



SECOND PARTY OPINION

General Obligation Bonds (Green Bonds) Series 2019
("Series 2019 GO Green Bonds")



Prepared for: The City of Minneapolis

November 4, 2019

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General Obligation Bonds (Green Bonds) Series 2019 ("Series 2019 GO Green Bonds")

Issuer: The City of Minneapolis **Project:** Public Service Center

Green Category: Green Buildings

Location: Minneapolis, Minnesota, USA

Financing value: \$114,420,000 Evaluation date: November 4, 2019

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TRANSACTION OVERVIEW

The City of Minneapolis ("the City") plans to issue \$114,420,000 in General Obligation Bonds (Green Bonds) Series 2019 ("Series 2019 GO Green Bonds") to finance construction of the City's new Public Service Center.

The goal of this project is to construct a new office building to strategically collocate approximately 1300 City employees who currently work in several leased and City-owned buildings scattered around downtown Minneapolis. This is a multi-benefit project designed to prioritize environmental sustainability while providing a modern, new workspace to better serve residents and businesses. Expected outcomes from this project include a reduction in the City's carbon footprint, greater efficiencies and improved access to public transit for the City's employees, and a higher quality of service to the public.

This Second Party Opinion reflects Kestrel Verifiers' view of the City's project and financing, allocation and oversight, and conformance of the Series 2019 GO Green Bonds with the Green Bond Principles and the United Nations Sustainable Development Goals.

In our opinion, the Series 2019 GO Green Bonds to be issued by the City is aligned with the Green Bond Principles in the eligible category of Green Buildings.

ABOUT THE CITY OF MINNEAPOLIS

The City of Minneapolis ("the City" or "Minneapolis") is the largest city in Minnesota by population. The City is committed to environmental sustainability, as demonstrated by the City's mission to take "strategic action to address climate change, dismantle institutional injustice and close disparities in health, housing, public safety and economic opportunities." The City prides itself on enacting environmentally progressive policies, which can provide examples of more sustainable practices for other municipalities that are striving toward the same goal. Minneapolis began integrating sustainability principles into City decision-making in 2003. Many of the early initiatives, such as developing and tracking Sustainability Indicators, are now integrated into *Results Minneapolis*, a performance management and monitoring tool used by City leaders to monitor progress and offer strategic counsel toward achieving the City's adopted goals and vision.

In 2014, Minneapolis was one of 165 communities chosen as a Climate Action Champion by the White House and US Department of Energy for its commitment to clean energy, including leveraging energy utility franchise agreements to establish a first-in-the-nation City-utility, Minneapolis Clean Energy Partnership. In 2015, Mayor Betsy Hodges signed the Compact of Mayors, the world's largest cooperative effort among mayors and City officials to reduce greenhouse gas emissions, track progress, and prepare for impacts of climate change. In 2017, Mayor Jacob Frey signed the Mayors National Climate Action Agenda as a demonstration of the City's ongoing commitment to accelerate climate progress. Minneapolis is one of 17 cities across nine nations that joined to launch the Carbon Neutral Cities Alliance, a collaboration of global cities committed to reducing greenhouse gas pollution by 80 percent or more by 2050. In 2017, the City of Minneapolis was one of 25 cities across the US to be accepted into the Bloomberg American Cities Climate Challenge, which is a two-year acceleration program with powerful new resources and cutting-edge technical support to help cities meet their near-term carbon reduction goals.

THE BOND-FINANCED PROJECT

The City of Minneapolis will use proceeds from the green bond for the continued construction of the new Public Service Center. The City developed the project with the aim of collocating downtown City employees that are currently spread between City Hall and surrounding office buildings. The Public Service Center will offer a higher quality of service to the public, reduce the City's overall real estate footprint, and provide effective space for the diverse needs of employees. The building faces Government Plaza, City Hall and a light rail station.

The project is aligned with strategies in the City's adopted Climate Action Plan and the building is designed to align with LEED v4 Gold Certification requirements. LEED, or Leadership in Energy and Environmental Design, is the most widely used green building rating system. Green features include natural daylighting, low emitting materials, improved indoor air quality, indoor and outdoor water use reduction, water metering, minimal wind exposure, and energy efficiency. The City expects a minimum of 10% additional energy savings when passive daylighting, heat exchange and recovery, and ventilation are taken into consideration. This includes strategies for the "building envelope"—the physical separator between the conditioned and unconditioned environment of a building—and other efficiencies related to lighting, HVAC and control systems. Additional features that contribute to environmental sustainability include proximity to mass transit, and the efficiencies created by consolidating several City departments under one roof. The building will also incorporate bird-safe glass to reduce mortality in migrating birds.

Additionally, the building is designed to meet Minnesota's Sustainable Building 2030 Energy Standard with alternate compliance. The B3 Sustainable Building 2030 Energy Standard is a progressive energy conservation program designed to significantly reduce the energy use and carbon impacts in Minnesota commercial, institutional and industrial buildings. The City will accomplish compliance with photovoltaic solar panels on the roof to produce energy and through the purchase of 100% renewable energy.

The City is also demonstrating leadership by incorporating features related to employee health, public art and diversity. The City has committed to meeting the Fitwel goals based around employee health. The Fitwel Certification System provides a standard for the building industry to support widespread adoption of health promoting strategies. Related project features include connection to the Minneapolis Skyway system (promoting walking), abundant natural lighting, and improved air quality. The City is incorporating public and local art by committing over \$2 million to more than 20 local artists. Additionally, the City aims to achieve a diverse construction workforce comprised of 20% women and 32% minorities.

LEED Details

Projects pursuing LEED certification earn points across several categories: Location & Transportation, Sustainable Sites, Water Efficiency, Energy & Atmosphere, Materials & Resources, Indoor Environmental Quality, Innovation and more. Based on the number of points achieved, a project then earns one of four LEED rating levels: Certified, Silver, Gold or Platinum. The process is designed to inspire project teams to seek innovative solutions that support public health and the environment, while saving building owners money over a building's life cycle.

The City's new Public Service Center is registered under LEED version 4 (v4), 2013 and designed to align with LEED Gold requirements. The LEED v4 scorecard provided shows:

- 8 "yes" points for Optimize Energy Performance,
- 5 "yes" points for Indoor and Outdoor Water Use Reduction,
- 5 "yes" points for Access to Quality Transit, and
- 7 "yes" points in categories relating to air quality.

To increase the efficiency of cooling the building in summer months, the City incorporated unique design features including active chilled beams and a heat recovery chiller. Active chilled beams involve a heat exchanger contained within a housing that is suspended from the ceiling. Chilled water passes through the tubes and an integrated air supply moves air up past the cooling coil. Warm air from the space rises toward the ceiling, and the air surrounding the chilled beam is cooled, causing it to descend back toward the floor, creating convective air motion to cool the space. In cold weather, the heat recovery chiller takes heat out of spaces that require cooling (computer rooms, telecommunications closets, etc.) and transfers that recovered energy into the heating loop for the building, improving energy efficiency and reducing energy use.

Construction Status

The City of Minneapolis began construction on the new Public Service Center in 2018, and the project is 30% complete at the time of this report.

The City has made a concerted effort to recycle demolished materials and construction debris. The building site was previously occupied by a large parking garage, which was demolished. The City was able to recycle 99.1% of demolished materials, diverting 19,307 tons of waste from landfills. Additionally, 75% of all construction waste to date has been recycled. Furthermore, the City has taken steps to remediate contaminated soil on site and has abided by the Minnesota Pollution Control Agency dust requirements, making sure soil is watered to reduce air contaminants associated with construction.

ALIGNMENT TO GREEN STANDARDS

Use of Proceeds

The Series 2019 GO Green Bonds will be used exclusively to finance costs related to the new Public Service Center. Proceeds are 100% dedicated towards environmental sustainably oriented activities consistent with the International Capital Market Association's Green Bond Principles, under the Green Buildings category.

GREEN CATEGORY	ELIGIBILITY CRITERIA		
Green Bond Principles:	Buildings which meet regional, national or internationally recognized		
Green Buildings	standards or certifications.		
ICMA International Capital Market Association The Green Bond Principles			

The new Public Service Center meets the Green Buildings eligibility criteria by meeting an internationally recognized standard, Leadership in Energy and Environmental Design (LEED). Building ratings systems such as LEED attest to the "Energy & Atmosphere and Innovation" attributes of projects. Energy efficient building projects built to LEED standards can positively impact carbon emissions, ozone depletion, mineral extraction, air quality, human health and infrastructure needs.

The City of Minneapolis has established a low carbon trajectory, and the energy efficient building financed with the Series 2019 GO Green Bonds is aligned with this trajectory.

Additionally, the City's operations, including those financed with the Series 2019 GO Green Bonds, align squarely with two of the 17 United Nations Sustainable Development Goals, as shown below. These goals are part of the 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015 and provide a "blueprint to achieve a better and more sustainable future for all."

United Nations Sustainable Development Goals SUSTAINABLE GOALS THEORRAME AND DEVELOPMENT GOALS THEORRAM AND DEVELOPMENT GOALS THEORRAM AND DEVELOPMENT GOALS THEORRAM AND DEVELOPMENT GOALS THEOREM AND DEVELOPMENT GOALS THEORY

Process for Project Evaluation and Selection

Minneapolis believes in transparency to investors regarding the process for project evaluation and selection. It is part of the City's approval process to ensure that all its financed activities comply with internal environmental and social directives. The City utilizes a robust and transparent annual process to prioritize capital improvement projects for financing. Capital projects are developed and identified by City staff and are considered for adoption in the Capital Improvement Plan by the City Council at an open public meeting that is properly noticed in accordance with the State's Bagley-Keene Act. The Public Service Center was identified as a priority for bond financing in the Five-Year Capital Improvement Plan for the City of Minneapolis dated March 23, 2018. The City previously issued green bonds in 2018 that included a portion of financing for the Public Service Center. Minneapolis also established a Green Bond Framework

in 2018 that covers the Public Service Center. Green Buildings, also known as low carbon buildings, are an eligible project type under the Green Bond Principles.

The Minneapolis Climate Action Plan sets a goal of achieving a 1.5 percent annual reduction in greenhouse gas emissions from City facilities including buildings. The City has established climate goals in the Climate Action Plan, including "ensuring that City facilities and infrastructure, across all neighborhoods, are models of energy efficiency and renewable energy technology."

Management of Proceeds

The Series 2019 GO Green Bonds proceeds are required to be 100% allocated to the new Public Service Center. Proceeds will be expended as needed at bond closing, based on the decisions made in accordance with the process described above. Any major changes in the use of proceeds, while not likely, would require a similar approval process.

Bond proceeds received will be invested in permitted investments according to the City's investment policy by internal management of the City. Accounting staff will periodically request reimbursement of construction expenses as determined by project cost accounting records, which will be maintained throughout the life of the project.

Kestrel Verifiers considers this to be in conformance with the Green Bond Principles.

Reporting

The City of Minneapolis intends to show the progress of expenditures from the Series 2019 GO Green Bonds proceeds and report any changes in the allocation of proceeds. This report will be made available on EMMA, as required by the MSRB. The City also intends to make and keep readily available a voluntary Green Bonds Update Report approximately one-year post-issuance, to be renewed annually until full expenditure of the proceeds. Building performance (impact) will also be tracked through the Energy Design Assistance Program, a statewide program funded by utilities. The City will be benchmarking against the Minnesota Energy Code and the SB 2030 alternate compliance standard. A final report on building performance will be publicly available.

SECOND PARTY OPINION

Based on our independent verification, the City of Minneapolis's Series 2019 GO Green Bonds conform, in all material respects, with the Green Bond Principles. Furthermore, they are aligned with United Nations Sustainable Development Goals 7 and 9.

Kestrel Verifiers is of the opinion that the green activities funded by the proceeds of the Green Bonds will provide a meaningful contribution to the City of Minneapolis's greenhouse gas reduction targets and positively contribute to the transition into a carbon-neutral city. Based on the statement above, Kestrel is of the opinion that the green activities are also aligned with the United Nations Sustainable Development Goals 7 "Affordable and Clean Energy" and 9 "Industry, Innovation and Infrastructure."

It is the opinion of Kestrel Verifiers that the City of Minneapolis's Series 2019 GO Green Bonds are in complete alignment with the Green Buildings category of the Green Bond Principles. The City of Minneapolis is demonstrating leadership toward a zero-carbon future with the new Public Service Center.

Independence and Quality Control

Kestrel Verifiers is providing an independent opinion on the conformance of the Series 2019 GO Green Bonds with the Green Buildings category of the Green Bond Principles. For almost twenty years, Kestrel has worked at the intersection of finance and sustainability, helping clients to advance environmental and infrastructure projects. Kestrel relies on our experienced team of dedicated professionals, our qualified judgment and our attention to detail to ensure the highest quality assessment and verification. Our assurance process incorporates the robust knowledge and skills of our technical team, financial team and assurance team operating together to deliver the required competencies to assess how the activities and financing conform to accepted standards including the Green Bond Principles.

Assurance Approach

Kestrel Verifiers' responsibility was to conduct an independent opinion to determine whether the City of Minneapolis's Series 2019 GO Green Bonds met, in all material respects, the requirements of the Green Bond Principles. Our assurance was conducted in accordance with the Green Bond Principles and the International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

Kestrel Verifiers has relied on information provided by the City of Minneapolis. There are inherent limitations in performing assurance, and fraud, error or non-compliance may occur and not be detected. Kestrel Verifiers is not responsible or liable for any opinions, findings or conclusions that are incorrect. Our assurance is limited to City of Minneapolis policies and procedures in place as of November 4, 2019, ahead of the issuance of the Series 2019 GO Green Bonds. The distribution and use of this assurance report are at the discretion of the City of Minneapolis. Kestrel Verifiers does not accept or assume any responsibility for distribution to any other person or organization.

About Kestrel Verifiers

To public and corporate finance teams who are preparing green bonds, Kestrel is a US-based Approved Verifier with experience in many sectors: green buildings, renewable energy, water, energy efficiency, pollution prevention and control, climate change adaptation, natural resources and land uses. As bespoke US municipal specialists, we strive to provide a personal, focused approach and dedicated support. We bring real-world experience, relationships and tools to efficiently verify and report on green bonds. Kestrel is a Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com





Green Bond

Independent External Review Form

General Obligation Bonds (Green Bonds) Series 2019

City of Minneapolis

Section 1. Basic Information

Issuer name: City of Minneapolis, Minnesota

Independent External Review provider's name: Kestrel Verifiers

Completion date of this form: November 4, 2019

Section 2. Review overview

SCOPE OF REVIEW

SCOPE	OF REVIEW		
The rev	iew assessed the following elements and confirmed	d their	alignment with the GBPs:
\boxtimes	Use of Proceeds Management of Proceeds	\boxtimes	Process for Project Evaluation and Selection Reporting
ROLE(S	6) OF INDEPENDENT EXTERNAL REVIEW PROVI	DER	
\boxtimes	Second Party Opinion		Certification
	Verification		Scoring/Rating
	Other (please specify):		

EXECUTIVE SUMMARY OF REVIEW

The City of Minneapolis ("the City") plans to issue \$114,420,000 in General Obligation Bonds (Green Bonds) Series 2019 ("Series 2019 GO Green Bonds") to finance construction of the City's new Public Service Center.

The goal of this project is to construct a new office building to strategically collocate approximately 1300 City employees who currently work in several leased and City-owned buildings scattered around downtown Minneapolis. This is a multi-benefit project designed to prioritize environmental sustainability while providing a modern, new workspace to better serve residents and businesses. Expected outcomes from this project include a reduction in the City's carbon footprint, greater efficiencies and improved access to public transit for the City's employees, and a higher quality of service to the public.

This Second Party Opinion reflects Kestrel Verifiers' view of the City's project and financing, allocation and oversight, and conformance of the Series 2019 GO Green Bonds with the Green Bond Principles and the United Nations Sustainable Development Goals.

In our opinion, the Series 2019 GO Green Bonds to be issued by the City is aligned with the Green Bond Principles in the eligible category of Green Buildings.

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

Overal	I comment on section:		
The Series 2019 GO Green Bonds will be used exclusively to finance costs related to the new Public Service Center. Proceeds are 100% dedicated towards environmental sustainably oriented activities consistent with the International Capital Market Association's Green Bond Principles, under the Green Buildings category.			
Use o	of proceeds categories as per GBP:		
	Renewable energy		Energy efficiency
	Pollution prevention and control		Environmentally sustainable management of living natural resources and land use

Clean transportation

☐ Sustainable water and wastewater ☐ Climate change adaptation management

☐ Eco-efficient and/or circular economy adapted ☒ Green buildings products, production technologies and processes

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Terrestrial and aquatic biodiversity

conservation

Overall comment on section (if applicable):

Minneapolis believes in transparency to investors regarding the process for project evaluation and selection. It is part of the City's approval process to ensure that all its financed activities comply with internal environmental and social directives. The City utilizes a robust and transparent annual process to prioritize capital improvement projects for financing. Capital projects are developed and identified by City staff and are considered for adoption in the Capital Improvement Plan by the City Council at an open public meeting

that is properly noticed in accordance with the State's Bagley-Keene Act. The Public Service Center was identified as a priority for bond financing in the Five-Year Capital Improvement Plan for the City of Minneapolis dated March 23, 2018. The City previously issued green bonds in 2018 that included a portion of financing for the Public Service Center. Minneapolis also established a Green Bond Framework in 2018 that covers the Public Service Center. Green Buildings, also known as low carbon buildings, are an eligible project type under the Green Bond Principles. The Minneapolis Climate Action Plan sets a goal of achieving a 1.5 percent annual reduction in greenhouse gas emissions from City facilities including buildings. The City has established climate goals in the Climate Action Plan, including "ensuring that City facilities and infrastructure, across all neighborhoods, are models of energy efficiency and renewable energy technology." **Evaluation and selection** \boxtimes Credentials on the issuer's environmental Documented process to determine that sustainability objectives projects fit within defined categories \boxtimes Defined and transparent criteria for Documented process to identify and manage |X|projects eligible for Green Bond proceeds potential ESG risks associated with the project XSummary criteria for project evaluation Other (please specify): and selection publicly available Information on Responsibilities and Accountability Evaluation / Selection criteria subject to In-house assessment \boxtimes external advice or verification Other (please specify): 3. MANAGEMENT OF PROCEEDS **Overall comment on section** (if applicable): The Series 2019 GO Green Bonds proceeds are required to be 100% allocated to the new Public Service Center. Proceeds will be expended as needed at bond closing, based on the decisions made in accordance with the process described above. Any major changes in the use of proceeds, while not likely, would require a similar approval process. Bond proceeds received will be invested in permitted investments according to the City's investment policy by internal management of the City. Accounting staff will periodically request reimbursement of construction expenses as determined by project cost accounting records, which will be maintained throughout the life of the project. Kestrel Verifiers considers this to be in conformance with the Green Bond Principles.

Tracking of proceeds:

\boxtimes	Green 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):

Additio	onal disclosure:					
	Allocations to future investments only		Allocations to both existing and future investments			
	Allocation to individual disbursements		Allocation to a portfolio of disbursements			
	Disclosure of portfolio balance of unallocated proceeds		Other (please specify):			
4. REP	PORTING					
Overal	I comment on section (if applicable):					
procee as requ Update procee a state	eds and report any changes in the allocation uired by the MSRB. The City also intends to exercise Report approximately one-year post-issueds. Building performance (impact) will also wide program funded by utilities. The City e SB 2030 alternate compliance standard.	on of proceed o make and lance, to be o be tracked will be ben	renditures from the Series 2019 GO Green Bonds eds. This report will be made available on EMMA, keep readily available a voluntary Green Bonds renewed annually until full expenditure of the d through the Energy Design Assistance Program, achmarking against the Minnesota Energy Code ort on building performance will be publicly			
Use of	f proceeds reporting:					
	Project-by-project		On a project portfolio basis			
\boxtimes	Linkage to individual bond(s)		Other (please specify):			
	Information reported:					
	☑ Allocated amounts		Green Bond financed share of total investment			
	☐ Other (please specify):					
	Frequency:					
	⊠ Annual		Semi-annual			
	☐ Other (please specify):					
Impac	t reporting:					
	Project-by-project		On a project portfolio basis			
\boxtimes	Linkage to individual bond(s)		Other (please specify):			
	Frequency:					
	⋈ Annual		Semi-annual			
	☐ Other (please specify):					
	Information reported (expected or e	ex-post):				
	☐ GHG Emissions / Savings	\boxtimes	Energy Savings			
	☑ Decrease in water use		Other ESG indicators (please specify):			

Means of Disclosure Information published in financial report \boxtimes Information published in sustainability report П Information published in ad hoc Other (please specify): П documents Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): **USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.) www.kestrelverifiers.com SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE Type(s) of Review provided: **Second Party Opinion** Certification Verification Scoring/Rating Other (please specify): П Review provider(s): Date of publication: November 4, 2019 Monica Reid, Verification Team Leader Evan Smith, Lead Technical Verifier **Kestrel Verifiers**

About Kestrel Verifiers

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