

Reminder: This is a point in time evaluation and this Green Evaluation was issued over 18 months ago.

Green Evaluation

Greater Orlando Aviation Authority Priority Subordinated Airport Facilities Revenue Bonds, Series 2017A

Entity: Greater Orlando Aviation Authority
ICB subsector: N.A.
Location (HQ): United States
Financing value: \$997 million
Amount evaluated: 100%
Evaluation date: Aug. 21, 2017
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Transaction Overview

The Greater Orlando Aviation Authority (GOAA) controls and operates Orlando International Airport (MCO). GOAA is issuing the series 2017A bonds to finance a portion of the costs of its South Terminal Complex (STC) project. The approximately US\$1 billion in Series 2017A bonds will mature on Oct. 1, 2052. Specifically, the bonds will finance portions of the construction costs of five new buildings and several enabling projects. The buildings within the STC have been designed and will be constructed in line with Leadership in Energy and Environmental Design (LEED) Version 4 standards. Bond proceeds will be applied directly to the project, to fund debt service reserve and capitalized interest funds, to refinance line of credit draws associated with the project’s financing, and to pay the cost of issuance. Although the bonds will not be labeled green bonds, none of the proceeds will be applied to projects outside the scope of the STC project. As such, our Green Evaluation applies to the full par amount of \$997 million.

Green Evaluation Overview

Transaction’s Transparency

- Use of proceeds reporting
- Reporting comprehensiveness

44

Transaction’s Governance

- Management of proceeds
- Impact Assessment Structure

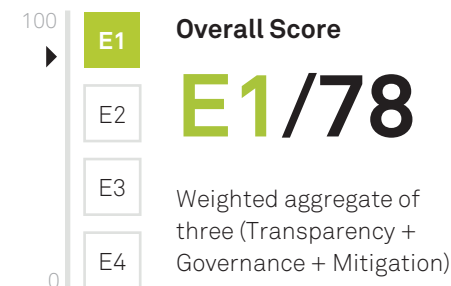
85

Mitigation

Sector	→ Net Benefit Ranking	→ Hierarchy adjustment	84
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Green buildings	New build - commercial	Carbon
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Adaptation **NA**



Project Description

The STC project carries an estimated cost of \$2.15 billion with an estimated completion date of October 2020. The project involves the construction of five new facilities including over 1.6 million square feet of terminal space, as well as the expansion of an existing parking complex. Several enabling projects including clearing and grading of the land to be developed, roadway and bridge construction, and installation of utilities to serve the complex are also part of the project.

The series 2017A bonds will provide just under 40% of the STC project's total estimated funding needs. GOAA plans to cover the remainder of the project's costs with Federal Aviation Authority (FAA) grant proceeds, passenger facility charge (PFC) revenues, customer facility charges (CFCs) and additional airport revenue bonds. All buildings constructed under the STC project have been designed and we expect them to be constructed according to the U.S. Green Building Certification's (USGBC) LEED Version 4 standards. Management estimates the buildings will attain LEED ratings at the level of Certified, the lowest of the four certification levels available under LEED's Building Design and Construction rating system. GOAA currently utilizes the Energy Star Portfolio Manager system to track building energy use intensity and water usage for several of its existing buildings. The authority plans to monitor and report internally its energy and water usage metrics from the date of occupancy of the buildings within the STC complex for the economic life of the assets. The data will also be available to the USGBC.

GOAA's approach to the STC project reflects management's efforts to align its capital planning with priorities outlined in its public board-adopted 2014 Sustainability Management Plan (SMP). The SMP outlines nine key initiatives to guide the authority's operations and capital planning. These initiatives include the improvement of sustainable construction, engineering and design practices, a reduction in water consumption and energy use intensities, and a reduction in solid waste going to landfills.

Scoring Summary

This transaction achieves an overall Green Evaluation score of E1/78, which is the strongest Green Evaluation score on our scale of E1 (highest) to E4 (lowest). We determined this score by taking a weighted average of the transaction's excellent Governance (85) and fair Transparency (44) assessments and its robust Mitigation score (84). In our view, the project's expected reductions in water and energy usage compared to building projects that are not designed

and constructed according to similar environmental standards place this project towards the top end of scores for Green Buildings.

Rationale

- We expect all funds raised will be applied to the STC new-build project. We understand that the South Terminal has been designed and is expected to meet LEED Version 4 standards post-construction. The financing achieves a relatively strong net benefit ranking due to the medium-high carbon intensity of the state-level electric grid in Florida. The relatively higher carbon intensity of the state's electric grid is a key factor influencing the net benefit ranking, and contributes to driving this project's net benefit ranking higher than other green building projects.
- The excellent governance score reflects the intent to track environmental impact of the STC project required for LEED certification and the framework in place to manage proceeds.
- An absence of a commitment to publically report on a regular basis the environmental impacts specific to this financing (as opposed to reporting on an aggregate level for the entire airport) is reflected in the fair Transparency score.

Key Strengths And Weaknesses

The full amount of the series 2017A bond proceeds will be applied to the STC project, a multi-building complex that we expect will adhere to the lowest LEED standard. The use of LEED as a design and construction standard and the resulting environmental benefit over the life of the complex are key assumptions to our evaluation. Even as GOAA is pursuing the lowest available LEED designation, the buildings within the STC are anticipated to result in lower carbon emissions and water usage than conventional buildings.

Our evaluation of green building projects considers two primary environmental key performance indicators for new buildings built within the specifications of globally accepted green building certifications (i.e., LEED): avoided carbon emissions resulting from relatively higher degrees of energy efficiency; and to a lesser extent reduced water usage. The expected avoided carbon emissions accruing from the STC project carry added significance in our evaluation, given the medium-high degree of carbon intensity in the electric grid in Florida.

The financing's governance framework is a primary strength under our Green Evaluation. We believe the financing structure provides

strong protections that will prevent bond proceeds from being diverted to other purposes outside the STC project.

Our evaluation of the management of proceeds and impact assessment practices associated with this financing results in an excellent Governance score. The score is a result of a combination of factors including the depositing of bond proceeds into a separate account restricted to STC project purposes, the ability to demonstrate that proceeds will not be applied for purposes outside the STC project, and GOAA's intention to measure energy and water usage savings for the economic life of the projects. We furthermore view favorably GOAA's plans to publically report, through open public meetings, all expenditures made from series 2017A bond proceeds on a project-level basis.

The authority plans to monitor energy and water usage savings for the economic life of the buildings. GOAA is targeting 20% energy savings for the new buildings compared to a baseline, higher than the 16% required to meet the targeted level of LEED certification.

While we note the authority plans to track energy and water use savings for internal and LEED-reporting purposes, we believe this financing's transparency is satisfactory but not as strong as financings where project-specific environmental impacts are tracked and publicly reported on a regular basis. Though the authority will track, using Energy Star Portfolio Manager, the

estimated energy and water usage savings for each building in the STC, it has not committed to publicly reporting metrics related to the savings accruing from the STC project components funded by this transaction. The design and implementation of the STC reflects management's alignment of capital planning with the initiatives of its SMP. The SMP outlines GOAA's intentions to monitor and reduce energy and water usage, in addition to its commitment to requiring that building projects achieve LEED certification whenever possible. Demonstrating its commitment to tracking and reporting environmental outcomes on an aggregate basis, the authority publishes an annual "Sustainability Performance Report Card," which highlights metrics including diverted solid waste, reduced energy use intensities, and water usage savings.

The financing's satisfactory Transparency as evaluated under our Green Evaluation reflects several factors. It benefits from GOAA's intention to report the allocation of bond proceeds at the STC project level on a quarterly basis through meetings open to the public, as it does for projects related to past financings. We also understand that the energy and water savings and associated environmental impact at the STC level will be tracked internally. However, although we expect GOAA will continue to report environmental impacts on an aggregate basis for the airport complex, it has not committed to regular public reporting of the environmental impact specific to this financing.

Project level scores

Sector	Location	Technology	Use of Proceeds (US\$ Mil.)	Use of Proceeds treatment	Net Benefit Ranking
Green buildings	Florida	New build - commercial	997.00	Estimated	70
			997.00		

Green Evaluation Process

44

Transparency

85

Governance

84

Mitigation

Weighted aggregate of three
(Transparency + Governance + Mitigation)

E1/78

Overall score

Technology	Baseline carbon intensity	Net Benefit Ranking	Carbon hierarchy adjustment	Environmental Impact Score	Proceeds (US\$ Mil.)
	Florida, U.S. Extremely High <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Low				
Wind power			Systemic decarbonization		
Solar power					
Small hydro					
Large hydro (excluding tropical areas)					
Energy management and control					
Unspecified					
Green transport without fossil fuel combustion					
Green buildings – new build		70	Significant decarbonization in sectors already aligned with a green economy	84	997
Unspecified					
Energy efficiency (industrial and appliance efficiencies)			Alleviating emissions of existing carbon-intense industries		
Green transport with fossil fuel combustion					
Green buildings refurbishment					
Unspecified					
Nuclear			Decarbonization technologies with significant environmental hazards		
Large hydro in tropical areas					
Unspecified					
Coal to natural gas			Improvement of fossil-fueled activities' environmental efficiency		
Cleaner fuel production					
Cleaner use of coal					
Unspecified					
Technology	Baseline water stress	Net Benefit Ranking	Water hierarchy adjustment	Environmental Impact Score	Proceeds (US\$ Mil.)
Water					

Scores may vary slightly from the actual due to rounding.

S&P Global Ratings | Green Evaluation

Our Green Evaluation Approach

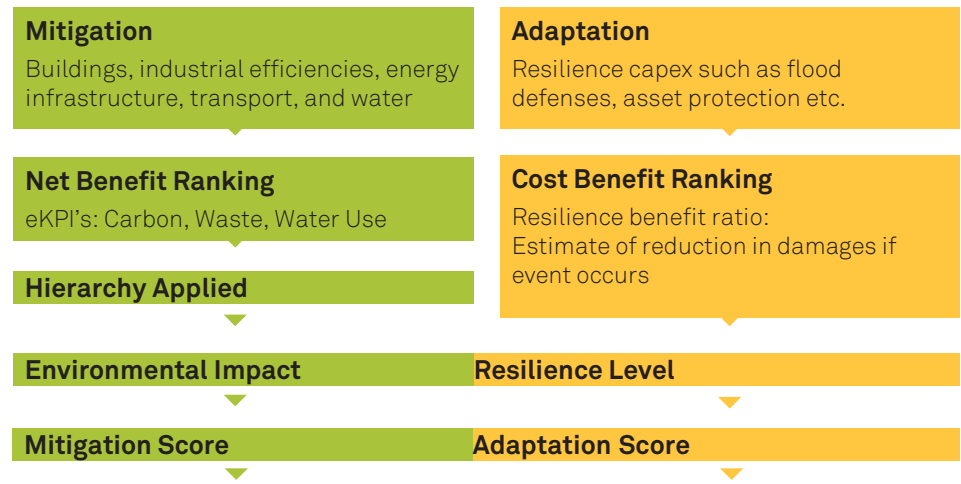
Weighted aggregate of three:



Common approach used amongst second opinion providers



Unique to S&P Global Ratings



eKPI – Environmental Key Performance Indicator

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