Greetings - you are receiving this newsletter because you have been identified as a party that could potentially benefit from using the Statewide Community Infrastructure Program to finance impact fees and improvements related to new development projects or to refinance currently outstanding Special Assessment District or Community Facilities District debt.

You may reply directly to this email with any questions about participating in the Program.

Don't forget to add service@elabra.com to your contact list to ensure that future distributions land in your inbox!

Applications Open for SCIP 2020A!

SCIP 2020A Applications Due by December 1st!

CSCDA is accepting applications through December 1st for the Statewide Community Infrastructure Program's Annual Spring "Series A" financing, expected to price in April 2020 and close in May 2020. The schedule for SCIP 2020A is provided below:

**NOW**

Applications due by **December 1, 2019**

**December 2019 - January 2020**
Prepare Preliminary Engineer's Reports

**February 2020**
SCICDA Statewide Community Infrastructure Program (SCIP) Innovations for 2020

Community Facilities District (CFD) Local Obligation (Pooled Program Option)

SCIP has a CFD program, which to date has been offered to larger projects on a stand-alone basis. Projects in 2019 include:

- **Uptown Newport** - $9MM for Shopoff for the City of Newport Beach;
- **Pacific Highlands** - $18MM for Pardee in the City of San Diego; and
- **DMB’s Delta Coves** - $11 MM as a second series of bonds in Contra Costa County.

Upcoming CFDs for 2019 include:

- **Brookfield’s University District** – City of Rohnert Park
- **Raintree’s McSweeny Ranch** – City of Hemet

In general, these have all been larger projects than most SCIP pooled projects (which average $2 MM in size), and are oftentimes set up to issue bonds in series or phases over a number of years. They follow a standard JCFA legal structure, and are approved on a project by project basis by each CSCDA participating local agency.

**SCIP will be expanding its CFD program to include smaller projects as part of the pool**

The SCIP pool issues three series/year in the spring, the fall and end of year. For next year, commencing with SCIP 2020B (the fall issue), SCIP will be adding a CFD Local Obligation option, in addition to the Assessment Local Obligation structure, historically used as part of the pool. The CFD option will be targeted primarily for:

- Projects which for one reason or another require school fee funding, or need to add facilities to meet a specific tax rate target.
- There will some size restrictions still to be determined, and in general the RMA’s will need to be fairly generic to not create administrative difficulties.
- We expect to have the form of Resolution and an accompanying staff report available by December.
Any developer wishing to select the CFD will need to coordinate with our office on obtaining local agency approval. We intend to make this a seamless transition as part of our current pooled program and its due diligence process. The application deadline for the fall issue (SCIP 2020B) is April 1, 2020.

**Taxable SCIP Bonds**

For those who have participated in SCIP financings, an important task is our tax due diligence with local agencies to insure they have active capital improvement programs and expect to spend bond proceeds for pre-funded fees within 3 years, or are not using SCIP funds to pay debt service on other bonds. It is important to note, this is not a SCIP requirement, but a requirement of the IRS for any tax-exempt bond issue. However, in some cases we have had local agencies tell us they can’t meet this requirement, and in those cases SCIP has not been able to fund those fees. Starting in 2020, we will have a taxable SCIP bond option. With taxable bonds, local agencies do not need to certify a 3 year time period for expenditure of funds, and they can be used without restriction to pay debt service, which is often the case for water and sewer connection fees. Again, there will be minimum size restrictions to be reviewed on a case by case basis.

**Fee Administration for Sacramento Sanitation District and SASD**

The Sacramento Sanitation and Sewer Districts have been important member of SCIP for projects in in the City and Sacramento County. Since becoming members in 2017, SCIP has funded over $20 MM in fees for a number of developments. Because fees are funded for a multitude of different cities and the county, the tracking and applying fee credits has been a difficult process. Starting with SCIP 2019B, BLX who is the SCIP administrator, will be processing reimbursement in lieu of fee credits going forward. SCIP will be preparing fee tracking sheets for each project. The tracking sheets will show fees reimbursed at closing and fee credits by APN’s for pre-funded fees after issuance. Remember, the average fee credit may not be equal to fees paid if there is a developer contribution, or if the fees change year by year, but the tracking sheets will allow for more accurate accounting of actual fee credits based on what was funded. For fees paid prior to the sale of bonds, BLX will reimburse those fees at closing (as they do now). After issuance, developers will need to pay those fees and then submit for reimbursement along with the receipt confirming payment. Any questions can be directed to our office, or by calling Vo Nguyen at BLX at (213)-612-2152, or by email at vnguyen@blxgroup.com. Once payment of fees has been verified funds can be wired within 24 hours.

**Delta Coves CFD**

On October 7, 2019, CSCDA issued $11,115,000 for the second series of Bonds for the Community Facilities District No. 2016-02 (Delta Coves). The 30-Year Bonds were sold at a Bond Yield of 3.680% and a True Interest
Cost of 4.387% with an overall Value-to-Lien Ratio of 4.0-to-1. At the time of pricing, 19 permits were pulled and construction started and 4 homes were contracted for sale.

Delta Coves is an exclusive, high-end development consisting of waterfront homes with private docks, a saltwater lagoon, and a 4,500 square foot private recreational facility which includes a pool, barbecue, and picnic areas, and 230 private boat slips with access to the Sacramento/San Joaquin Delta. 126 lots have been conveyed to Blue Mountain Communities and Davidson Builders. The developer, SCD Delta Coves, has entered into a Development Management Agreement with DMB Development, LLC, which provides asset management services to upscale and resort real estate projects throughout the Western United States. The CFD notably joins together 4 local agencies, the Diablo Water District, Iron House Sanitary, the Bethel Island Municipal Improvement District, and the East Contra Costa Fire District. The CFD is located in the eastern portion of Contra Costa County, California, within the unincorporated community of Bethel Island, and consists of approximately 310 acres to be developed into 560 waterfront homes.

SCIP 2019C - Winter Pooled Bond Sale

The Resolution(s) of Intention for CSCDA's third annual issuance of Statewide Community Infrastructure Program pooled revenue bonds (SCIP 2019C) were passed on September 19th. There are 11 projects and 10 participating local agencies with an estimated bond issuance size of $18,995,000*. The public hearing will be held on November 7th and the bonds will be issued and close by December. The issue will finance impact fees / public improvements for 719 single-family units and 191 multi-family units.

*Preliminary and subject to change.
Upcoming Bond Sales

McSweeny Farms CFD - City of Hemet

CSCDA has formed the McSweeny CFD, located in the City of Hemet in Riverside County. The District is part of the McSweeny Farms 600-acre master-planned community of 1,646 single family residences and premier amenities being developed by Raintree Partners. The simple lifestyle at McSweeny Farms is elevated by The Farm House community center and prestigious amenities including a resort-style pool and fitness center, community parks, miles of trails, a community
The CFD includes two (2) Improvement Areas (IA) composed of 496 residential planned units in IA-1 and 841 planned residential units in IA-2 with proposed maximum bonded indebtedness of $25,000,000 and $55,000,000 in each respective IA. The Special Tax Bonds, the first series of which is anticipated to be issued in November of 2019 will finance public facilities and streets, roads & parkways, parks and drainage improvements.

Market Update

Global markets have remained volatile throughout 2019 due to uncertainty surrounding trade policy, Brexit, global growth, and geopolitical stress. Despite all of the uncertainties, the market has recently been optimistic over US/China trade talks and a Brexit extension to January 31st. The 10-year US Treasury has increased slightly to 1.73% as of November 1st, still only 37 basis points (0.37%) from its all-time low level. The 10-year tax-exempt AAA MMD benchmark yield is at 1.49%, only 28 basis points from its all-time low. Long-term tax-exempt rates have recently reached all-time low levels, with 30-year MMD now at 2.06%.

The FOMC cut rates by another quarter point on Wednesday, October 30th in a move that was widely expected by the market. The Fed stated that they will continue to monitor information as it “assesses the appropriate” rate path. They stated that the labor market is strong, economic growth is moderate, and consumption has been rising at a strong pace, but business fixed investment and exports remain weak. Inflation still continues to run below 2%.

In the municipal market, municipal bond funds reported their 43rd consecutive week of positive flows. The technical of positive flows continues to drive activity, especially in California following federal tax reform. While supply had been historically low, the recent low yields have caused a drastic spike in transactions. Many forecasters are anticipating heavy supply in 2020, with bond sales surging to a near record pace.
10-Year US Treasury vs. 10-Year AAA MMD (November 2017 - Present)

Visit our website for more information

WEBSITE | FAQS | FINANCE TEAM | PRESENTATION