



CENTURY

Sustainability Framework

Introduction:

Century Housing Corporation (Century) was created as a result of environmental justice litigation to remediate the disparate social impacts of the creation of a highway, the “Century Freeway,” running from Los Angeles International Airport east through the economically distressed neighborhoods adjacent to it in south central Los Angeles. In addition to community revitalization, jobs creation and improving health outcomes for populations impacted by both low income and environmental degradation, Century’s core focus has always been on increasing the supply of quality affordable housing. Safe, well-maintained and stable housing is the foundation of healthy, sustainable communities, providing a secure base from which individuals and families can improve their educational, employment and health outcomes. Quality housing built to regulated environmental standards reduces the impacts of human density particularly in urban areas. Everything starts with housing and today housing is all that Century does.

Century’s operations consist of lending to specialized developers and preservers of affordable multifamily housing throughout the state of California. Since its privatization in 1995, Century has specialized in early stage acquisition and bridge loan products. These are essential in the creation of affordable housing as they enable developers to achieve the site control necessary for them to apply for the Low Income Housing Tax Credits (LIHTCs) and other soft financing, which ultimately subsidize most affordable housing in the United States today.

Century is a 501 (c) 3 organization licensed by the California Department of Business Oversight as a lender. Century is also certified as a Community Development Financial Institution (CDFI) by the US Department of Treasury’s CDFI fund. In addition, Century is certified as a CDFI by the California Organized Investment Network (COIN) administered by the California Department of Insurance.

Century is issuing securities which conform to the Sustainability Bond Guidelines promulgated by the International Capital Market Association (ICMA) in June 2018. These securities may include bonds, notes, commercial paper and other forms of publicly and privately offered debt. The affordable housing that will be financed with the proceeds of Century’s securities will further many of the United Nations 17 Sustainable Development Goals (UNSDGs)*, and targets specifically:

- 1.) No Poverty
- 7.) Affordable and Clean Energy
- 10.) Reduced Inequalities
- 11.) Sustainable Cities and Communities.

Regulatory Framework:

LIHTC

A majority of the affordable housing developments to which Century provides early stage funding will ultimately be financed with LIHTCs. In addition to limiting maximum rents in properties to no more than 30% of gross household income for individuals and households earning 80% or less of Area Median Income (AMI)**, the California Tax Credit Allocation Committee (CTCAC), which regulates the LIHTC program in California also regulates minimum construction standards, site and service amenities, and environmental standards for both new construction and rehabilitation projects.

The latter are memorialized in CTCAC's Sustainable Building Method requirements, which prescribe both an up-front evaluation process for CTCAC-funded projects along with implementing guidelines and documentation requirements. These methods address numerous energy and water systems within developments, including electricity usage, landscaping, roofs, doors, window coverings, appliances, floor coverings, insulation, and water heating. Generally, rehabilitation projects must demonstrate at least 10% post-rehabilitation improvements over existing conditions for energy usage. New construction projects are competitively scored on sustainable building methods and are generally either green certified (i.e., LEED, Green Communities, GreenPoint, Living Building Challenge) and/or feature a series of significant energy and water efficiency measures. (Please refer to the California Tax Credit Allocation Committee website <https://www.treasurer.ca.gov/ctcac/index.asp> for regulations on scoring for sustainable building materials and methods.)

** The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.*

The 17 SDGs are integrated—that is, they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability.

<https://www.undp.org/content/undp/en/home/sustainable-development-goals.html>

*** Using percentage of AMI to measure affordability is based on the assumption that no more than 30% of gross household income should be required for rent payments. Century's average home affordability of 46.5% in 2020 means that households earning just 46.5% of AMI can afford the average apartment home financed by Century using 30% of their gross household income.*

Specifically, points are awarded for development in compliance with the following programs:

- Leadership in Energy & Environmental Design (LEED)
- GreenPoint Rated Existing Home Multifamily Program
- Green Communities
- Passive House Institute US (PHIUS)
- Passive House
- Living Building Challenge
- National Green Building Standard ICC / ASRAE – 700 silver or higher rating
- 2015 Enterprise Green Communities
- The GreenPoint Rated Program

Points are also awarded for energy efficiency including heating, cooling, fan energy, and water heating. In addition, credit is given for projects that include:

- Photovoltaic (PV) generation, i.e. Solar
- Water efficiency, including:
 - No irrigation at all
 - Irrigate only with reclaimed water
 - Greywater or rainwater

California Building Code:

All of Century's activities are within the state of California. In addition to LIHTC associated environmental requirements, all buildings financed by Century are subject to California's building code, including California's green building standards. These include guidelines for both energy and water efficiency, as well as low emission flooring and other building materials. The California Energy Code is the strictest code of its kind in the United States. Beginning in January 2020, all new residential construction will be required to meet extremely low or zero net energy requirements.

Transit-Oriented Developments:

Commuting to work in most of California is a major source of traffic congestion and pollution. Lower income populations in particular may drive as many as 2 hours in each direction to areas where better paying jobs are more available but where affordable housing is less easy to find. Most commuting is done in private single-occupancy petroleum powered automobiles. Cognizant of the significant adverse social and environmental impacts of private transportation in California, Century continually searches for opportunities to finance affordable Transit Oriented Developments (TODs) adjacent to public transportation lines and corridors. TODs reduce workforce commute times and expense, traffic congestion and the considerable environmental impact of commuting in California's population centers.

Century's investments are bolstered by larger State-wide financing programs that promote the reduction of greenhouse gas emissions. These include HCD's Transit Oriented Development (TOD) and Infill Infrastructure Grant (IIG) programs, the Strategic Growth Council's Affordable Housing & Sustainable Communities (AHSC) program, and general CTCAC priorities for developments that are transit-adjacent, amongst others.

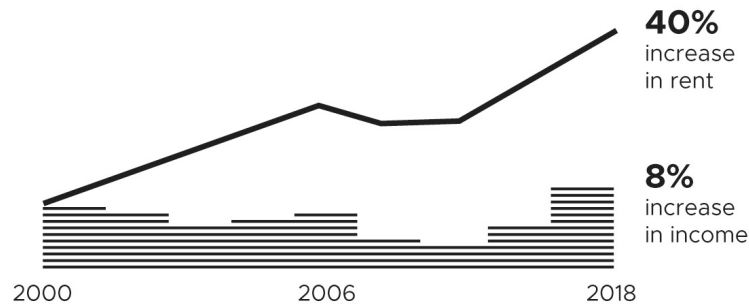
Internal Revenue Service Tax Exemptions:

All of Century’s loans comply with one of its two Internal Revenue Service (IRS) tax exemptions: Century’s “Safe Harbor” exemption requires that, on a loan by loan basis, 75% of the units financed be affordable to individuals or families earning no more than 80% of AMI. Century’s “Lessening the Burdens of Government” exemption is designed to finance the creation of “workforce” housing that allows the financing of housing affordable to individuals and families earning up to 120% of AMI typically in low-income environmentally challenged census tracts. By these definitions, all of Century’s loans finance affordable housing.

Identification of Target Populations:

The need for affordable sustainable housing is catastrophic in urban centers around the world, and nowhere in the United States more so than in California. The rent burden borne by the average renting household in the State continues to increase. A growing number of Californians cannot afford housing at all. The homeless population of Los Angeles County is in excess of 66,000 men, women and children. The 2020 Greater Los Angeles Homeless Count recorded a 12.7% increase over the prior year. Economic dislocations associated with the 2020 pandemic are worsening the crisis. While 37% of homeless individuals have held a job in the last two years or are currently employed, demonstrably, their incomes are insufficient to afford even the lowest available rents.

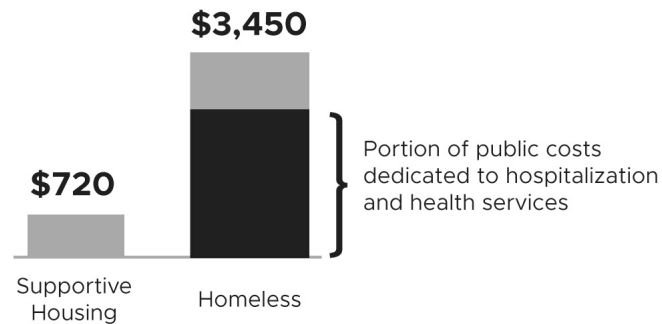
Rents Increasing, Incomes Stagnant in California



Source: California Housing Partnership. (2020). California Affordable Housing Needs Report. <https://chpc.net>

The social cost of homelessness is staggering, especially for individuals who become persistently homeless. The average homeless person in Los Angeles is estimated to cost taxpayers about \$41,000 annually in police, fire and jail/corrections costs but primarily in medical costs and emergency hospitalization due to the lack of preventative care.

Monthly Public Costs for Homeless Persons



Source: Economic Roundtable. (2009). *Where We Sleep: Costs when Homeless and Housed in Los Angeles*

United Nations Sustainable Development Goals:

Affordable housing can be shown to produce multiple beneficial social outcomes, including many of those included in the United Nations Sustainable Development Goals (UNSDGs).

Affordable housing financed by Century supports the following goals in particular:

1.) No poverty

Housing is essential for building financial security. Unaffordable housing and long commutes are significant barriers to economic success. As for the completely unhoused, it is very hard for the homeless to pursue an education and hold any job.

7.) Affordable and clean energy

All affordable housing projects financed by Century are built to environmental standards and many have additional environmental certifications, e.g. LEED.

10.) Reduced inequalities

By allowing lower income individuals and households to improve their health, and socio-economic standing, housing is essential for them to overcome societal inequalities.

11.) Sustainable cities and communities

Our LIHTC, LEED certified, TOD and energy retrofit projects are built to environmental standards and contribute to sustainable cities and communities.

Identification of Social and Green Benefits of Century's Operations:

Believing in the fundamental nature of quality affordable housing, Century has made housing its sole focus. 100% of Century's lending activities fund affordable housing in the state of California. On an annual basis Century evaluates the social contribution from its affordable housing operations by measuring:

- Homes Created through Financing
- Affordability of Homes Financed
- Jobs Created through Housing

Other aspects tracked are:

- Section 8
- On-Site Childcare

In addition to benefiting from the environmental requirements of the California building code, Century evaluates the environmental and green benefits of its operations by tracking the number of its funded projects that are classified as:

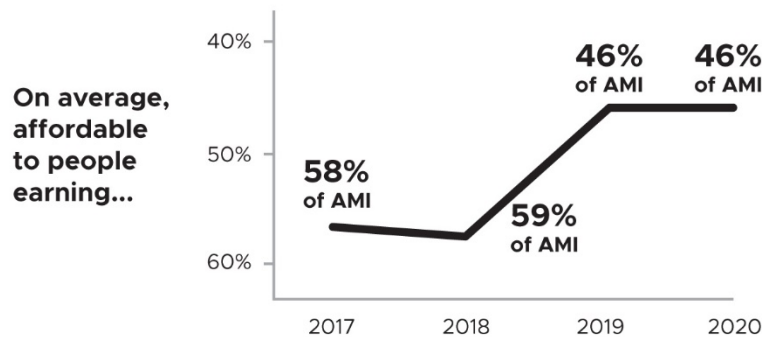
- Low Income Housing Tax Credit
- Transit-Oriented Development
- Energy Retrofit

At year end 2020 Century held a total portfolio of 137 loans totaling \$560.7 million in committed amounts. All of these loans met the definition of social, green or sustainable.

At end March 2021, out of \$394.3 million in loans outstanding, \$273.6 million or 69.4% were for LIHTC projects, \$135.3 million or 34.3% were for Transit Oriented Developments; and \$48.7 or 12.4% were for projects with specific energy retrofit components beyond those required by regulation.

In 2020, the average affordability of Century-originated loans was at 46.5% of AMI.

Century Housing's Affordability Outcomes



Note: Lower percentage of AMI (Average Median Income) means homes are more affordable.

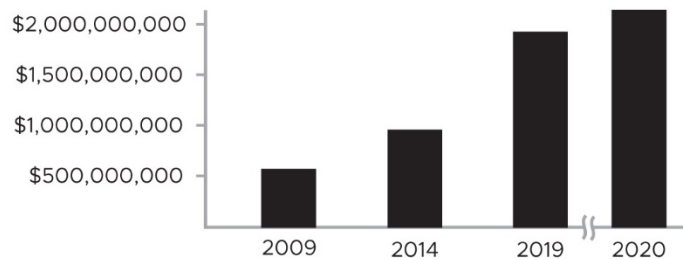
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Rationale for Sustainability Issuance:

Overcoming California's severe housing crisis will require significant investment in projects that bring about positive social impact. While the anchor layer for most housing finance is an equity investment made under the LIHTC program, project financing also requires debt, notably the early stage loans that Century provides. Traditionally non-depository CDFIs like Century have had to rely on limited, expensive and restrictive bank credit to fund their loans to affordable housing developments. The recent opening of the public securities markets to CDFIs has significantly increased CDFI access to capital, and lowered its cost, dramatically increasing the supply of financing to the most socially impactful housing developments.

To date, Century has invested over \$2 billion in sustainable affordable housing projects financing the creation and preservation of approximately 47,000 homes for individuals and families. As a leading provider of financing to high impact housing, Century can channel funds from securities to housing with scale.

Cumulative Century Housing Investments



Century's sole focus on affordable housing ensures that 100% of the proceeds of its securities offerings will be used to finance the creation and preservation of desperately needed additional units of quality affordable housing within its geography and will allow Century to increase the scope of its operations, and its environmental and social impact.

Century Corporate Governance:

As a 501 (c)(3), nonprofit organization, with no owner or shareholders, any surplus revenue generated by Century's operations is re-invested into Century's mission to create and preserve further units of housing.

Century adheres to the highest standards of professional governance maintaining and enforcing policies on conflicts of interest, auditing and financial reporting, information security, the prevention and reporting of sexual harassment, whistle blower protections, health and safety, business conduct and ethics. Century is committed to high levels of transparency.

Century's nine-member Board has responsibility for overseeing performance and corporate responsibility. Specific responsibilities are delegated to committees that have defined areas of focus. The major committees that support the Board are:

- Administration, Budget and Executive Committee
- Loan Committee
- Investments Committee
- Audit Committee
- Nominating Committee

Application of the Sustainability Bond Guidelines:

Use of Proceeds:

The Governor of California has recently estimated the state's affordable housing shortage at over 3 million homes. With the demand for affordable housing so acute, impactful financing opportunities far exceed available capital resources.

Century originates more than \$200 million of new loans per year, more than twice the amount of the securities it offers annually. Consequently, although Century maintains multiple sources of financing, the entire amount of the securities it issues can be applied to finance the production and preservation of sustainable housing. Note that in adherence with Century's mission, policies, its specific IRS tax exemptions, and the regulatory structures governing the projects it finances, 100% of securities proceeds *must* be applied to finance the creation and preservation of environmental affordable homes. Over Century's 26-year history all loans have been made to finance housing that meets the definition of affordable housing.

Process of Project Evaluation and Selection:

Century works with the most experienced developers specialized in affordable multifamily housing in its geography. Per Century's mission and its lending policy only projects that result in the creation or preservation of affordable housing are considered. Special attention is given to projects that will provide the greatest social benefit. For this purpose, the level of social benefit is primarily assessed by a review of the number of homes created or preserved, their affordability (based on percentage of AMI), and the populations served with attention to the economic conditions and environmental attributes of where the projects are situated. In 2020, the average home financed was affordable to individuals and families earning just 46.5% of AMI.

Management of Proceeds

Lending to affordable housing projects is the only thing that Century does. With a portfolio of over \$500 million committed and approximately \$400 million in drawn affordable housing loans, and an origination volume of over \$200 million per year, the entire proceeds of the securities will be applied to financing affordable housing both through the funding of new impactful loans as well as the refinancing of higher priced debt, thereby contributing to the support Century is able to provide to creating additional housing. The application of all proceeds will be tracked using Century's corporate accounting systems.

Century is one of the largest originators of acquisition and bridge loans to 9% LIHTC financed affordable housing projects in California, and has made Affordable Housing Finance's national list of top 25 affordable

housing lenders 4 times. Consequently, Century is able to deploy 100% of its securities proceeds immediately.

Reporting

100% of securities proceeds will be employed to fund Century's affordable housing lending operations. As Century utilizes multiple sources of funding, including its own equity, securities proceeds may initially be used either to fund new loans or to refinance existing loans currently funded by other sources.

Annually, as long as securities remain outstanding, Century will publish updates on dedicated pages of the company website (<https://century.org/bond/> and <https://century.org/about/reports/>) which will include:

- 1) Homes created through Century's financing
- 2) The level of affordability of the homes created (as measured by the percentage of Area Median Income (AMI))
- 3) Jobs created through the construction of the homes
- 4) The geography of the homes created
- 5) New homes created vs. existing affordable homes retro-fitted, rehabilitated and preserved
- 6) The number and funding dollar amount of homes which meet the above green/environmental vs. social vs. sustainable (both green and social) criteria

Century will publish its allocations to affordable housing projects annually on its website with other disclosures made in association with the securities issuance as well as the percentage of proceeds applied to these projects.