

Supporting Disaster Recovery through Fixed Income Impact Investments

The recent devastation caused by Hurricanes Helene and Milton across multiple states has left behind billions of dollars in damage with many victims facing financial devastation. In addition to government appropriations and charity, it is going to take tens of billions of investment dollars to reconstruct the affected areas. Impact investments can offer a complement to charitable giving and can play a critical role in disaster recovery by combining financial returns with positive social impact. This approach focuses on investments supporting projects and businesses that are helping communities mitigate disaster losses and rebuild after natural disasters and widespread health emergencies. Investments can be directed toward infrastructure, housing, healthcare, economic development initiatives, and climate adaptation measures in affected regions, contributing to long-term recovery and stability.

How Fixed Income Impact Investments Can Support Disaster Recovery Efforts

Several types of fixed income investments can support disaster recovery efforts:

- **Community Development Financial Institutions (CDFIs)¹:** CDFIs are mission-driven lenders that provide financial and technical assistance supporting economically disadvantaged communities, which includes helping neighborhoods recover from disasters and other economic crises. CDFIs are often front line financial responders, helping where it is needed the most, like in the case of natural disasters, pandemics, and financial crises. *From an impact perspective supporting disaster recovery efforts, CDFIs can meet the lending needs of recovering communities. Disasters hit vulnerable communities the hardest, and many CDFIs have decades of experience providing economically disadvantaged individuals with the tools they need to become self-sufficient stakeholders in their own future.*

A CDFI is a financial institution that provides financial services to low-income communities and people who lack access to financing. CDFIs can be banks, credit unions, loan funds, microloan funds, or venture capital providers.

- **Agency Commercial Mortgage-Backed Securities (CMBS):** Agency CMBS are pools of one or more loans, mostly representing mortgages on new, recently renovated affordable multifamily properties, or refinancing affordable multifamily properties issued by Fannie Mae, Freddie Mac, and/or Ginnie Mae. *From an impact perspective supporting disaster recovery efforts, agency CMBS can finance affordable rental housing properties for displaced families and retrofitting so residents do not have to face weather-related power disruptions.*
- **Taxable Municipals:** Taxable municipals are taxable debt obligations of a state or local government entity and are subject to federal taxes. *From an impact perspective supporting disaster recovery efforts, taxable municipals can finance a variety of projects benefiting communities in anticipation of disaster recovery relief, recovery, and mitigation efforts like risk-reducing infrastructure projects that can minimize flooding and other potential property damage.*
- **Corporate Bonds:** A corporate bond is a debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. *From an impact perspective supporting disaster recovery efforts, companies can issue bonds supporting initiatives that may include disaster relief, disaster risk reduction, and other company-wide recovery assistance efforts.*

Supporting Disaster Recovery at CCM

As a leader in impact investing, CCM has developed a proprietary impact model and reporting system to track and monitor the positive environmental and/or social impacts of our investments. We provide tailored customized reporting to ensure clients receive information that reflects their unique values and priorities.² One option for customization is by impact theme. Over the past 25 years, we have developed a series of impact themes, with each of our investments aligning with at least one.³ One theme is Disaster Recovery, Resilience, and Remediation.

Disaster Recovery, Resilience, and Remediation:

Investments aligned with this theme support economic development activities in federally designated disaster areas and physical and civic infrastructure to better prepare communities from natural disasters and widespread health emergencies. It also includes investments that help stimulate community and economic development and build strong infrastructure.

More information on CCM's customizable impact and impact themes is available on the reports below and by visiting: www.ccminvests.com.



Case Studies

We believe that one of the most effective ways to understand how a bond supports a specific impact theme is through real-world examples.

Co-Op City

Bronx, NY | Agency CMBS

Co-Op City is an affordable rental community in Bronx, New York. Home to more than 57,000 residents, the development's \$621 million loan refinanced an original mortgage that was designed to preserve affordable housing for thousands of families. Under the terms of the loan, Co-Op City remains affordable to residents for 35 years. It provides capital for maintenance and renovations, and it introduces an additional \$26 million in critical repairs. Benefiting more than 15,000 households, Co-Op City is a community made up of 35 residential buildings, three shopping centers, and a 25-acre educational park.

Co-Op City received \$2 million in incentives from the New York State Energy Research and Development Authority (NYSERDA) for projects that use environmentally clean and efficient combined heat and power (CHP) systems to generate on-site energy during power outages, in support of recommendations made by the NYS 2100 Commission following the aftermath of Superstorm Sandy. These projects will help protect multifamily facilities across New York State from weather-related power disruptions while also decreasing demand on the power grid.

"Superstorm Sandy demonstrated the need for resilient power generation when critical facilities like hospitals lose electricity," said former Governor Cuomo. "CHP technology is a clean energy, common-sense solution that keeps the lights on and systems running during emergencies. It is important that we invest in the installation of these kinds of power systems across the state to fortify our infrastructure against severe weather to maintain essential services and business productivity, and most of all, protect New Yorkers."

CHP, also known as cogeneration, is the simultaneous production of heat and electricity generation. This process allows CHP systems to achieve high levels of fuel efficiency, and with their localized generation, eliminate the need to transport electricity over distribution systems.



Impact Themes

- Affordable Housing
- Disaster Recovery, Resilience, and Remediation
- Environmental Sustainability
- Minority Advancement
- Sustainable Communities

Impact Designations

- ✓ High Minority Census Tract
- ✓ Majority-Minority Census Tract

Walk, Bike, Transit Scores®

- 83 Walk Score
- 50 Bike Score
- 77 Transit Score

Sacramento Area Flood Control Agency

Sacramento, CA | Taxable Muni

A portion of the bond proceeds refunded the Sacramento Area Flood Control Agency in addition to financing certain flood control facilities consisting of a series of levee and other flood control improvements through the agency's flood risk reduction program. The goals of the program are to provide at least a 100-year level of flood protection as quickly as possible; work toward achieving at least an urban-standard (200-year) flood protection over time; and ensure the structural integrity of the levee system.

Sacramento is one of the most flood-prone U.S. cities. Throughout the past few decades, its residents have been affected by forced evacuations, home destructions, and even death. Flood control experts encourage the construction of reinforced levees for disaster prevention and avoidance of higher flood insurance premiums for property owners. Its projects are in the boundary of Consolidated Capital Assessment District (CCAD) No. 2, which include in excess 160,000 parcels, 136,700 of which are single family residential parcels.

This levee improvement project presented an opportunity to create a conservation strategy to help reconfigure and protect large nodes of habitat, including sensitive habitat, and connective corridors within the Basin at a landscape scale. It helped to offset project impacts and advance the goals and objectives of the Natomas Basin Habitat Conservation Plan (NBHCP) and assist the Federal Aviation Administration, the U.S. Army Corps of Engineers, and the local reclamation districts achieve their management goals.

The project also includes mitigating negative levee construction impacts resulting in habitat destruction. With management from the U.S. Fish & Wildlife Service Stone Lakes National Wildlife Refuge, 112 artificial burrow systems have been installed and observed for burrowing owls, Species of Special Concern in the State of California.

In pursuit of the agency's flood risk reduction program goals, it has cooperated with the U.S. Army Corps of Engineers and the California Reclamation Board (now known as the Central Valley Flood Protection Board) in completing a series of levee and related improvements in the Sacramento area along the lower American and Sacramento Rivers and their tributaries.



Impact Themes

- Disaster Recovery, Resilience, and Remediation

Impact Designations

N/A

Walk, Bike, Transit Scores®

N/A

About CCM: Founded in 1998, Community Capital Management, LLC (CCM) is an investment adviser registered with the Securities and Exchange Commission. The firm's mission seeks to deliver superior risk-adjusted returns through investment strategies that contribute to positive environmental and social outcomes. For more information, please visit: www.ccminvests.com.

¹ <https://cdfi.org/disaster-relief/>

² Clients meeting minimum requirements can select customizable impact.

³ Transitional assets and cash will not align with any impact theme.

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