Yes	Yes, OZ	No	GreenPoint Rating	Yes
2	El Cerrito	El Cerrito	CA	94530	\$250,000	\$1,600,000	\$1,850,000	67	1	-	28	-	23	-	15	-	-	-	PBV	Family	Yes	Yes, OZ	No	Transit Oriented Development, GreenPoint Rating	Yes
3	South San Francisco	South San Francisco	CA	94080	\$0	\$1,750,000	\$1,750,000	158	1	43	-	66	28	-	17	-	-	-	FMR Vouchers/Local Affordable Program	Family/Supportive	Yes	No	No	Transit Oriented Development, GreenPoint Rating	Yes
4	Centertown	San Rafael	CA	94901	\$368,000	\$382,000	\$750,000	60	1	-	-	24	35	-	-	-	-	-	Section 8/Local Affordable Program	Family	No	Yes	No	GreenPoint Rating	Yes
5	Cokeridge	San Francisco	CA	94110	\$77,000	\$123,000	\$200,000	49	1	-	-	35	-	13	-	-	-	-	Project Based Vouchers (TBD)	Senior	Yes	Yes	No	GreenPoint Rating	Yes
6	Sycamore Place	Danville	CA	94526	\$15,000	\$485,000	\$500,000	74	1	8	43	22	-	-	-	-	-	-	Section 8 Vouchers	Senior	Yes	Yes	No	LEED Silver, GreenPoint Rating	Yes
7	Acorn Phase 1	Oakland	CA	94607	\$0	\$3,750,000	\$3,750,000	180	4	18	-	122	24	-	12	-	-	-	Project Based Vouchers	Family	Yes	Yes, OZ	Yes		Yes
8	Coronado Springs Tower	Seattle	WA	98146	\$900,000	\$1,000,000	\$1,900,000	184	2	-	-	91	91	-	-	-	-	-	None	Family	Yes	Yes	No		No
9	South Cooper Mountain	Beaverton	OR	97007	\$0	\$3,600,000	\$3,600,000	75	1	14	-	-	60	-	-	-	-	-	None	Family	Yes	Yes	No	Earth Advantage Green Building Platinum	Yes
10	Balboa Reservoir	San Francisco	CA	94112	\$1,987,000	\$3,300,000	\$5,287,000	550	8	130	-	49	116	-	78	-	169	-	State and Local Affordable Programs (TBD)	Family	Yes	No	No	LEED Gold, GHG Neutral	Yes
11	Aloha	Beaverton	OR	97003	\$0	\$2,400,000	\$2,400,000	82	1	33	-	-	48	-	-	-	-	-	None	Family	Yes	Yes	No	Earth Advantage Green Building Platinum	Yes
12	Northgate ETOD	Seattle	WA	98124	\$41,000	\$2,959,000	\$3,000,000	232	2	12	-	12	206	-	-	-	-	-	State and Local Affordable Program	Family	Yes	No	No	Transit Oriented Development	Yes
13	Vermont and Manchester	Los Angeles	CA	90044	\$799,000	\$8,201,000	\$9,000,000	180	4	90	-	64	-	-	22	-	-	-	Project Based Vouchers	Family/Senior/PSH	Yes	Yes	No	LEED Gold, Transit Oriented Development	Yes
14	Westview 2	Venice	CA	90011	\$776,000	\$474,000	\$1,250,000	50	1	11	-	15	23	-	-	-	-	-	RAD+PBVs	Senior	Yes	No	No	LEED Gold	Yes
15	Jordan Downs 3	Los Angeles	CA	90002	\$245,000	\$1,255,000	\$1,500,000	195	2	49	6	36	57	-	43	-	-	-	RAD+Section 8 PBVs	Family	Yes	Yes	Yes	LEED Silver	Yes
16	Jordan Downs 4	Los Angeles	CA	90002	\$0	\$3,000,000	\$3,000,000	194	2	48	6	36	57	-	43	-	-	-	RAD+Section 8 PBVs	Family	Yes	Yes	Yes	LEED Silver	Yes
17	Jordan Downs 5	Los Angeles	CA	90002	\$0	\$2,000,000	\$2,000,000	117	2	28	4	23	34	-	26	-	-	-	RAD+Section 8 PBVs	Family	Yes	Yes	Yes	LEED Silver	Yes
18	New Hampshire HHH	Los Angeles	CA	90005	\$0	\$1,500,000	\$1,500,000	109	2	107	-	-	-	-	-	-	-	-	HUD Section 8 - Project Based Vouchers	PSH	Yes	Yes	No	Transit Oriented Development	Yes
19	Watts HHH	Los Angeles	CA	90002	\$0	\$1,500,000	\$1,500,000	49	1	48	-	-	-	-	-	-	-	-	HUD Section 8 - Project Based Vouchers	PSH	Yes	Yes	No	Transit Oriented Development	Yes
20	Cedar and Kettner	San Diego	CA	92101	\$571,000	\$1,429,000	\$2,000,000	64	1	5	-	56	2	-	-	-	-	-	Local Affordable Program	Senior/PSH	Yes	Yes	No	LEED Gold	Yes
21	1501 Sixth Avenue	San Diego	CA	92101	\$317,000	\$1,183,000	\$1,500,000	120	2	21	-	49	48	-	-	-	-	-	Section 8 PBV/Local Affordable Program	Family/Senior/PSH	Yes	Yes	No	LEED Gold	Yes
22	Los Litos	Los Angeles	CA	90033	\$910,000	\$840,000	\$1,750,000	64	1	33	-	30	-	-	-	-	-	-	Project Based Section 8 Vouchers	Family/PSH	Yes	Yes	No	Transit Oriented Development	Yes
23	Anaheim & Walnut	Long Beach	CA	90813	\$837,000	\$500,000	\$1,337,000	68	1	40	27	16	4	-	-	-	-	-	(40) Project Based Section 8 vouchers	Family/PSH	Yes including PSH services	Yes	No	GreenPoint Rated Gold	Yes
24	RiverPlace (Phase 2 & 3)	Portland	OR	97201	\$3,332,001	\$0	\$3,332,000	178	2	17	-	-	159	-	-	-	-	-	VASH	Family/PSH	Yes	Yes	No	LEED Gold, Transit Oriented Development	Yes
25	Heritage 2	Pasadena	CA	91103	\$0	\$1,250,000	\$1,250,000	70	1	66	-	-	-	-	-	-	-	-	Section 8 PBVs	Homeless Seniors	Yes	No	No	LEED Gold, Green Point Rated	Yes
26	Tressa	Seattle	WA	98133	\$900,000	\$0	\$900,000	474	8	-	-	-	466	-	-	-	-	-	None	Family/Disabled	No	No	No		Yes
27	Ramona	Portland	OR	97209	\$2,958,000	\$0	\$2,958,000	138	1	-	-	-	137	-	-	-	-	-	None	Family	No	Yes	No		Yes
28	The Abigail	Portland	OR	97209	\$2,971,000	\$0	\$2,971,000	155	1	-	-	79	48	-	-	-	-	27	Local Affordable Program	Family	Yes	Yes	No	LEED Gold	Yes
29	Hunt's Grove	St. Helena	CA	94574	\$105,788	\$2,934,212	\$3,040,000	56	1	-	-	25	30	-	-	-	-	-	None	Family	Yes	No	No		Yes
30	Northpoint Village Apartments II	Santa Rosa	CA	95407	\$468,985	\$2,305,015	\$2,778,000	40	1	4	8	27	-	-	-	-	-	-	Local Affordable Program	Family	Yes	No	No		Yes
31	Terra Cotta	San Diego	CA	92078	\$2,905,120	\$8,472,860	\$10,478,000	168	2	56	46	64	-	-	-	-	-	-	None	Family	Yes	No	No		Yes
32	La Pradera	Calistoga	CA	94515	\$172,305	\$1,414,103	\$1,586,408	48	1	-	-	21	26	-	-	-	-	-	None	Family	Yes	No	No		Yes
33	Northpoint Village Apartments I	Santa Rosa	CA	95407	\$430,609	\$3,056,191	\$3,487,000	70	1	10	59	-	-	-	-	-	-	-	Local Affordable Program	Family	Yes	No	No		Yes
34	COMM 22 lofts	San Diego	CA	92113	\$0	\$1,000,000	\$1,000,000	70	1	-	12	-	38	-	12	-	-	7	State and Local Affordable Programs (TBD)	Workforce	Yes	Yes	No	LEED Gold, Transit Oriented Development	Yes
Total					\$21,837,008	\$63,667,400	\$85,504,408	4,545	64	938	261	999	1,760	5	315	0	169	7	27		30	20	4		29

Process for Evaluation and Selection. BRIDGE will evaluate and select new projects to be funded by Bond proceeds through its two-tiered review and approval process for all potential projects (new developments/acquisition/rehabilitation of new and existing projects). This process starts with the proposed project evaluation of social impact and financial feasibility, including affordability targets, community benefit guidelines, services provision, total development cost, minimum debt coverage ratio, loan to value maximums, etc. The results are then presented to the Internal Project Review Committee comprised of the following members of the BHC Senior Management team: President and CEO, Chief Financing Officer, Chief Operating Officer, Chief Investment Officer, Executive Vice President, Business Development, Executive Vice Presidents for each development region, and General Counsel. Projects and Project Financing Reports are presented to the Committee by staff, and reviewed against current company underwriting criteria.

Projects that have been approved by the Internal Projects Committee are submitted to the Projects Committee of the BRIDGE Board of Directors (the “Projects Committee”) for review. The Projects Committee meets monthly and often reviews a project multiple times throughout the stages of its development. As with Internal Projects Review, BRIDGE staff members present to the Projects Committee comprehensive project reports that draw on various social impact metrics and review of these metrics against current company underwriting criteria. The Projects Committee reviews and approves project capital expenditures and financing over a dollar threshold established from time to time by the BRIDGE Board of Directors. (The President and Chief Executive Officer reviews and approves project capital expenditures and financing in amounts under such threshold). The Projects Committee also reviews and approves all project related property acquisitions and project-related corporate guaranties.

See also “APPENDIX A—BRIDGE HOUSING CORPORATION—PROJECT SELECTION, UNDERWRITING, AND MANAGEMENT” attached hereto.

Management of Proceeds. Net of transaction costs, all of the proceeds of the Bonds will be deposited into a separate account, held by BRIDGE. For all of the previously described, pre-identified refinanced properties, the Bond Proceeds will be disbursed to refinance the refinanced properties. The remainder of the Bond proceeds will not be comingled with existing investment accounts or invested as part of the investment portfolio, and will be deposited in a separate interest-bearing account until dispersed to finance an eligible property. See “SECURITY FOR THE BONDS” herein.

Sustainability Bonds Reporting. BRIDGE does not intend to provide additional annual updates regarding the refinanced properties. Any additional properties financed with Bond proceeds will be reported on an annual basis, with disclosure in similar form to the above property summary, highlighting such properties’ alignment with BRIDGE’s Sustainability Bond Framework. Along with its existing Annual Report, BRIDGE intends to publish its ongoing property disclosure on BRIDGE’s website. Once all net proceeds of the Bonds have been spent, no further updates will be provided with respect to the Bonds. The continuation of such ongoing project disclosure is voluntary, does not constitute a covenant of BRIDGE, and failure by BRIDGE to provide such updates shall not constitute a default or an event of default under the Bond Indenture. BRIDGE’s ongoing property disclosures will be found at: <https://bridgehousing.com/about/impact/>.

Second Party Opinion by Sustainalytics. BRIDGE has engaged Sustainalytics, a provider of environmental, social, and governance research and analysis, to provide an opinion regarding BRIDGE’s Sustainability Bond Framework, including its environmental and social credentials and its alignment with the Sustainability Bond Guidelines. After reviewing BRIDGE’s Sustainability Bond Framework, as well as the refinanced properties and the planned use of proceeds of the Bonds, Sustainalytics is of the opinion that BRIDGE’s Sustainability Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles and the Sustainability Bond Guidelines. The opinion finds that BRIDGE’s approach to selecting projects, to be in line with market best practice. The opinion further finds that BRIDGE’s Sustainability Bonds advance UNSDG Goals 1, 7, 10 and 11. See “APPENDIX F— FRAMEWORK OVERVIEW AND SECOND OPINION BY SUSTAINALYTICS” for a copy of the complete opinion.