



Second Party Opinion

Issuer:	City of Bloomington, Minnesota
Issue Description:	General Obligation Charter Bonds, Series 2024A (Social Bonds)
Project:	Park System Improvements
Social Standard:	ICMA Social Bond Principles
Social Category:	Access to Essential Services (Parks)
Target Populations:	<ol style="list-style-type: none">1. Persons with disabilities2. Historically underserved populations3. Families with young children4. General Public
Keywords:	Equitable access to urban parks, inclusive, community engagement, trails, public health, wetlands, reduce mowed area, invasive species removal, native plantings, ground source heat pump, solar, renewable energy, stormwater management, green infrastructure, climate resilience, net zero aligned, Minnesota
Par:	\$9,110,000
Evaluation Date:	July 8, 2024

SOCIAL BONDS DESIGNATION

Kestrel, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of the City of Bloomington, Minnesota General Obligation Charter Bonds, Series 2024A (Social Bonds) (“Bonds”) to evaluate conformance with the Social Bond Principles (June 2023) established by the International Capital Market Association. Our team for this engagement included analysts with experience in sustainability, wetlands and environmental science.

This Second Party Opinion reflects our review of the uses and allocation of proceeds, oversight, and conformance of the Bonds with the Social Bond Principles. In our opinion, the Bonds are impactful, net zero aligned, conform with the four core components of the Social Bond Principles, and qualify for Social Bonds designation.

ABOUT THE ISSUER

The City of Bloomington (the “City” or “Bloomington”), Minnesota is located at the southern portion of the Minneapolis-St. Paul metropolitan area and has a population of approximately 90,000, making it the fourth largest city in Minnesota. Over the past 50 years, Bloomington’s demographics have shifted toward an older and more diverse population: 32% of residents are non-white and the median age is 42. Population diversity is generally greater in the eastern portion of Bloomington.

Bloomington has ambitious strategies to advance social equity in the community and in capital planning. Strategies and initiatives include:

- 2020 – Adoption of the Racial Equity Business Plan, which identifies equity goals and outcomes in four separate areas: hiring, training, services, and community engagement.
- 2021 – Adoption of a proposal from the Racial Equity Strategic Planning Committee, which recommends actions to increase investments in public health, develop a small business resource center, and increase collaboration with Bloomington Public Schools District.
- 2021 - Development of an Equity Prioritization Tool (“Equity Tool”) to evaluate and prioritize capital investments. The Equity Tool is modeled after similar tools used by Minneapolis and Milwaukee. Evaluation criteria and implementation are described herein.
- 2023 – Participation in the inaugural cohort of the Municipal Bond Markets & Racial Equity Technical Assistance Program launched by the Public Finance Initiative. The program provides technical assistance to bond issuers seeking to advance racial equity in capital planning and finance. Bloomington was one of eight participants in the program.

In addition, social equity goals are incorporated into the City’s most recent five-year strategic plan, called *Bloomington. Tomorrow. Together.* (the “BTT Plan”). The BTT Plan includes objectives to improve social equity and sustainability, as measured through several metrics, by 2030. These and other initiatives contributed to Bloomington’s #1 ranking among peer suburban cities in the first public-sector Racial Equity Dividends Index created by the Center for Economic Inclusion in 2023.

Bloomington has multiple initiatives to improve environmental sustainability. In 2018, the City adopted an Energy Action Plan, which includes a goal to reduce greenhouse gas emissions 75% by 2035. The City has conducted a greenhouse gas emissions inventory and reports annual emissions via GreenStep Cities.¹

The Park System in Bloomington

Bloomington has 97 parks and recreation facilities, including neighborhood and community parks, natural areas, regional parks, and specialty recreation facilities, such as the Bloomington Ice Garden and the Center for the Arts. The park system also includes over 80 miles of paved and unpaved trails. Cumulatively, about 36% of the City is parkland,² compared to an average of 12% for the 100 largest cities in the United States³, and 86% of residents live within walking distance of a park.⁴

The Bloomington Parks and Recreation Department (the “Department”) developed the *Park System Master Plan* (the “Master Plan”), which was adopted in 2021 by the City Council and contains plans and strategies for park improvements and capital investments. In order to update the park system and meet the future needs of residents, the Master Plan proposes tripling capital spending from current levels over the next 20 years.

¹ “Bloomington City Detail,” Minnesota GreenStep Cities, accessed July 2, 2024, <https://greenstep.pca.state.mn.us/city-detail/11853>.

² “Park System Master Plan,” City of Bloomington, Minnesota, 2021, <https://www.bloomingtonmn.gov/pr/park-system-master-plan-2021>.

³ “2024 Acreage & Park System Highlights database,” Trust for Public Land, accessed July 3, 2024, <https://www.tpl.org/park-data-downloads>.

⁴ “Bloomington, MN,” Trust for Public Land, accessed July 2, 2024, <https://www.tpl.org/city/bloomington-minnesota>.

ALIGNMENT TO SOCIAL STANDARDS⁵

Use of Proceeds

The Bonds finance improvements to Bryant Park, Tretbaugh Park and other park facilities in Bloomington (the “Projects”). Projects were selected through the master planning process and extensive community input. The improvements provide both public health and sustainability benefits and also address disparities in park access among historically disadvantaged communities. Construction is expected to be complete by Fall 2025 and an anticipated budget for the Projects is provided in Table 1. The Projects are eligible projects as defined by the Social Bond Principles in the *Access to Essential Services (Parks)* project category.



Bryant Park

Bryant Park is a 22.7-acre community park in eastern Bloomington. Existing amenities include a baseball field, basketball court, hockey rink, ice skating rink, playground, restrooms, softball field, and tennis court. Bryant Park is almost fully within a 100-year floodplain and contains a 0.64-acre wetland that treats stormwater from a drainage area of approximately 372 acres. Bond-financed improvements at Bryant Park include:

- **Inclusive playground** – A new, inclusive playground will be constructed on the site of the existing parking lot. Elements of the new playground that improve accessibility include multiple types of swings, use of different sensory elements, and a fence that completely encircles the playground and provides only one entrance. Currently, there are no inclusive playgrounds at any of Bloomington’s parks.
- **Net zero park shelter** – A new, 2,544-square-foot shelter will be constructed across from the new playground. The shelter will contain four gender-neutral restrooms, two of which will be accessible from outside and one of which will contain an adult changing station, and community space for gatherings and support for ice skating in the winter. The building is expected to use net zero energy and will contain multiple sustainability features, such as a rooftop solar array expected to generate approximately 47,930 kilowatt-hours per year, a geothermal heating and cooling system, and low-flow plumbing fixtures. The building will be fully electric. In addition, the new shelter will incorporate features to mitigate flood risk, such as raising the structure 2.6 feet higher than the existing building and elevating HVAC and electrical infrastructure.⁶
- **Green infrastructure improvements** – The existing stormwater wetland will double in size from 0.64 acres to approximately 1.3 acres, and sediment will be dredged from the existing stormwater pond. These improvements are expected to increase flood storage capacity by approximately 754 cubic yards. Over 250 trees will be planted as part of the project. In addition, the improvements to the natural areas of the park will result in a reduction of mowed area from 11.23 acres to 3.6 acres.
- **Athletic fields and facilities** – Several existing athletic fields and courts will be reconfigured and a new skateboarding area, cricket pitch, and pickleball court will be added.

⁵ Social Bonds are any type of debt 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 Social Bond Principles.

⁶ According to the Hennepin County Climate Action Plan, eastern Bloomington has a greater vulnerability to increased air pollution and contains more areas susceptible to floods of more than 1 foot. “Hennepin County Climate Action,” accessed June 27, 2024, <https://www.hennepin.us/climate-action/local-impacts>

- **Parking lot** – The existing east parking lot will be relocated and reduced in size. The new lot will include infrastructure to support future addition of electric vehicle chargers. The west parking lot will be reduced in size and a new biofiltration basin will be added.

Tretbaugh Park

Tretbaugh Park is an approximately 3-acre neighborhood park located in central Bloomington. Existing amenities include two broomball/skating rinks, a gravel parking lot, and a small shelter building. Directly south of the park is the Marsh Lake Park natural area, which contains wetlands and trails. Bond-financed improvements at Tretbaugh Park include:

- **Bike skills park** – The Tretbaugh Park renovation project includes addition of a bike skills park, the first in Bloomington. The bike skills park will consist of a paved all-wheel pump track, a natural surface mountain bike course, and a track specially designed for small children.
- **Green infrastructure improvements** – Various stormwater features, such as bioretention areas and vegetated swales, will be integrated throughout the park.
- **Natural areas improvements** – Invasive species, such as buckthorn, will be cleared from the site and approximately 2.8 acres will be replanted and restored, with the addition of approximately 56 new trees. Mowed area is expected to be reduced from 2.36 acres to 0.5 acres.
- **Other improvements** – Tretbaugh Park renovations also include construction of a new parking lot, shade structure, gathering space, and hammock grove; addition of 0.6 miles of sidewalks; and installation of educational signage along trails.

Table 1. Approximate budget for bond-financed projects⁷

Project	Use of Bond Proceeds
Bryant Park	\$8,087,082
Tretbaugh Park	\$1,647,195
Athletic Field Improvements (various parks)	\$275,000
Parking Lot Improvements (various parks)	\$250,000

Equity in Bloomington Parks

The park improvement projects were selected using the Equity Tool described in the Master Plan. The Equity Tool evaluates eight criteria within a 0.5-mile radius of each park and applies a weighting factor to each. The weighted scores are then summed to obtain a Park Prioritization Value. The eight criteria are divided into three groups: 1) Neighborhood Characteristics, 2) Population Characteristics, and 3) Conditions Characteristics. Metrics within each group are listed in Table 2.

⁷ A minor portion of Bond proceeds finance additional improvements to parking lots and athletic fields at multiple parks throughout the City. These projects include installation of LED lighting and were prioritized through the Parks Master Plan, similar to the Bryant and Tretbaugh Park projects.

Table 2. Criteria used in the Equity Prioritization Tool

Neighborhood Characteristics	Population Characteristics	Conditions Characteristics
Income	Total Population	Condition of Facilities
Poverty Rate	Population under the age of 18	
Race	Adjacent Park Land	

Using the Equity Tool, Bryant Park scored the second highest out of all community parks with a building. The neighborhood surrounding Bryant Park is predominantly low-income, with a high percentage of minority populations and individuals under 18. Bryant Park is located in Service Area 4⁸, which was identified in the Master Plan as having the lowest parkland per population, highest amount of poverty, highest proportion of minority individuals, and highest density of children. The renovation of Bryant Park will serve to advance social equity in an historically underserved portion of Bloomington. Tretbaugh Park was also evaluated using the Equity Tool. Tretbaugh Park improvements were prioritized based on community requests and was proposed in the Park System Master Plan. It is located on a trail network and public transportation route, making it a regional amenity with low barriers for access and participation.

In creating the Master Plan and the Equity Tool, the Department performed significant outreach and community engagement. Strategies included community events at parks, postcard mailings, engagement with Latino groups, and project bloom!, an online platform containing survey questions and voting on priority themes. In Kestrel’s view, the extensive community input on the park master planning process and the bond-financed projects is in line with best practices and illustrates Bloomington’s strong commitment to meeting the needs of a diverse population and addressing historical socioeconomic gaps within the community.

Social Benefits of Parks

Access to public parks is vital for the overall health, resilience and well-being of neighborhoods and communities. Across the United States, the average neighborhood park serves approximately 20 people per hour, or over 1,500 person-hours of weekly use.⁹

Parks offer multiple benefits for physical and mental health. Walkable access to high quality parks is correlated with increased physical activity levels and resident health, as reported across national datasets.¹⁰ Neighborhoods with high proportions of park space have been shown to be associated with lower body-mass indices¹¹ and the number of parks and playgrounds has been positively associated with physical activity in children aged 6 to 12 years.¹² Park usage in many cities, including Bloomington, increased during the COVID-19 pandemic. During the peak of the COVID-19 pandemic, depression and anxiety in adults over 55 years old were found to be inversely associated with the number of nearby

⁸ Service Areas are delineated closely following demarcation of Bloomington’s Council Districts.
⁹ Deborah A. Cohen et al., “The First National Study of Neighborhood Parks: Implications for Physical Activity,” *American Journal of Preventative Medicine*, October 2016, <https://doi.org/10.1016/j.amepre.2016.03.021>.
¹⁰ “Lauren E. Mullenbach, et al., “Assessing the Relationship Between a Composite Score of Urban Park Quality and Health,” *Preventing Chronic Disease*, 2018, <http://dx.doi.org/10.5888/pcd15.180033>.
¹¹ James H. Stark et al., “The Impact of Neighborhood Park Access and Quality on Body Mass Index among Adults in New York City,” *Preventative Medicine*, July 2014, <https://doi.org/10.1016/j.yjmed.2014.03.026>.
¹² Javier Molina-Garcia et al., “Associations between Park and Playground Availability and Proximity and Children’s Physical Activity and Body Mass Index: The BEACH Study”, *International Journal of Environmental Research and Public Health*, 2022, <https://doi.org/10.3390/ijerph19010250>.

neighborhood parks.¹³ In addition, many health organizations are partnering with parks and recreation agencies to provide various health services at parks such as screenings and vaccines, social services, and rehabilitation programs.¹⁴

However, there are serious disparities in park access among multiple historically disadvantaged and underrepresented groups in the United States. In a study of the 100 most populous cities in the US, the Trust for Public Land found that predominantly minority neighborhoods had access to about 43 percent less park acreage than predominantly white neighborhoods.¹⁵ Despite advances in accessibility after passage of the American Disabilities Act, many neighborhood and community parks remain inaccessible to persons with disabilities.¹⁶ A nationwide analysis found that clusters containing high proportions of persons with disabilities and low proportions of green space are predominantly located in non-white, socioeconomically disadvantaged neighborhoods.¹⁷

The bond-financed projects support the physical and mental health of residents, maintain the environmental benefits of parks, and address disparities in park access. The Projects benefit the following target populations:

1. **Persons with disabilities:** By constructing the City's first all-inclusive playground
2. **Historically underserved populations:** By using the Equity Tool to prioritize parks improvements
3. **Families with young children:** By using the Equity Tool which contains criteria on the density of children near parks
4. **General public:** By improving access to parks and green space

Net Zero Alignment

Bonds are net zero aligned if financed activities advance goals to reach net zero greenhouse gas emissions. The Bonds directly advance Bloomington's transition goals in the Energy Action Plan to reduce greenhouse gas emissions 75% by 2035 by financing construction of a net zero energy building that includes a solar array and a ground source heat pump. Stewardship of natural resources for enhanced biodiversity and carbon sequestration is an essential approach to reach net zero goals. By expanding wetlands, reducing mowed lawn area, planting trees, and removing invasive species, the Bonds also support improved ecosystem functions, thereby improving flood resilience and stormwater management. The Projects are aligned with the transition to a low-carbon economy.

Process for Project Evaluation and Selection

The Projects advance goals in the *Bloomington. Tomorrow. Together. Strategic Plan* ("BTT Plan") and the *Park System Master Plan*. The Projects were prioritized using the Equity Prioritization Tool and align with priorities in the Racial Equity Business Plan. Construction of the new park building to be net zero energy

¹³ Gabriela Bustamante et al., "Mental Health and Well-Being in Times of COVID-19: A Mixed-Methods Study of the Role of Neighborhood Parks, Outdoor Spaces, and Nature among US Older Adults," *Health & Place*, July 2022, <https://doi.org/10.1016/j.healthplace.2022.102813>.

¹⁴ Lisa W. Foderaro and Will Klein, "The Power of Parks to Promote Health," Trust for Public Land, 2023, <https://www.tpl.org/parks-promote-health-report>.

¹⁵ "The Power of Parks to Address Climate Change: A Special Report," Trust for Public Land, May 2022, <https://www.tpl.org/parks-address-climate-change-report>.

¹⁶ Cora J. Firkin, Lauren Rechner, and Iva Obrusnikova, "Paving the Way to Active Living for People with Disabilities," *Delaware Journal of Public Health*, March 2024, <https://doi.org/10.32481/djph.2024.03.09>.

¹⁷ Sandy Wong et al., "Accessible Green Spaces? Spatial Disparities in Residential Green Space among People with Disabilities in the United States," *Annals of the American Association of Geographers*, 2023, <https://doi.org/10.1080/24694452.2022.2106177>.

with a solar array and ground source heat pump advances Bloomington's climate action goals in the *Energy Action Plan*.

The BTT Plan establishes strategic priorities for 2030 which include:

- A Connected, Welcoming Community – Prioritizing physical and relational connections between residents, the community, and City staff.
- A Healthy Community – Prioritizing health in the environment, health in people, and health in the community as a whole.
- A Community with Equitable Economic Growth – Prioritizing economic policies, programs, and projects that focus on creating new economic opportunities. These efforts will coincide with reducing historical economic gaps within the community.

By improving equitable access to green space and providing public spaces for gathering and socializing, the Projects and the Bonds directly align with these strategies and objectives.

Management of Proceeds

The Bond proceeds finance the Projects and pay costs of issuance. Proceeds will be held in a distinct subaccount and managed separately from other funds of the City. Prior to spending on the Projects, proceeds will be held temporarily in investments as defined by the City Investment Policy within the Financial Management Policies. The Finance Department oversees management of proceeds, and all proceeds are expected to be spent within three years.

Reporting

The City will provide voluntary annual reports on expenditure of Bond proceeds until all proceeds have been spent. These reports may also include information on project construction progress and the performance of the parks. Park usage will be tracked by the Department to determine how park improvements have altered the number of visitors and quality of visit to Bloomington parks. Performance metrics may include number of park visitors or community comments on park project design and completion. These reports will be made available on the City's investor website: bloomingtonmn.gov/investors. The City will also maintain a website with construction progress and provide updates through the local newspaper and email distribution lists.

Bloomington reports on a range of sustainability performance metrics through the voluntary Minnesota GreenStep Cities program. Reported metrics since 2020 include energy use of city buildings; percent of total city acres in open space; renewable energy generation; greenhouse gas emissions; and social vulnerability scores. This reporting is available through the GreenStep Cities website: greenstep.pca.state.mn.us/city-detail/11853.

In addition to these reporting efforts, Kestrel will provide one update report on the Bonds within 24-36 months of issuance. This report is expected to be produced after all proceeds have been spent and will include confirmation of continued alignment with the Social Bond Principles and relevant updates on financed projects including allocation of proceeds.

The City will also submit continuing financial disclosures to the Municipal Securities Rulemaking Board ("MSRB") as long as the Bonds are outstanding, as well as reports in the event of material developments.

This reporting will be done annually on the Electronic Municipal Market Access (“EMMA”) system operated by the MSRB.

ALIGNMENT WITH UN SDGs



The Bonds support and advance the vision of the United Nations Sustainable Development Goals (“UN SDGs”), including:



Affordable and Clean Energy (Targets 7.2, 7.3)

Construction of energy efficient buildings with a ground source heat pump and a solar array



Industry, Innovation and Infrastructure (Target 9.4)

Park improvements necessary for regional stormwater management and maintenance of green infrastructure



Reduced Inequalities (Target 10.2)

Project selection and design to improve accessibility and ensure equitable distribution of parks



Sustainable Cities and Communities (Targets 11.3, 11.7)

Improvements to publicly assessable greenspace informed by comprehensive community input and engagement



Responsible Consumption and Production (Target 12.2)

Park improvements including native plantings and ecological restoration



Climate Action (Target 13.1)

Elevation of critical building systems out of floodplains and restoration of open space for stormwater management to improve stormwater management

Full text of the Targets for these Goals is available in Appendix A, with additional information available on the United Nations website: un.org/sustainabledevelopment

CONCLUSION

Based on our independent external review, the City of Bloomington, Minnesota General Obligation Charter Bonds, Series 2024A are impactful, net zero aligned, conform, in all material respects, with the Social Bond Principles (2023). The Park System Improvements align with the *Access to Essential Services* project category of the Social Bond Principles. By improving access to green space and providing public spaces for gathering and socializing, the Projects and the Bonds directly advance the Bloomington vision for a connected, healthy community with equitable economic growth.

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About

Kestrel Sustainability Intelligence™ for municipal markets helps set the market standard for sustainable finance. We do this through verification and our comprehensive Analysis and Scores.

Kestrel is a leading provider of external reviews for green, social and sustainability bond transactions. We are qualified to evaluate corporate and municipal bonds in all asset classes worldwide for conformance with international green and social bond standards.

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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 (June - July 2024), 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 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 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's 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 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 City, 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 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. Kestrel reserves the right to revoke or withdraw this Opinion at any time. Kestrel 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.

UN SDG TARGET DEFINITIONS

Target 7.2

By 2030, increase substantially the share of renewable energy in the global energy mix.

Target 7.3

By 2030, double the global rate of improvement in energy efficiency.

Target 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

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 11.3

By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

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 12.2

By 2030, achieve the sustainable management and efficient use of natural resources

Target 13.1

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries