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January 9, 2020

**CSFA Annual Meeting**



**CaLease Annual Meeting**



**CSCDC Annual Meeting**



**CSCDA Special Meeting**



**CSCDA Annual Meeting**

ANNUAL MEETING AGENDA OF
THE CALIFORNIA STATEWIDE FINANCING AUTHORITY (CSFA)

**January 9, 2020**
**9:00 a.m.**

**Carmel Valley Ranch**
**One Old Ranch Road, Carmel, California**

## A. OPENING AND PROCEDURAL ITEMS

1. Roll Call.

| | | | |
|---|---|---|---|
| ____ | Kevin O'Rourke, Vice Chair | ____ | Marcia Raines, Member |
| ____ | Brian Moura, Treasurer | ____ | Brian Stiger, Member |
| ____ | Tim Snellings, Secretary | ____ | Michael Cooper, Alt. Member |
| ____ | Dan Mierzwa, Member | ____ | Niroop Srivatsa, Alt. Member |
| ____ | Jordan Kaufman, Member | | |

2. Election of Officers.

3. Consideration of the Minutes of the January 10, 2019 Annual Meeting.

4. Public Comment.

5. Consideration of Audited Financial Statements for Fiscal Year Ending June 30, 2019.

6. Executive Director Update.

7. Staff Updates.

8. Adjourn.

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**MINUTES**

**ANNUAL MEETING AGENDA OF**
**THE CALIFORNIA STATEWIDE FINANCING AUTHORITY (CSFA)**

**January 10, 2019 at 9:00 a.m.**

**Quail Lodge**
**8205 Valley Greens Drive, Carmel California**

Commission Chair Larry Combs called the meeting to order at 9:04 a.m.

1. Roll Call.

   Commission members present: Larry Combs, Kevin O'Rourke, Tim Snellings, Brian Moura, Dan Mierzwa, Jordan Kaufman, Marcia Raines, and Michael Cooper.

   Others present: Cathy Bando, CSCDA Executive Director; James Hamill, Bridge Strategic Partners; Jon Penkower, Bridge Strategic Partners; Greg Stepanicich, CSCDA General Counsel; Alan Fernandes, CSAC Finance Corporation; Laura Labanieh, CSAC Finance Corporation; Jim Manker, CSAC Finance Corporation; Sendy Young, CSAC Finance Corporation; Carolyn Coleman, League of California Cities; Norman Coppinger, League of California Cities; Trisha Ortiz, Richards, Watson & Gershon; Justin Cooper, Orrick, Herrington & Sutcliffe; Roger Davis, Orrick, Herrington & Sutcliffe; Patricia Eichar, Orrick, Herrington & Sutcliffe; Bob Williams, RBC Capital Markets; Luke Brewer, RBC Capital Markets; Josh Anzel, Jones Hall; Chris Lynch, Jones Hall; Rachel Hobbs, PACE Funding Group; Bob Giles, PACE Funding Group; Bob Schuman, Counter Pointe Energy Solutions; C.J. DeSantis, Counter Pointe Energy Solutions; Victor Vilaplana, Renovate America; Vince Lazalde, Stifel; Tom Jacob, Stifel; and Nate Perez, David Taussig & Associates, Inc.

2. Election of Officers.

   J. Kaufman nominated the existing officers to be elected, second by M. Raines:

   Larry Combs as President
   Kevin O'Rourke as Vice Chair
   Brian Moura as Treasurer
   Tim Snellings as Secretary

   ***Motion to close the nominations and adopt the slate of officers by J. Kaufman. Second by D. Mierzwa. Unanimously approved by voiced vote.***

3. Consideration of the Minutes of the October 18, 2018 Special Meeting.

   The Commission approved the minutes of the October 18, 2018 Special Meeting.

   ***Motion to approve by D. Mierzwa. Second by T. Snellings. Unanimously approved by voiced vote. M. Raines abstained from voting.***

4. Public Comment.

There was no public comment.

5. CSFA Financing Review

   Informational item. Executive Director Bando gave a summary of the 2018 financial statements.

   As of 6/30/2018 CSFA outstanding bonds were at $281 million. Current projection is that the bonds will never be repaid. They are also predicted to run out in 2075. This program will not likely be used in the future.

6. Executive Director Update.

   Executive Director Bando had no updates.

7. Staff Update.

   Staff had no updates.

8. Adjourn.

   The meeting was adjourned at 9:19 a.m.

   Submitted by: Sendy Young, CSAC Finance Corporation

## California Statewide Financing Authority (CSFA)

### Agenda Item No. 5

# Agenda Report

**DATE:** January 9, 2020

**TO:** CSCDA COMMISSIONERS

**FROM:** Cathy Bando, Executive Director

**PURPOSE:** Consideration of Audited Financial Statements for Fiscal Year Ending June 30, 2019

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**BACKGROUND AND SUMMARY:**

CSFA was created in 2002 as a joint powers authority between the following counties to finance payments from the nationwide Tobacco Settlement Agreement. The participants include: Colusa, Imperial, Kings, Madera, Modoc, San Benito, Solano, Tehama, Tuolumne, Yolo and Yuba counties.

The following is a summary of the year ended June 30, 2019 financial statements:

- The largest asset of the CSFA (79% of the assets) is investments primarily comprised of unspent bond proceeds.
- The only asset recorded for the pledged tobacco settlement proceeds is the receivable attributable to the current period.
- The CSFA's net position is in a deficit of approximately $253.1 and $249.6 million as of June 30, 2019 and 2018 respectively. Since the interest accreted during the year in the amount of $9,689,155 was more that the principal paid of $6,800,000 the overall outstanding bond liability and deficit increased.
- The revenue activity in 2019 was $418 thousand less than 2018 due to reductions in tobacco settlement proceeds received in 2019.
- During the year long term debt increased by $3.0 million attributable to principal payments in the amount of $6.8 million, amortization of the bond discount of $0.2 million and the accretion of interest in the amount of $9.7 million.
- The decline in the overall consumption of cigarettes below levels estimated, could have a material effect on the payments received by CSFA used to pay its debt service. CSFA is currently on track to meet the maturity dates of the bonds, but is presently behind on the expected final turbo redemption dates.

**RECOMMENDATION:**

CSCDA's Executive Director recommends the approval of the year ended June 30, 2019 financial statements for CSFA.

**CALIFORNIA STATEWIDE FINANCING AUTHORITY**

Independent Auditor's Report
Financial Statements
and Supplementary Information

June 30, 2019

**MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP**
**1760 CREEKSIDE OAKS DRIVE, SUITE 160**
**SACRAMENTO, CALIFORNIA 95833**

**CALIFORNIA STATEWIDE FINANCING AUTHORITY**
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JUNE 30, 2019

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California Statewide Financing Authority
Sacramento, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the debt service fund of the California Statewide Financing Authority (the Authority), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the debt service fund of the California Statewide Financing Authority, as of June 30, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 8 to the financial statements, the Authority has a deficit net position as a result of the full amount of the long-term liabilities being presented on the face of the financial statements, but only a portion of the tobacco settlement revenues being presented on the face of the financial statements. In addition, Fitch withdrew all ratings assigned to U.S. tobacco asset-backed securities, and Moody's ratings on the Authority's Series 2002 term bonds range from Ba2 to Baa1. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, be presented to supplement the basic financial statement. Such information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations  contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mann, Urrutia, Nelson CPAs

Sacramento, California
October 9, 2019

**Management's Discussion and Analysis (Unaudited)**

The California Statewide Financing Authority (the Authority) is a public entity created by a Joint Exercise of Powers Agreement (Agreement) effective as of June 14, 2002 between the California counties of Colusa, Imperial, Kings, Madera, Modoc, San Benito, Solano, Tehama, Tuolumne, Yolo, and Yuba (the participating counties). A seven-member board of directors (Board) made up of the Commission of the California Statewide Communities Development Authority, a joint powers agency created pursuant to an amended and restated joint exercise of powers agreement dated as of June 1, 1998, governs it. The Authority was created for the purpose of empowering the Authority to finance the payments to be received by the participating counties from the nation-wide Tobacco Settlement Agreement (Payments) for such purposes, but not limited to, issuance, sale, execution and delivery of Bonds secured by those Payments or the lending of money based on thereof, or to securitize, sell, purchase or otherwise dispose of some or all of such Payments of the participating counties.

The Authority is a public entity legally separate and apart from the participating counties. The debts and liabilities of the Authority belong solely to it, and none of the participating counties are in any way responsible for those liabilities.

As management of the Authority, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2019.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements.

**Financial Statements**. The financial statements combine what are known as the government-wide and fund financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business, and include the following statements:

The *statement of net position* presents information on the Authority's assets and liabilities, with the difference between the two reported as *net position*. The statement of net position is presented as the right column on page 7.

The *statement of activities* presents information showing how the Authority's net position changed during the year ended June 30, 2019. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. accrued interest payable). The statement of activities is presented as the right column on page 8.

*Fund financial statements* reflect a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the period. The debt service fund financial statements are presented as the left columns on pages 7 and 8.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Reconciliations between both the governmental fund balance sheet and statement of revenues, expenditures, and change in fund balance and the government-wide statement of net position and statement of activities, respectively, are provided to facilitate the comparison. These reconciliations are presented as the adjustments columns on pages 7 and 8.

**Notes to the Basic Financial Statements**. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 9 - 15 of this report.

### Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The largest asset of the Authority (78% of total assets) is investments, primarily comprised of unspent bond proceeds, most of which is set aside for the bond reserve requirement. The majority of the Authority's liabilities (99%) relate to outstanding bonds. Because the only asset recorded for the pledged tobacco settlement proceeds is the receivable attributable to the current period, the Authority's net position is in a deficit position of approximately $253.1 and $249.6 million as of June 30, 2019 and 2018, respectively. Both the outstanding bonds and the deficit net position amounts will increase or decrease in tandem as tobacco settlement proceeds are received and bonds are paid. Since the interest accreted during the year of $9,689,155 was more than the principal paid of $6,800,000, the overall outstanding bond liability and deficit net position increased. While outstanding, the bonds will remain the primary liability of the Authority.

**Net Position**

| | 2019 | 2018 |
|---|---|---|
| Current and other assets | $ 33,062,076 | $ 33,450,955 |
| Long-term liabilities | 284,700,837 | 281,651,890 |
| Other liabilities | 1,444,306 | 1,444,306 |
| Total liabilities | 286,145,143 | 283,096,196 |
| Unrestricted net position | $ (253,083,067) | $ (249,645,241) |

Activity for the years ended June 30, 2019 and 2018 were as follows:

**Change in Net Position**

| | 2019 | 2018 |
|---|---|---|
| Program revenues | $ 15,050,240 | $ 15,468,499 |
| Expenses | 18,488,066 | 18,067,851 |
| Change in unrestricted net position | (3,437,826) | (2,599,352) |
| Unrestricted net position, beginning of year | (249,645,241) | (247,045,889) |
| Unrestricted net position, end of year | $ (253,083,067) | $ (249,645,241) |

The revenue activity in 2019 was $418,000 less than 2018 due to a decrease in the settlement proceeds received during 2019. Interest and fiscal charge activity between the two years remained relatively consistent.

### Governmental Activities

The Authority does not have business-type activities, and so the analysis presented above for the government-wide financial statements also represents an analysis of the Authority's governmental activities.

### Financial Analysis of the Authority's Governmental Fund

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

As of June 30, 2019 and 2018, the Authority reported ending fund balances of $25.9 million and $26.4 million, respectively, which is all restricted for debt service purposes. For the year ended June 30, 2019, the Authority's fund balance decreased by $500,000 to $25.9 million as a result of the Authority incurring approximately $15.4 million for debt service expenditures, net of $14.1 million in tobacco settlement proceeds and $882,000 in interest income.

## Capital Assets and Debt Administration

### *Capital Assets*

At the end of the current period, the Authority did not have any capital assets.

### *Debt Administration*

Tobacco Settlement Asset-Backed Bonds, Series 2002 Bonds were issued July 17, 2002 and Series 2006 Bonds were issued April 13, 2006, for the purpose of allowing the Authority to finance and secure a specific level of receipts in lieu of the actual payments to be received by the participating counties from the nation-wide Tobacco Settlement Agreement (Payments). The settlement was based on a number of lawsuits by states and local governments against the various tobacco corporations to recover the cost of health and related other costs attributed to smoking. A Master Settlement Agreement was created among the impacted parties, which delineated the receipts the participating counties would be entitled to receive from the settlement. The proceeds were used to purchase the tobacco settlement rights.

The participating counties expect to use the proceeds to fund escrow endowments and, from the endowments and interest earnings thereon, to finance or refinance over a period of years capital projects and/or other county non-capital programs not specifically identified.

- $98,770,000 for two issues of Series 2002A Bonds. The first series is for $10,090,000 in serial bonds, issued with interest rates ranging from 3.125% to 5.125%, which final matured on May 1, 2017. The second series of A bonds represent three issues of term bonds. The first term bond is for $28,045,000 with an interest rate of 5.625%, and due on May 1, 2029. The second term bond is for $27,540,000 with an interest rate of 6%. There was a total of $3,420,000 which was turbo-redeemed on November 1, 2018 and May 1, 2019. The remaining bonds are due on May 1, 2037. The third term bond is for $33,095,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2022, and due on May 1, 2043.

- $97,775,000 for two issues of Series 2002B Bonds. The first series is for $9,980,000 in serial bonds, issued with interest rates ranging from 3.125% to 5.125%, which final matured on May 1, 2017. The second series of B bonds represent three issues of term bonds. The first term bond is for $27,765,000 with an interest rate of 5.625%, due on May 1, 2029. The second term bond is for $27,265,000 with an interest rate of 6%. There was a total of $3,380,000 which was turbo-redeemed on November 1, 2018 and May 1, 2019. The remaining bonds are due on May 1, 2037. The third term bond is for $32,765,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2022, and due on May 1, 2043.

- $25,566,106 Series 2006A Turbo Capital Appreciation Bonds with an interest rate of 6.25%, with an expected final turbo redemption date of June 1, 2028, and due on June 1, 2046.

- $6,466,114 Series 2006B Turbo Capital Appreciation Bonds with an interest rate of 6.375%, with an expected final turbo redemption date of June 1, 2030, and due on June 1, 2046.

- $18,913,518 Series 2006C Turbo Capital Appreciation Bonds with an interest rate of 7%, with an expected final turbo redemption date of June 1, 2035, and due on June 1, 2055.

- $10,804,800 Series 2006D Turbo Capital Appreciation Bonds with an interest rate of 7.875%, with an expected final turbo redemption date of June 1, 2040, and due on June 1, 2055.

During the year ended June 30, 2019, long-term debt increased by $3.0 million attributable to principal payments in the amount of $6.8 million, amortization of the bond discount of $0.2 million, and the accretion of interest in the amount of $9.7 million.

The Moody's ratings on the Series 2002 Bonds are Baa1 on the term bonds maturing on May 1, 2029, Ba2 on the term bonds maturing on May 1, 2037, and Ba3 on the term bonds maturing on May 1, 2043. Moody's hasn't rated the Series 2006 Bonds.

On June 15, 2016, Fitch withdrew all ratings assigned to U.S. tobacco asset-backed securities because modifications to material calculations originally part of the base Master Settlement Agreement have eroded Fitch's confidence that ratings can be consistently maintained, as insufficient information exists to predict the likelihood and effect of future modifications, or that insufficient information will exist to support new, material variables included in the modifications.

**Economic Factors and Next Year's Budget**

The bond covenants relating to the borrowing restrict the Authority's annual budget to no more than $300,000 per year. Bond rating services fees are estimated to be $20,000. The other significant fee is $60,000 for continuing disclosure services from Bondlogistix.

The bond repayment is subject to a debt repayment schedule, but it can be accelerated, dependent upon greater than expected receipts from the Nation-wide Tobacco Settlement Lawsuit pool. The actual receipts are predicated upon cigarette sales (for the annual gross amount available for distribution) and certain demographic factors (which determine the amount any litigant receives). Although the Authority is currently on track to meet the maturity dates of the Bonds, it is presently behind on the expected final turbo redemption dates of those same Bonds.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

California Statewide Communities Development Authority
1100 K Street, Suite 101
Sacramento, California 95814

**CALIFORNIA STATEWIDE FINANCING AUTHORITY**
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
AS OF JUNE 30, 2019

| | Debt Service Fund | Adjustments (Note 3) | Statement of Net Position |
|---|---|---|---|
| **ASSETS** | | | |
| Restricted investments (Note 5) | $ 25,884,924 | $ - | $ 25,884,924 |
| Interest receivable | 17,330 | - | 17,330 |
| Pledged tobacco settlement proceeds receivable | 7,159,822 | - | 7,159,822 |
| Total Assets | $ 33,062,076 | $ - | $ 33,062,076 |
| **LIABILITIES** | | | |
| Accrued interest payable | $ - | $ 1,444,306 | $ 1,444,306 |
| Long-term liabilities (Note 6): | | | |
| Due after one year | - | 284,700,837 | 284,700,837 |
| Total Liabilities | - | 286,145,143 | 286,145,143 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue | 7,159,822 | (7,159,822) | - |
| **FUND BALANCE/NET POSITION** | | | |
| Fund balance: | | | |
| Restricted for debt service | 25,902,254 | (25,902,254) | - |
| Total liabilities, deferred inflows of resources, and fund balance | $ 33,062,076 | | |
| Net position: | | | |
| Unrestricted deficit | | $ (253,083,067) | $ (253,083,067) |

See accompanying notes to the financial statement

**CALIFORNIA STATEWIDE FINANCING AUTHORITY**
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

| | Debt Service Fund | Adjustments (Note 4) | Statement of Activities |
|---|---|---|---|
| **EXPENDITURES/EXPENSES** | | | |
| Debt service: | | | |
| Principal | $ 6,800,000 | $ (6,800,000) | $ - |
| Interest and fiscal charges | 8,639,119 | 9,848,947 | 18,488,066 |
| Total expenditures/expenses | 15,439,119 | 3,048,947 | 18,488,066 |
| **PROGRAM REVENUES** | | | |
| Investment income | 881,945 | - | 881,945 |
| Pledged tobacco settlement proceeds | 14,053,593 | 114,702 | 14,168,295 |
| Total revenues | 14,935,538 | 114,702 | 15,050,240 |
| Change in fund balance/net position | (503,581) | (2,934,245) | (3,437,826) |
| Fund balance/net position - July 1, 2018 | 26,405,835 | (276,051,076) | (249,645,241) |
| Fund balance/net position - June 30, 2019 | $ 25,902,254 | $ (278,985,321) | $ (253,083,067) |

See accompanying notes to the financial statement

## NOTE 1 - NATURE OF ORGANIZATION

The California Statewide Financing Authority (the Authority) was created by a Joint Exercise of Powers Agreement (Agreement) effective as of June 14, 2002 between the counties of Colusa, Imperial, Kings, Madera, Modoc, San Benito, Solano, Tehama, Tuolumne, Yolo, and Yuba (the participating counties). A seven-member board of directors (Board) made up of the Commission of the California Statewide Communities Development Authority, a joint powers agency created pursuant to an amended and restated joint exercise of powers agreement dated as of June 1, 1988, governs it. The Authority was created for the purpose of empowering the Authority to finance the payments to be received by the participating counties from the nation-wide Tobacco Settlement Agreement (Payments) for such purposes, but not limited to, issuance, sale, execution and delivery of Bonds secured by those Payments or the lending of money based on thereof, or to securitize, sell, purchase or otherwise dispose of some or all of such Payments of the participating counties.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The Authority's financial statements have been condensed to present both the government-wide and debt service governmental fund financial information in one set of financial statements.

The government-wide financial information (i.e., statement of net position and statement of activities) is presented as the right hand column of the financial statements presented on pages 7 and 8. This information includes the financial activities of the overall Authority. Eliminations have been made to minimize the double counting of internal activities.

The statement of net position is designed to display the financial position of the entity.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment or function. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

The debt service governmental fund financial information is presented as the left hand column of the financial statements presented on pages 7 and 8. The middle column of these financial statements reconciles the two other columns, and the reconciling amounts are explained in further detail in notes 3 and 4.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses when the liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pledged tobacco settlement proceeds are considered 'measurable' when the event giving rise to recognition - the domestic shipment of cigarettes (sales) - occurs. Because the annual pledged tobacco settlement proceeds are based on cigarette sales from the preceding calendar year, the Authority accrues half of the pledged tobacco settlement proceeds received in the subsequent year, which represents sales derived from January 1 to June 30. However, since those proceeds are not received until April of the following year, they are not considered available, and therefore are reported as deferred inflows of resources at year end.

The Authority reports the following major governmental fund:

- The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Net Position/Fund Balance

The government-wide financial statements utilize a net position presentation. Although the Authority's activities are restricted for debt service, its net position is categorized as unrestricted because of the deficit position.

The governmental fund utilizes a classified fund balance presentation. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which amounts can be spent. The Authority's fund balance is restricted for future debt service payments as its resources are legally segregated for that specific purpose.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

## NOTE 3 - ADJUSTMENTS BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION

The financial statement presented on page 7 includes an adjustments column that reconciles the balance sheet of the debt service governmental fund and the government-wide statement of net position. These adjustments are further detailed below while reconciling the fund balance of the debt service governmental fund and net position of the government-wide financial information.

| | |
|---|---|
| Fund balance | $ 25,902,254 |
| Certain long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the fund. | 7,159,822 |
| Long-term liabilities, including bonds payable and related discounts, are not due and payable in the current period and therefore are not reported in the governmental fund. Interest on long-term liabilities is not accrued in the governmental fund, but rather is recognized as an expenditure when it is due. Accrued interest payable is reported in the statement of net position. | |
| Accrued interest payable | (1,444,306) |
| Bonds payable | (200,965,538) |
| Accreted interest | (87,543,655) |
| Discounts on bonds | 3,808,356 |
| Net position | $ (253,083,067) |

## NOTE 4 - ADJUSTMENTS BETWEEN GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

The financial statement presented on page 8 includes an adjustments column that reconciles the debt service governmental fund revenues, expenditures, and changes in fund balance and the government-wide statement of activities. These adjustments are further detailed below while reconciling the change in fund balance of the debt service governmental fund and the change in net position of the government-wide financial information.

| | |
|---|---|
| Change in fund balance | $ (503,581) |
| The payment of the principal of long-term liabilities consumes the current financial resources of the governmental fund. However, this transaction has no effect on net position. | 6,800,000 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. | |
| Change in accreted interest | (9,689,155) |
| Amortization of bonds discounts | (159,792) |
| Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenue in the fund. This amount represents the change in the unavailable revenue from the previous year. | 114,702 |
| Change in net position | $ (3,437,826) |

## NOTE 5 - RESTRICTED INVESTMENTS

Investments at June 30, 2019 totaling $25,884,924 are held by the indenture trustee and are restricted for the payment of future debt service.

Funds held by the indenture trustee may be invested in eligible investments as governed by the provisions of the indenture.

The following are eligible investments:

a) Defeasance collateral;
b) Direct obligations of, or obligations guaranteed by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, or the Federal Farm Credit System;
c) Demand and time deposits or certificates of deposit, or bankers' acceptances;
d) General obligations of, or obligations guaranteed by, any state of the United States or the District of Columbia;
e) Commercial or finance company paper;
f) Repurchase obligations;
g) Corporate securities;
h) Investment agreements or guaranteed investment contracts;
i) Money market funds;
j) The State of California Local Agency Investment Fund or any state administered pool investment fund in which any participant is statutorily permitted or required to invest;
k) Any other investment described in California Government Code Section 53601, as it may be amended or supplemented; and
1) Other obligations, securities, agreements, or contracts that are non-callable and that are acceptable to each rating agency.

Provided that eligible investments shall not include any obligations of any of the participating counties.

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the indenture trustee manages the Authority's exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The indenture does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

Investments in external investment pools and mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The commercial paper is also not exposed to custodial credit risk.

### Concentration of Credit Risk

The indenture between the Authority and indenture trustee contains no limitations on the amount that can be invested in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At June 30, 2019 there were no investments in any one issuer that represented 5 percent or more of total investments.

**NOTE 5 - RESTRICTED INVESTMENTS (Continued)**

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Debt proceeds held by the indenture trustee were used to purchase investments with the minimum ratings required by the indenture. As of June 30, 2019, the Authority's investments and credit ratings are as follows:

| | Credit Rating | Maturities Less than 30 days | Fair Value |
|---|---|---|---|
| Investments held by fiscal agent: | | | |
| Money Market Funds | Aaa | $ 25,884,924 | $ 25,884,924 |
| Total | | $ 25,884,924 | $ 25,884,924 |

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Authority has the following recurring fair value measurements as of June 30, 2019:

| | | Fair Value Measurements Using: | |
|---|---|---|---|
| Investment Type | Total | Level 1 | Level 2 |
| Money Market Funds | $ 25,884,924 | $ - | $ 25,884,924 |
| Total | $ 25,884,924 | $ - | $ 25,884,924 |

**NOTE 6 - LONG-TERM LIABILITIES**

Long-term liabilities consisted of the following original issues:

$98,770,000 for two issues of Series 2002A Bonds, including $10,090,000 in serial bonds, issued with interest rates ranging from 3.125% to 5.125%, which final matured on May 1, 2017. The second series of A bonds represent three issues of term bonds. The first term bond is for $28,045,000 with an interest rate of 5.625%, and due on May 1, 2029. The second term bond is for $27,540,000 with an interest rate of 6%, and due on May 1, 2037. The third term bond is for $33,095,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2022, and due on May 1, 2043.

$97,775,000 for two issues of Series 2002B Bonds, including $9,980,000 in serial bonds, issued with interest rates ranging from 3.125% to 5.125%, which final matured on May 1, 2017. The second series of B bonds represent three issues of term bonds. The first term bond is for $27,765,000 with an interest rate of 5.625%, due on May 1, 2029. The second term bond is for $27,265,000 with an interest rate of 6%, and due on May 1, 2037. The third term bond is for $32,765,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2022, and due on May 1, 2043.

**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

$25,566,106 Series 2006A Turbo Capital Appreciation Bonds with an interest rate of 6.25%, with an expected final turbo redemption date of June 1, 2028, and due on June 1, 2046.

$6,466,114 Series 2006B Turbo Capital Appreciation Bonds with an interest rate of 6.375%, with an expected final turbo redemption date of June 1, 2030, and due on June 1, 2046.

$18,913,518 Series 2006C Turbo Capital Appreciation Bonds with an interest rate of 7%, with an expected final turbo redemption date of June 1, 2035, and due on June 1, 2055.

$10,804,800 Series 2006D Turbo Capital Appreciation Bonds with an interest rate of 7.875%, with an expected final turbo redemption date of June 1, 2040, and due on June 1, 2055.

Future debt service requirements at June 30, 2019 are as follows:

| Years Ended June 30, | Principal | Interest |
|---|---|---|
| 2020 | $ - | $ 8,665,838 |
| 2021 | - | 8,665,838 |
| 2022 | - | 8,665,838 |
| 2023 | - | 8,665,838 |
| 2024 | - | 8,665,838 |
| 2025-2029 | 25,350,000 | 43,329,190 |
| 2030-2034 | - | 36,199,500 |
| 2035-2039 | 54,805,000 | 29,622,900 |
| 2040-2044 | 59,060,000 | 15,806,400 |
| 2045-2049 | 32,032,220 | 291,155,400 |
| 2050-2054 | 29,718,318 | 938,916,194 |
| | $ 200,965,538 | $1,398,358,774 |

The following summarizes the long-term liabilities activity during the year:

| | Balance July 1, 2018 | Additions | Retirements | Balance June 30, 2019 | Due within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 207,765,538 | $ - | $ (6,800,000) | $ 200,965,538 | $ - |
| Add accreted interest | 77,854,500 | 9,689,155 | - | 87,543,655 | - |
| Less discounts | (3,968,148) | - | 159,792 | (3,808,356) | - |
| Long-term liabilities | $ 281,651,890 | $ 9,689,155 | $ (6,640,208) | $ 284,700,837 | $ - |

**NOTE 7 - PLEDGED TOBACCO SETTLEMENT PROCEEDS**

In November 1998, 46 states (including California), six other United States jurisdictions and participating cigarette manufacturers entered into a Master Settlement Agreement (MSA) in settlement of certain cigarette smoking litigation. The MSA calls for the cigarette manufacturers to make annual payments to the settling states, beginning in 2000 and continuing in perpetuity.

The State of California entered into a separate Memorandum of Understanding (MOU) with all California counties and certain affected cities regarding the distribution and use of the State's share of tobacco settlement revenues (TSRs). The MOU calls for 45% of the State's allocation to be distributed to the counties and certain affected cities based on population.

**NOTE 8 - DEFICIT IN NET POSITION**

Under the terms of the MSA as described in Note 7, the tobacco companies have agreed to make annual TSR payments in perpetuity. Under GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, these rights do not meet the criteria for recognition as an asset in the financial statements as the tobacco companies have no obligation to make TSR payments until cigarettes are shipped. The event that results in the recognition of an asset and revenue by the Authority is therefore the domestic shipment of cigarettes (sales). And since only the domestic shipment of cigarettes for the period of January 2019 through June 2019 had occurred and not been received by year end, this is the only receivable recognized by the Authority, which can only be estimated as it won't be received until 2020. That amount is estimated to be $7,159,822, which is one half of the $14,319,644 in TSRs estimated to be received for calendar year 2018 based on the analysis contained in the official statement of the California Statewide Financing Authority, Tobacco Settlement Asset-Backed Bonds, Series 2006, adjusted downward based on actual TSRs received in recent years.

As a result of the full amount of the long-term liabilities in the amount of $284,700,837 being presented on the face of these financial statements, but only $7,159,822 in TSRs accrued on the face of these financial statements, net position is shown as a deficit of $253,083,067 at June 30, 2019.

It should be noted that a decline in the overall consumption of cigarettes below the levels estimated, based on the analysis contained in the official statement of the California Statewide Financing Authority, Tobacco Settlement Asset-Backed Bonds, Series 2006, could have a material adverse effect on the payments received by the Authority used to pay its debt service payments of the Bonds. Although the Authority is currently on track to meet the maturity dates of the Bonds, it is presently behind on the expected final turbo redemption dates of those same Bonds.

As a result, on June 15, 2016, Fitch withdrew all ratings assigned to U.S. tobacco asset-backed securities because modifications to material calculations originally part of the base Master Settlement Agreement have eroded Fitch's confidence that ratings can be consistently maintained, as insufficient information exists to predict the likelihood and effect of future modifications, or that insufficient information will exist to support new, material variables included in the modifications.

Moody's ratings on the Series 2002 Bonds are Baa1 on the term bonds maturing on May 1, 2029, Ba2 on the term bonds maturing on May 1, 2037, and Ba3 on the term bonds maturing on May 1, 2043. Moody's hasn't rated the Series 2006 Bonds.

# OTHER REPORT

MUN CPAs

MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
California Statewide Financing Authority
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the debt service fund of California Statewide Financing Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise California Statewide Financing Authority's basic financial statements, and have issued our report thereon dated October 9, 2019.

**Internal Control Over Financial Reporting**
In planning and performing our audit of the financial statements, we considered California Statewide Financing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California Statewide Financing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of California Statewide Financing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**
As part of obtaining reasonable assurance about whether California Statewide Financing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mann, Urrutia, Nelson CPAs

Sacramento, California
October 9, 2019

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**ANNUAL MEETING AGENDA OF**
**THE CALEASE PUBLIC FUNDING CORPORATION (CaLease)**

**January 9, 2020**
**9:00 a.m. or upon adjournment of the CSFA Annual Meeting**

**Carmel Valley Ranch**
**One Old Ranch Road, Carmel, California**

## A. OPENING AND PROCEDURAL ITEMS

1. Roll Call.

| | | | |
|---|---|---|---|
| ____ | Kevin O'Rourke, Vice Chair | ____ | Marcia Raines, Member |
| ____ | Brian Moura, Treasurer | ____ | Brian Stiger, Member |
| ____ | Tim Snellings, Secretary | ____ | Michael Cooper, Alt. Member |
| ____ | Dan Mierzwa, Member | ____ | Niroop Srivatsa, Alt. Member |
| ____ | Jordan Kaufman, Member | | |

2. Election of Officers.

3. Consideration of the minutes of the June 20, 2019 Special Meeting.

4. Public Comment.

5. Executive Director Update.

6. Staff Updates.

7. Adjourn.

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**MINUTES**

**SPECIAL MEETING AGENDA OF**
**THE CALEASE PUBLIC FUNDING CORPORATION**

**June 20, 2019 at 2:15 p.m.**
**or upon adjournment of the Regular CSCDA Meeting**

**California State Association of Counties**
**1100 K Street, 1st Floor, Sacramento, CA 95814**

Commission Chair Larry Combs called the meeting to order at 2:35 p.m.

1. Roll Call.

   Commission members present:

   Commission members participating via teleconference: Larry Combs, Tim Snellings, Brian Mora, Dan Mierzwa, Jordan Kaufman, Marcia Raines, Michael Cooper and Niroop Srivatsa.

   Others present: James Hamill, Bridge Strategic Partners; and Sendy Young, CSAC Finance Corporation.

   Others participating via teleconference: Cathy Bando, CSCDA Executive Director; Patricia Eichar, Orrick, Herrington & Sutcliffe; and Greg Stepanicich, Richards Watson & Gershon.

2. Consideration of the Minutes of the January 10, 2019 Annual Meeting.

   The Commission approved the minutes of the January 10, 2019 Annual Meeting.

   ***Motion to approve by J. Kaufman. Second by D. Mierzwa. Unanimously approved by voiced vote.***

3. Public Comment.

   There was no public comment.

4. Consideration of lease financing for County of Madera facilities in an amount not to exceed $3,900,000.

   Executive Director Bando informed the Commission that The County of Madera has requested that the CaLease Public Funding Corporation assist with providing lease financing for the County to acquire and renovate certain facilities including the Oakhurst Medical Office Building, an agriculture building and the Ranchos Library in an amount not to exceed $3,900,000. The Financing complies with CSCDA's general and issuance policies. CaLease's Executive Director recommends that the Directors adopt the resolution,

   ***Motion to approve M. Raines. Second by D. Mierzwa. Unanimously approved with the by roll-call vote.***

5. Executive Director Update.

   The Executive Director had no update.

6. Staff Update.

   Staff had no update.

7. Adjourn.

   The meeting was adjourned at 2:40 p.m.

   Submitted by: Sendy Young, CSAC Finance Corporation

**ANNUAL MEETING AGENDA**

**January 9, 2020**
**9:00 a.m. or upon adjournment of the CaLease Meeting**

**Carmel Valley Ranch**
**One Old Ranch Road, Carmel, California**

**A. OPENING AND PROCEDURAL ITEMS**

1. Roll Call.

| | | | |
|---|---|---|---|
| ____ | Kevin O'Rourke, Vice President | ____ | Marcia Raines, Member |
| ____ | Brian Moura, Treasurer | ____ | Brian Stiger, Member |
| ____ | Tim Snellings, Secretary | ____ | Michael Cooper, Alt. Member |
| ____ | Dan Mierzwa, Member | ____ | Niroop Srivatsa, Alt. Member |
| ____ | Jordan Kaufman, Member | | |

2. Election of Officers.

3. Consideration of the Minutes of the January 10, 2019 Meeting.

4. Public Comment.

**B. ITEMS FOR CONSIDERATION**

5. Consideration of Audited Financial Statements for Fiscal Year Ending June 30, 2019.

**C. STAFF ANNOUNCEMENTS, REPORTS ON ACTIVITIES OR REQUESTS**

6. Executive Director Update.

7. Staff Updates.

8. Adjourn.

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**MINUTES**

**ANNUAL MEETING OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT CORPORATION**

**9:00 a.m. or upon adjournment of the CaLease Meeting**

**Quail Lodge**
**8205 Valley Greens Drive, Carmel, California**

Board Vice President Larry Combs called the meeting to order at 9:32 a.m.

1. Roll Call.

   Commission members present: Larry Combs, Kevin O'Rourke, Tim Snellings, Brian Moura, Dan Mierzwa, Jordan Kaufman, Marcia Raines, and Michael Cooper.

   Others present: Cathy Bando, CSCDA Executive Director; James Hamill, Bridge Strategic Partners; Jon Penkower, Bridge Strategic Partners; Greg Stepanicich, CSCDA General Counsel; Alan Fernandes, CSAC Finance Corporation; Laura Labanieh, CSAC Finance Corporation; Jim Manker, CSAC Finance Corporation; Sendy Young, CSAC Finance Corporation; Carolyn Coleman, League of California Cities; Norman Coppinger, League of California Cities; Trisha Ortiz, Richards, Watson & Gershon; Justin Cooper, Orrick, Herrington & Sutcliffe; Roger Davis, Orrick, Herrington & Sutcliffe; Patricia Eichar, Orrick, Herrington & Sutcliffe; Bob Williams, RBC Capital Markets; Luke Brewer, RBC Capital Markets; Josh Anzel, Jones Hall; Chris Lynch, Jones Hall; Rachel Hobbs, PACE Funding Group; Bob Giles, PACE Funding Group; Bob Schuman, Counter Pointe Energy Solutions; C.J. DeSantis, Counter Pointe Energy Solutions; Victor Vilaplana, Renovate America; Vince Lazalde, Stifel; Tom Jacob, Stifel; and Nate Perez, David Taussig & Associates, Inc

2. Election of Officer.

   J. Kaufman nominated the following officers to be elected, second by D. Mierzwa:

   Larry Combs as President
   Kevin O'Rourke as Vice President
   Brian Moura as Treasurer
   Tim Snellings as Secretary

   ***Motion to close the nominations and adopt the slate of officers by T. Snellings. Second by D. Mierzwa. Unanimously approved by voiced vote.***

3. Consideration of the Minutes of the June 21, 2018 Meeting.

   The Commission approved the minutes of June 21, 2018 Special Meeting.

   ***Motion to approve by B. Moura. Second by D. Mierzwa. Unanimously approved by voiced vote. M. Raines abstained from voting.***

4. Public Comment.

   There was no public comment.

5. CSCDC Program Review & Update.

   Jon Penkower gave the CSCDC review.

   With the federal government shutdown the awards for the New Market Tax Credit (NMTC) have not been announced. Staff will keep the Commission informed of the outcome.

6. Consideration of CSCDC audited financial statements for fiscal year 2017/18.

   Executive Director Bando gave the update on the CSCDC audited statements. The audit provides detail on expense allocation, including sponsorship fees and the NMTC awards administered. CSCDC's Executive Director recommended approval of the 2017 and 2018 audited financial statements.

   ***Motion to approve and adopt by D. Mierzwa. Second by K O'Rourke. Unanimously approved by voiced vote.***

7. Executive Director Update.

   Executive Director Bando had no updates.

8. Staff Update.

   Staff had no updates.

9. Adjourn.

   The meeting was adjourned at 10:00 a.m.

   Submitted by: Sendy Young, CSAC Finance Corporation

CSCDC
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT CORPORATION

**Agenda Item No. 5**

# Agenda Report

**DATE:** January 9, 2020

**TO:** CSCDC BOARD OF DIRECTORS

**FROM:** Cathy Bando, Executive Director

**PURPOSE:** Consideration of CSCDC audited financial statements for fiscal years ending June 30, 2018 and June 30, 2019

---

## BACKGROUND AND SUMMARY:

Attached for the consideration of the Board are the CSCDC audited financial statements for fiscal year ending June 30, 2018 and June 30, 2019. Novogradac & Company, LLP prepared the reports working with the League of California Cities and CSCDC staff. Highlights from the audited financial statements include the following:

1. **Closing Fees –** CSCDC received $3,500,000 and $0, respectively in 2018 and 2019, in closing fees from NMTC transactions.

2. **Asset Management Fees –** CSCDC received $656,700 and $533,439, respectively in 2018 and 2019, in asset management fees from previously closed NMTC transactions.

3. **Expenses –** CSCDC incurred a total of $626,165 and $4,177,795, respectively in 2018 and 2019, in expenses, comprised primarily of sponsorship fees, legal, accounting, asset management and other professional fees.

4. **Cash Flows –** CSCDC's cash positions were $116,831 and $104,986 at the end of 2018 and 2019, respectively.

The audit provides more detail on expense allocation, including sponsorship fees and the NMTC awards administered.

## RECOMMENDED ACTION:

CSCDC's Executive Director recommends approval of the 2018 and 2019 audited financial statements.

NOVOGRADAC & COMPANY LLP®

# California Statewide Communities Development Corporation

**Financial Statements with Report of Independent Auditors**

**For the years ended June 30, 2019 and 2018**

NOVOGRADAC
& COMPANY LLP®

CERTIFIED PUBLIC ACCOUNTANTS

# Report of Independent Auditors

To the Board of Directors of
California Statewide Communities Development Corporation:

We have audited the accompanying financial statements of California Statewide Communities Development Corporation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3025 North Wooster Avenue, Dover, Ohio 44622
www.novoco.com | 330.365.5400

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Statewide Communities Development Corporation as of June 30, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Change in Accounting Principle*

As discussed in Note 2 to the financial statements, California Statewide Communities Development Corporation adopted a change in accounting principle for financial reporting, primarily related to the presentation of net assets and required disclosures related to liquidity and functional expenses. Our opinion is not modified with respect to that matter.

Novogradac & Company LLP

Dover, Ohio
December 9, 2019

## CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 104,986 | $ 116,831 |
| Due from related parties | 183 | 2,850 |
| Investments in Community Development Entities | 13,569 | 13,821 |
| Total assets | $ 118,738 | $ 133,502 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | $ 1,861 | $ 66,215 |
| Deferred income | 29,000 | 14,000 |
| Total liabilities | 30,861 | 80,215 |
| Net assets without donor restrictions | 87,877 | 53,287 |
| Total liabilities and net assets | $ 118,738 | $ 133,502 |

See accompanying notes to financial statements

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT CORPORATION**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS | | |
| Closing fee income | $ - | $ 3,500,000 |
| Asset management fee income | 656,700 | 533,439 |
| Other income | 4,055 | 6,871 |
| Total revenue and support | 660,755 | 4,040,310 |
| EXPENDITURES | | |
| Program services | 550,971 | 4,105,115 |
| Administrative and support | 75,194 | 72,680 |
| Total expenditures | 626,165 | 4,177,795 |
| INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 34,590 | (137,485) |
| NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR | 53,287 | 190,772 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR | $ 87,877 | $ 53,287 |

See accompanying notes to financial statements

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT CORPORATION**

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended June 30, 2019 and 2018

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| EXPENDITURES | | Program Services | | Administrative and Support | | Total |
| Sponsor fees | $ | 480,000 | $ | - | $ | 480,000 |
| Professional fees | | 70,971 | | 51,500 | | 122,471 |
| Bad debt expense | | - | | - | | - |
| CA taxes and filing fees | | - | | 22,344 | | 22,344 |
| Miscellaneous expenses | | - | | 1,350 | | 1,350 |
| Total expenditures | $ | 550,971 | $ | 75,194 | $ | 626,165 |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| EXPENDITURES | | Program Services | | Administrative and Support | | Total |
| Sponsor fees | $ | 3,035,853 | $ | - | $ | 3,035,853 |
| Professional fees | | 980,964 | | 48,700 | | 1,029,664 |
| Bad debt expense | | 88,298 | | - | | 88,298 |
| CA taxes and filing fees | | - | | 22,000 | | 22,000 |
| Miscellaneous expenses | | - | | 1,980 | | 1,980 |
| Total expenditures | $ | 4,105,115 | $ | 72,680 | $ | 4,177,795 |

See accompanying notes to financial statements

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT CORPORATION**
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Increase (decrease) in net assets without donor restrictions | $ | 34,590 | $ | (137,485) |
| Adjustments to reconcile increase (decrease) in net assets without donor restrictions to net cash used in operating activities: | | | | |
| Bad debt expense | | - | | 88,298 |
| Decrease (increase) in due from related parties | | 2,667 | | (25,350) |
| Increase in deferred income | | 15,000 | | 14,000 |
| Decrease in accounts payable and accrued expenses | | (64,354) | | (7,756) |
| Decrease in reservation fees payable | | - | | (120,000) |
| Net cash used in operating activities | | (12,097) | | (188,293) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Decrease (increase) in investments in Community Development Entities | | 252 | | (6,521) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (11,845) | | (194,814) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 116,831 | | 311,645 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ | 104,986 | $ | 116,831 |

See accompanying notes to financial statements

## NOTE 1 – ORGANIZATION

California Statewide Communities Development Corporation (the "Organization"), a California nonprofit public benefit corporation, was formed on May 6, 2011 to qualify as a Community Development Entity (CDE) and to engage in such activities which qualify for New Markets Tax Credits (NMTC) pursuant to Section 45D of the Internal Revenue Code.

The Organization has been certified by the Community Development Financial Institutions Fund of the U.S. Department of Treasury ("CDFI Fund") as a CDE. As a CDE, the Organization's primary mission is to invest in Subsidiary Allocatees ("Limited Liability Companies") that provide loans, equity investments, or financial services to qualified businesses in Low-Income Communities in the Organization's service area of California. As of June 30, 2019 and 2018, the Organization has received $143,000,000 of NMTC investment authority from the CDFI Fund.

The NMTC program provides investors with credits against federal income taxes they incur. NMTCs are passed through to an investor for each Qualified Equity Investment (QEI) made in a CDE certified as such by the CDFI Fund. The investor receives credits over a seven-year period for each QEI, equal to 39% of the QEI amount (5% during each of years one through three and 6% during each of years four through seven). The CDEs use the QEI proceeds to make Qualified Low-Income Community Investments (QLICIs) to Qualified Active Low-Income Community Businesses (QALICBs). QLICIs include loans to or equity investments in QALICBs or other CDEs. CDEs must comply with various federal requirements or investors risk recapture of tax credits plus penalties and interest thereon.

The Organization is governed by a Board of Directors. As a not-for-profit corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and therefore without tax liability, the Organization cannot itself use NMTCs. In order to utilize the allocation received by the Organization from the CDFI Fund, the Board of Directors of the Organization suballocates NMTC investment authority to various Limited Liability Companies, which are CDEs organized and managed by the Organization. The Organization seeks to suballocate NMTC investment authority to CDEs that provide investments in projects that accomplish goals consistent with the mission of the Organization and in accordance with certain terms agreed to in the allocation agreements with the CDFI Fund.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America ("US GAAP").

### Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

### Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of Presentation (continued)

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

*Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization's net assets are not subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as net assets without donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

### Concentration of Credit Risk

The Organization maintains cash in banks which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

### Income Taxes

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(4) of the Internal Revenue Code and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

The preparation of financial statements in accordance with US GAAP requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. Management has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state taxing authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state taxing authorities were recorded in the accompanying financial statements.

### Revenue Recognition

The Organization earns revenue by providing origination, underwriting, asset management, dissolution, and other services to the CDEs and QALICBs which are governed by the related operating and fee agreements. Sub-allocation, origination, and underwriting fees are recognized when QEIs are closed and are recorded as Closing Fee Income on the statement of activities and changes in net assets. Reservation fees for projects are recorded as a liability when received. A reservation fee would be included as revenue if the reservation of NMTC allocation is withdrawn. As of June 30, 2019 and 2018, there have been no instances of non-refundable reservation fees. Asset management fees are recognized as income as the Organization provides the services (generally over a seven-year period).

### Investments in Community Development Entities – Equity Method

The Organization uses the equity method of accounting for its investments in 15 CDEs in which the Organization serves as the managing member, as the Organization has significant influence over, but not control of the major operating and financial policies of the CDEs. Under this method, the Organization's share of income, losses, and

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in Community Development Entities – Equity Method (continued)

distributions incurred by the CDEs is recognized as an increase or reduction of the carrying value of the investments. Since the Organization has no obligation to fund liabilities beyond its investment, including loans and advances, the carrying value of the investments may not be reduced below zero. To the extent that equity losses are incurred when the Organization's carrying value of the investments has reached zero, losses will be suspended and applied against future income.

The Organization has adopted the nature of distributions approach for the classification of distributions received from equity method investees in the statement of cash flows. In accordance with this approach, distributions received from the CDEs are classified as either operating or investing cash inflows based on the nature of the activities of the CDE that generated the distributions. Returns on investments are classified as operating activities in the statement of cash flows, while returns of investment are classified as investing activities.

A list of the CDEs that are recorded under the equity method and the Organization's ownership percentages in these CDEs are disclosed in Note 4.

### Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and Cash Equivalents

The Organization considers all short-term financial instruments with a maturity of three months or less at the date of acquisition to be cash equivalents.

### Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program services and administrative and support services benefited. Such allocations are determined by management on an equitable basis. There are no fundraising costs.

The expenses that are allocated include the following:

| Expenses | Method of Allocation |
|---|---|
| Sponsor fees | Time and Effort |
| Professional fees | Full Time Equivalent |
| Bad debt expense | Time and Effort |
| CA taxes and filing fees | Time and Effort |
| Miscellaneous expenses | Time and Effort |

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Subsequent Events**
Subsequent events have been evaluated through December 9, 2019, which is the date the financial statements were available to be issued and there are no subsequent events requiring disclosure.

## NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Organization's financial assets at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Financial assets at year end: | | |
| Cash and cash equivalents | $ 104,986 | $ 116,831 |
| Due from related parties | 183 | 2,850 |
| Financial assets available to meet general expenditures over the next twelve months | $ 105,169 | $ 119,681 |

The Corporation's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $100,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

## NOTE 4 – INVESTMENTS IN COMMUNITY DEVELOPMENT ENTITIES

The Organization owns an interest in the following CDEs as of June 30, 2019 and 2018, which were formed for the purpose of receiving sub-allocations of NMTC authority from the Organization:

As of June 30, 2019 and 2018

| Community Development Entities | Percentage Ownership |
|---|---|
| CSCDC 1 LLC | 0.01% |
| CSCDC 2 LLC | 0.01% |
| CSCDC 3 LLC | 0.01% |
| CSCDC 4 LLC | 0.01% |
| CSCDC 5 LLC | 0.01% |
| CSCDC 6 LLC | 0.01% |
| CSCDC 7 LLC | 0.01% |
| CSCDC 8 LLC | 0.01% |
| CSCDC 9 LLC | 0.01% |
| CSCDC 10 LLC | 0.01% |
| CSCDC 11 LLC | 0.01% |
| CSCDC 12 LLC | 0.01% |
| CSCDC 13 LLC | 0.01% |
| CSCDC 14 LLC | 0.01% |
| CSCDC 15 LLC | 0.01% |

The investments in the CDEs at June 30, 2019 and 2018 totaled $13,569 and $13,821, respectively.

## NOTE 5 – RELATED PARTY TRANSACTIONS

**Asset Management Fee Income**

The Organization earns quarterly asset management fee income from each of the CDEs, prorated for partial quarters, as compensation for the ongoing administration and management of the CDEs (the "Asset Management Fee Income"). In addition, the CDEs incur certain expenses such as tax preparation fees, corporate filing fees, annual state franchise fees, etc. as discussed in the Fee and Expense Agreements between the QALICBs, CDEs, and the Organization. The Organization pays these expenses on behalf of the CDEs. Pursuant to each of the CDEs' fee and expense agreements, the Organization is to be reimbursed for these costs (the "Reimbursement Income"). The Asset Management Fee Income and Reimbursement Income are collectively referred to and recorded as Asset Management Fee Income on the statement of activities and changes in net assets. For the years ended June 30, 2019 and 2018, the total Asset Management Fee Income earned from the CDEs was $656,700 and $533,439, respectively. At June 30, 2019 and 2018, the amount receivable from the CDEs included as due from related parties totaled $183 and $2,850, respectively. At June 30, 2019 and 2018, the CDEs prepaid $29,000 and $14,000, respectively, of Asset Management Fee Income to the Organization and has been included in deferred income on the accompanying financial statements. During the years ended June 30, 2019 and 2018, $0 and $88,298, respectively, of receivables due from related parties was written-off as bad debt expense.

## NOTE 6 – SPONSOR FEES

The Organization entered into a Services Agreement with Bridge Strategic Partners LLC ("BSP"). Pursuant to the Services Agreement with BSP, the Organization is to pay BSP a sponsor fee for NMTC and management services rendered. The sponsor fee is payable from net proceeds of closing fees received from each CDE and QALICB, less third party expenses as a result of closing each NMTC transaction. The Organization also pays California State Association of Counties ("CSAC") and League of California Cities ("LCC") for similar services provided. The sponsor fee is allocated among CSAC, LCC, and BSP (collectively, the "Sponsors") 20%, 20% and 60%, respectively, for upfront fees and 30%, 30% and 40%, respectively for residual administration fees. For the years ended June 30, 2019 and 2018, the Organization incurred and paid $200,000 and $2,795,154, respectively, of sponsor fees.

Pursuant to the New Markets Tax Credit Services Agreement, New Markets Support Company, LLC ("NMSC") is to provide management services including ongoing accounting, compliance, and administrative services for each of the CDEs discussed in Note 4. In consideration of the services to be provided by NMSC, the Organization is to pay BSP, who in turn pays NMSC a fee each quarter for each CDE, pro-rated for partial calendar quarters. For the years ended June 30, 2019 and 2018, the Organization incurred $280,000 and $240,699, respectively, of additional sponsor fees. At June 30, 2019 and 2018, the amount payable to NMSC was $0 and $65,877, respectively.

## NOTE 7 – NMTC AWARDS ADMINISTERED

As of June 30, 2019 and 2018, all $143M of NMTC allocation authority awarded to CSCDC was invested in thirteen CDEs and thirteen respective projects. The following tables show the total allocation received, total QEIs closed, and total allocation remaining by round for the years ended June 30, 2019 and 2018, respectively:

| | Projects | Allocation received | QEIs closed before 6/30/2018 | QEIs closed during 7/1/2018 through 6/30/2019 | Total QEIs closed through June 30, 2019 | Allocation remaining as of June 30, 2019 |
|---|---|---|---|---|---|---|
| Round 10 | 4 | $ 35,000,000 | $ 35,000,000 | $ - | $ 35,000,000 | $ - |
| Round 11 | 4 | 38,000,000 | 38,000,000 | - | 38,000,000 | - |
| Round 13 | 5 | 70,000,000 | 70,000,000 | - | 70,000,000 | - |
| Total | 13 | $ 143,000,000 | $ 143,000,000 | $ - | $ 143,000,000 | $ - |

| | Projects | Allocation received | QEIs closed before 6/30/2017 | QEIs closed during 7/1/2017 through 6/30/2018 | Total QEIs closed through June 30, 2018 | Allocation remaining as of June 30, 2018 |
|---|---|---|---|---|---|---|
| Round 10 | 4 | $ 35,000,000 | $ 35,000,000 | $ - | $ 35,000,000 | $ - |
| Round 11 | 4 | 38,000,000 | 38,000,000 | - | 38,000,000 | - |
| Round 13 | 5 | 70,000,000 | - | 70,000,000 | 70,000,000 | - |
| Total | 13 | $ 143,000,000 | $ 73,000,000 | $ 70,000,000 | $ 143,000,000 | $ - |

## SPECIAL MEETING AGENDA

**January 9, 2020**
**9:00 a.m. or upon adjournment of the CSCDC Annual Meeting**

**Carmel Valley Ranch**
**One Old Ranch Road, Carmel, California**

1. Roll Call.

| | | | |
|---|---|---|---|
| ____ | Kevin O'Rourke, Vice Chair | ____ | Marcia Raines, Member |
| ____ | Brian Moura, Treasurer | ____ | Brian Stiger, Member |
| ____ | Tim Snellings, Secretary | ____ | Michael Cooper, Alt. Member |
| ____ | Dan Mierzwa, Member | ____ | Niroop Srivatsa, Alt. Member |
| ____ | Jordan Kaufman, Member | | |

2. Consent Calendar.

3. Adjourn.

**NEXT MEETING:** Thursday, January 23, 2020 at 2:00 p.m.
California State Association of Counties
1100 K Street, 1st Floor, Sacramento, CA 95814

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**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**

**CONSENT CALENDAR**

1. Inducement of Islas Development, LLC (Briarwood Manor), City of Montclair, County of San Bernardino; issue up to $15 million in multi-family housing revenue bonds.

January 9, 2020

**RESOLUTION NO. 20H-__**

**A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY SETTING FORTH THE AUTHORITY'S OFFICIAL INTENT TO ISSUE MULTIFAMILY HOUSING REVENUE BONDS TO UNDERTAKE THE FINANCING OF VARIOUS MULTIFAMILY RENTAL HOUSING PROJECTS AND RELATED ACTIONS**

**WHEREAS**, the Authority is authorized and empowered by the Title 1, Division 7, Chapter 5 of the California Government Code to issue mortgage revenue bonds pursuant to Part 5 (commencing with Section 52000) of the California Health and Safety Code (the "Act"), for the purpose of financing multifamily rental housing projects; and

**WHEREAS**, the borrowers identified in Exhibit A hereto and/or related entities (collectively, the "Borrowers") have requested that the Authority issue and sell multifamily housing revenue bonds (the "Bonds") pursuant to the Act for the purpose of financing the acquisition and rehabilitation or construction as set forth in Exhibit A, of certain multifamily rental housing developments identified in Exhibit A hereto (collectively, the "Projects"); and

**WHEREAS**, the Authority, in the course of assisting the Borrowers in financing the Projects, expects that the Borrowers have paid or may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Projects within 60 days prior to the adoption of this Resolution and prior to the issuance of the Bonds for the purpose of financing costs associated with the Projects on a long-term basis; and

**WHEREAS**, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Projects with proceeds of a subsequent tax-exempt borrowing; and

**WHEREAS**, the Authority wishes to declare its intention to authorize the issuance of Bonds for the purpose of financing costs of the Projects (including reimbursement of the Reimbursement Expenditures, when so requested by the Borrower upon such terms and condition as may then be agreed upon by the Authority, the Borrower and the purchaser of the Bonds) in an aggregate principal amount not to exceed the amount with respect to each Project set forth in Exhibit A; and

**WHEREAS**, Section 146 of the Internal Revenue Code of 1986 limits the amount of multifamily housing mortgage revenue bonds that may be issued on behalf of for-profit borrowers in any calendar year by entities within a state and authorizes the governor or the legislature of a state to provide the method of allocation within the state; and

**WHEREAS**, Chapter 11.8 of Division 1 of Title 2 of the California Government Code governs the allocation of the state ceiling among governmental units in the State of California having the authority to issue private activity bonds; and

**WHEREAS**, Section 8869.85 of the California Government Code requires a local agency desiring an allocation of the state ceiling to file an application with the California Debt Limit Allocation Committee (the "Committee") for such allocation, and the Committee has certain policies that are to be satisfied in connection with any such application;

**NOW, THEREFORE, BE IT RESOLVED** by the Commission of the Authority as follows:

Section 1. The above recitals, and each of them, are true and correct.

Section 2. The Authority hereby determines that it is necessary and desirable to provide financing for the Projects (including reimbursement of the Reimbursement Expenditures) by the issuance and sale of Bonds pursuant to the Act, as shall be authorized by resolution of the Authority at a meeting to be held for such purpose, in aggregate principal amounts not to exceed the amounts set forth in Exhibit A. This action is taken expressly for the purpose of inducing the Borrowers to undertake the Projects, and nothing contained herein shall be construed to signify that the Projects comply with the planning, zoning, subdivision and building laws and ordinances applicable thereto or to suggest that the Authority or any program participant, officer or agent of the Authority will grant any such approval, consent or permit that may be required in connection with the acquisition and construction or rehabilitation of the Projects, or that the Authority will make any expenditures, incur any indebtedness, or proceed with the financing of the Project.

Section 3. This resolution is being adopted by the Authority for purposes of establishing compliance with the requirements of Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations. In such regard, the Authority hereby declares its official intent to use proceeds of indebtedness to reimburse the Reimbursement Expenditures.

Section 4. The officers and/or the program managers of the Authority are hereby authorized and directed to apply to the Committee for an allocation from the state ceiling of private activity bonds to be issued by the Authority for each of the Projects in an amount not to exceed the amounts set forth in Exhibit A, and to take any and all other actions as may be necessary or appropriate in connection with such application, including but not limited to the payment of fees, the posting of deposits and the provision of certificates, and any such actions heretofore taken by such officers and program managers are hereby ratified, approved and confirmed.

**PASSED AND ADOPTED** by the California Statewide Communities Development Authority this January 9, 2020.

The undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of said Authority at a duly called meeting of the Commission of said Authority held in accordance with law on January 9, 2020.

By: ____________________________________
Authorized Signatory

## EXHIBIT A

| Project Name | Project Location | Project Description (units) | New Construction/ Acquisition and Rehabilitation | Legal Name of initial owner/operator | Bond Amount |
|---|---|---|---|---|---|
| Briarwood Manor Apartments | City of Montclair, County of San Bernardino | 98 | Acquisition and Rehabilitation | Islas Development, LLC | $15,000,000 |

**ANNUAL REGULAR MEETING AGENDA**

**January 9, 2020**
**9:00 a.m. or upon adjournment of the CSCDC Annual Meeting**

**Carmel Valley Ranch**
**One Old Ranch Road, Carmel, California**

## A. OPENING AND PROCEDURAL ITEMS

1. Roll Call.

| | | | |
|---|---|---|---|
| ____ | Kevin O'Rourke, Vice Chair | ____ | Marcia Raines, Member |
| ____ | Brian Moura, Treasurer | ____ | Brian Stiger, Member |
| ____ | Tim Snellings, Secretary | ____ | Michael Cooper, Alt. Member |
| ____ | Dan Mierzwa, Member | ____ | Niroop Srivatsa, Alt. Member |
| ____ | Jordan Kaufman, Member | | |

2. Election of Officers.

3. Consideration of the minutes of the December 19, 2019 Regular Meeting.

4. Consent Calendar.

5. Public Comment.

## B. AGENDA ITEMS

6. Consideration of the issuance of revenue bonds or other obligations to finance or refinance the following projects, the execution and delivery of related documents, and other related actions:

   a. Fairfield Park Villas LP (Park Villas Apartments), City of National City, County of San Diego; issue up to $75,000,000 in multi-family housing revenue bonds.

   b. Hobart Affordable, L.P. (Hobart Gardens Apartments), City of Los Angeles, County of Los Angeles; issue up to $56,000,000 in multi-family housing revenue bonds.

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c. Agave by Vintage, LP (Agave at Elk Grove Apartments), City of Elk Grove, County of Sacramento; issue up to $45,000,000 in multi-family housing revenue bonds.

d. Orchard Park Apartments, LP (Orchard Park Apartments), City of Beaumont, County of Riverside; issue up to $15,000,000 in multi-family housing revenue bonds.

e. Merced Gateway Investors II, LP (Gateway Terrace II Apartments), City of Merced, County of Merced; issue up to $12,000,000 in multi-family housing revenue bonds.

7. 2019 Update.

8. 2020 Overview.

9. Affordable Housing Program Review & Discussion.

10. Closed Session: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Government Code Section 54956.9(d)(1)).

    Name of Case: Robert Unser v. Western Riverside Council of Governments, et al. (San Diego County Superior Court Case No. 37-2018-00044500).

11. League of California Cities & California State Association of Counties Reports.

12. Marketing & Outreach Strategy Discussion.

## C. STAFF ANNOUNCEMENTS, REPORTS ON ACTIVITIES OR REQUESTS

13. Executive Director Update.

14. Staff Updates.

15. Adjourn.

**NEXT MEETING:** Thursday, January 23, 2020 at 2:00 p.m.
California State Association of Counties
1100 K Street, 1st Floor, Sacramento, CA 95814

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**

**CONSENT CALENDAR**

1. Inducement of Logan Capital Advisors, LLC (Briarwood Manor), City of Montclair, County of San Bernardino; issue up to $15 million in multi-family housing revenue bonds.

January 9, 2020

**MINUTES**

**REGULAR MEETING OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**

**December 19, 2019 at 2:00 p.m.**

**California State Association of Counties**
**1100 K Street, 3rd Floor, Sacramento, CA 95814**

Commission Chair Larry Combs called the meeting to order at 2:02 pm.

1. Roll Call.

   Commission members present: Larry Combs, Kevin O'Rourke, and Marcia Raines

   Commission members participating via teleconference: Brian Moura, Dan Mierzwa, and Jordan Kaufman.

   Others present: Cathy Bando, CSCDA Executive Director; James Hamill, Bridge Strategic Partners; Norman Coppinger, League of California Cities; and Sendy Young, CSAC Finance Corporation.

   Others participating via teleconference: Tricia Ortiz, Richards Watson & Gershon.

2. Consideration of the Minutes of December 5, 2019 Regular Meeting.

   The Commission approved the December 5, 2019 Regular Meeting minutes.

   ***Motion to approve by K. O'Rourke. Second by M. Raines. Unanimously approved by roll-call vote.***

3. Consideration of the Consent Calendar.

   The Commission approved the Consent Calendar.

   1. Inducement of St. Michaels, LP (St. Michael's Community Housing), City of Riverside, County of Riverside; issue up to $15 million in multi-family housing revenue bonds.

   2. Consideration of membership renewal with the Council of Development Finance Agencies (CDFA).

   3. Consideration of membership and sponsorship renewal with the California Council of Affordable Housing (CCAH).

4. Consideration of Legal Services Agreement with Allen Matkins related to Commercial PACE delinquency.

5. Consideration of PACE foreclosure resolution related to San Luis Obispo County.

6. Consideration of agreement for services with DTA with assessment administrator services related to LordCap's commercial PACE program.

***Motion to approve by D. Mierzwa. Second by B. Moura. Unanimously approved by roll-call vote.***

4. Public Comment.

   There was no public comment.

5. Recognition of Larry Comb's Service to CSCDA.

   Executive Director Bando, the Commission, and Staff thanked Commission Chair Combs for his 11 years of dedication to CSCDA.

6. Consider Setting Location, Date and Time of Annual Meeting to January 9, 2020 at 9:00 AM at Carmel Valley Ranch, One Old Ranch Road, Carmel, California 93923.

   ***Motion to approve location of the 1/9/2020 Annual Meeting with a 9:00 am start time by M. Raines. Second by K. O'Rourke. Unanimously approved by roll-call vote.***

7. Executive Director Update.

   Executive Director Bando announced that following the meeting a celebration for Commission Chair Combs would follow.

8. Staff Update.

   Staff had no update.

9. Adjourn.

   The meeting was adjourned at 2:22 p.m.

   Submitted by: Sendy Young, CSAC Finance Corporation

**NEXT MEETING:** Thursday, January 9, 2020 at 9:00 a.m.
Carmel Valley Ranch
One Old Ranch Road, Carmel, CA 93923

CSCDA
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

**Agenda Item No. 6a**

# Agenda Report

**DATE:** January 9, 2020

**TO:** CSCDA COMMISSIONERS

**FROM:** Cathy Bando, Executive Director

**PROJECT:** Park Villas Apartments

**PURPOSE:** Approve the Financing of Rental Affordable Housing Project Located in the City of National City, County of San Diego

**AMOUNT:** Not to Exceed $75,000,000

---

**EXECUTIVE SUMMARY:**

Park Villas Apartments (the "Project") is an acquisition and rehabilitation of 268 units of rental affordable housing located in the City of National City. 100% of the units will remain rent restricted for low-income residents.

**PROJECT DESCRIPTION:**

- Acquisition and rehabilitation of a 268-unit affordable rental housing facility located at 817 Eta Street in the City of National City.
- 12.41 site.
- 35 two-story residential buildings, pool, community center, playground and laundry rooms.
- Consists of 265 two and three-bedroom units and three manager's units.

**PROJECT ANALYSIS:**

**Background on Applicant:**

Fairfield Residential Company ("Fairfield") is a fully integrated development company, general contractor, and property management firm with considerable expertise in tax-exempt bond financing and with low income housing tax credit programs. These programs have been the principal funding sources for over 6,400 residential units in 26 projects built or renovated by Fairfield Investment Company LLC and its principals. This is Fairfield's seventh financing with CSCDA.

**Public Agency Approval:**

**TEFRA Hearing:** September 3, 2019 – City of National City – unanimous approval

**CDLAC Approval:** October 16, 2019

**Public Benefits:**

- 100% of the units will be rent restricted for 55 years.
  - 90% (238 units) restricted to 60% or less of area median income households.
  - 10% (27 units) restricted to 50% or less of area median income households.
  - Three Manager's units.
- The Project is in walking distance to parks, recreational facilities, public schools, grocery stores and other retail establishments.

**Sources and Uses:**

| | |
|---|---|
| Sources of Funds: | |
| Tax-Exempt Bonds: | $ 57,030,000 |
| GP Equity: | $ 2,385,475 |
| Tax Credit Equity: | $ 29,598,440 |
| Income: | $ 309,673 |
| Deferred Developer Fee: | $ 11,982,448 |
| Total Sources: | $ 101,306,036 |
| Uses of Funds: | |
| Acquisition: | $ 72,850,000 |
| Construction Costs: | $ 11,412,283 |
| Architecture & Engineering: | $ 55,000 |
| Relocation: | $ 500,000 |
| Capitalized Interest: | $ 2,509,361 |
| Operating Reserve | $ 1,068,765 |
| Developer Fee: | $ 11,982,448 |
| Costs of Issuance: | $ 408,000 |
| Soft Costs: | $ 520,179 |
| Total Uses: | $ 101,306,036 |

**Finance Partners:**

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP, San Francisco

Authority Counsel: Orrick, Herrington & Sutcliffe, LLP, Sacramento

Private Placement Purchaser: Citibank

**Finance Terms:**

| | |
|---|---|
| **Rating:** | Unrated |
| **Term:** | 35 years |
| **Method of Sale:** | Private Placement |
| **Estimated Closing:** | January 31, 2020 |

**CSCDA Policy Compliance:**

The financing of the Project complies with CSCDA's general and issuance policies for unrated debt.

**DOCUMENTS:** (as attachments)

1. CSCDA Resolution (Attachment A)

**COMMISSION ACTION RECOMMENDED BY THE EXECUTIVE DIRECTOR:**

CSCDA's Executive Director recommends that the Commission adopt the resolution, which:

1. Approves the issuance of the Bonds and the financing of the Project;
2. Approves all necessary actions and documents in connection with the financing; and
3. Authorizes any member of the Commission or Authorized Signatory to sign all necessary documents.

**ATTACHMENT A**

**RESOLUTION NO. 20H-__**

**A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE MULTIFAMILY HOUSING REVENUE NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $75,000,000 FOR THE FINANCING OF A MULTIFAMILY RENTAL HOUSING DEVELOPMENT GENERALLY KNOWN AS PARK VILLAS; DETERMINING AND PRESCRIBING CERTAIN MATTERS AND APPROVING AND AUTHORIZING THE EXECUTION OF AND DELIVERY OF VARIOUS DOCUMENTS RELATED THERETO; RATIFYING ANY ACTION HERETOFORE TAKEN AND APPROVING RELATED MATTERS IN CONNECTION WITH THE NOTES.**

**WHEREAS**, the California Statewide Communities Development Authority (the "Authority") is authorized by the Joint Powers Act, commencing with Section 6500 of the California Government Code (the "JPA Law"), and its Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988, as the same may be amended (the "Agreement"), to issue revenue bonds and execute and deliver revenue notes for the purpose of financing, among other things, the acquisition, construction and/or rehabilitation, and development of multifamily rental housing projects in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the "Housing Law");

**WHEREAS**, Fairfield Park Villas LP, a California limited partnership, and entities related thereto (the "Borrower"), has requested that the Authority execute and deliver its Multifamily Housing Revenue Note (Park Villas) 2020 Series C (the "Note") to assist in financing the acquisition and rehabilitation of a 268-unit multifamily housing rental development located in the City of National City, California (the "City"), and known as Park Villas (the "Project");

**WHEREAS**, on October 16, 2019, the Authority received a private activity bond volume cap allocation in the amount of $57,030,000 (the "Allocation Amount") from the California Debt Limit Allocation Committee ("CDLAC") in connection with the Project;

**WHEREAS**, the City is a Program Participant (as defined in the Agreement) of the Authority and has authorized the issuance, execution and delivery of tax-exempt obligations for the purpose of financing the Project;

**WHEREAS**, the Authority is willing to execute and deliver the Note in an aggregate principal amount not to exceed $75,000,000, provided that the portion of such Note executed and delivered as federally tax-exempt obligations shall not exceed the Allocation Amount, and to loan the proceeds thereof to the Borrower to assist in providing financing for the Project, which will allow the Borrower to reduce the cost of the Project and to assist in providing housing for low and moderate income persons;

**WHEREAS**, pursuant to Section 5852.1 of the California Government Code, the Authority, as a conduit financing provider, has received certain representations and good faith estimates from the Borrower and has disclosed such good faith estimates as set forth in Exhibit A attached hereto;

**WHEREAS**, the Note is expected to be executed and delivered to Citibank, N.A. (the "Funding Lender"), as the initial holder of the Note in accordance with the Authority's private placement policies; and

**WHEREAS**, there have been prepared and made available to the members of the Commission of the Authority (the "Commission") the following documents required for the execution and delivery of the Note, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended:

(1) Funding Loan Agreement (the "Funding Loan Agreement") to be entered into between the Funding Lender and the Authority;

(2) Borrower Loan Agreement (the "Borrower Loan Agreement") to be entered into between the Authority and the Borrower; and

(3) Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement"), to be entered into between the Authority and the Borrower.

**NOW, THEREFORE, BE IT RESOLVED** by the members of the Commission, as follows:

Section 1. The recitals set forth above are true and correct, and the members of the Commission hereby find them to be so.

Section 2. Pursuant to the JPA Law, the Funding Loan Agreement and in accordance with the Housing Law, the Authority is hereby authorized to execute and deliver the Note in one or more series. The Note shall be designated as "California Statewide Communities Development Authority Multifamily Housing Revenue Note (Park Villas) 2020 Series C" including, if and to the extent necessary, one or more sub-series, with appropriate modifications and series and sub-series designations as necessary, in an aggregate principal amount not to exceed $75,000,000; provided that the aggregate principal amount of any federally tax-exempt obligations shall not exceed the Allocation Amount. The Note shall be executed and delivered in the form set forth in and otherwise in accordance with the Funding Loan Agreement, and shall be executed on behalf of the Authority by the manual or facsimile signature of the Chair of the Authority or the manual signature of any Authorized Signatory (as defined below), and, if appropriate, attested by the facsimile signature of the Secretary of the Authority or the Assistant to the Secretary of the Authority, or the manual signature of any Authorized Signatory. The Note shall be secured in accordance with the terms of the Funding Loan Agreement presented to this meeting, as hereinafter approved. Payment of the principal and purchase price of, and prepayment or redemption premium, if any, and interest on, the Note shall be made solely from amounts pledged thereto under the Funding Loan Agreement, respectively, and the Note shall not be deemed to constitute a debt or liability of the Authority or any Program Participant or Member of the Commission of the Authority (each, a "Member").

Section 3. The Funding Loan Agreement in the form presented at this meeting is hereby approved. Any Member, or any other person as may be designated and authorized to sign for the Authority pursuant to a resolution adopted thereby (including, without limitation, the administrative delegates duly authorized pursuant to Resolution No. 19R-1 of the Authority, adopted on January 24, 2019) (together with the Members, each such person is referred to herein individually as an "Authorized Signatory"), acting alone, is authorized to execute by manual signature and deliver the Funding Loan Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof. The date, maturity date or dates (which shall not extend beyond 45 years from the date of execution and delivery thereof), interest rate or rates (which shall not exceed 12%), interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of prepayment and other terms of the Note shall be as provided in the Funding Loan Agreement as finally executed.

Section 4. The Borrower Loan Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Borrower Loan Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 5. The Regulatory Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Regulatory Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 6. The Authority is hereby authorized to execute and deliver the Note to the Funding Lender pursuant to the terms and conditions of the Funding Loan Agreement.

Section 7. All actions heretofore taken by the officers and agents of the Authority with respect to the financing of the Project, the execution and delivery of the Note are hereby approved, ratified and confirmed, and any Authorized Signatory, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to a tax certificate, loan related documents, assignment(s) of deed(s) of trust, any endorsement, allonge or assignment of any note and such other documents as described in the Funding Loan Agreement, and the other documents herein approved, and any documents or amendments which may be necessary to terminate any prior documents or instruments, which they, or any of them, may deem necessary or advisable in order to consummate the lawful execution and delivery of the Note, and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the Authority and otherwise in order to carry out the financing of the Project.

Section 8. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the execution and delivery of the Note, including without limitation any of the foregoing that may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project, any addition or substitution of security for the Note or any prepayment of the Note, may be given or taken by any Authorized Signatory, as appropriate, without further authorization by the Commission, and each such officer is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action that such officer may deem necessary or desirable to further the purposes of this Resolution and the financing of the Project; provided such action shall not create any obligation or liability of the Authority other than as provided in the Funding Loan Agreement and the other documents approved herein.

This Resolution shall take effect upon its adoption.

**PASSED AND ADOPTED** by the California Statewide Communities Development Authority this January 9, 2020.

The undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of the Authority at a duly called meeting of the Commission of the Authority held in accordance with law on January 9, 2020.

By ______________________________
Authorized Signatory

PUBLIC DISCLOSURES RELATING TO CONDUIT REVENUE OBLIGATIONS

Pursuant to California Government Code Section 5852.1, the borrower (the "Borrower") identified below has provided the following required information to the California Statewide Communities Development Authority (the "Authority") as conduit financing provider, prior to the Authority's regular meeting (the "Meeting") of its Commission (the "Commission") at which Meeting the Commission will consider the authorization of conduit revenue obligations (the "Obligations") as identified below.

1. Name of Borrower: FAIRFIELD PARK VILLAS LP

2. Authority Meeting Date: January 9, 2020

3. Name of Obligations: Park Villas Apartments

4. X Private Placement Lender or Bond Purchaser, __ Underwriter or __ Financial Advisor (mark one) engaged by the Borrower provided the Borrower with the required good faith estimates relating to the Obligations [as follows / attached as Schedule A]:

   [(A) The true interest cost of the Obligations, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Obligations (to the nearest ten-thousandth of one percent): 3.71%.

   (B) The finance charge of the Obligations, which means the sum of all fees and charges paid to third parties: $1,427,291.10.

   (C) The amount of proceeds received by the public body for sale of the Obligations less the finance charge of the Obligations described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the Obligations: $55,602,708.90.

   (D) The total payment amount, which means the sum total of all payments the Borrower will make to pay debt service on the Obligations plus the finance charge of the Obligations described in subparagraph (B) not paid with the proceeds of the Obligations (which total payment amount shall be calculated to the final maturity of the Obligations): $93,194,090.79

5. The good faith estimates [provided above / attached as Schedule A] were ___ presented to the governing board of the Borrower, or ___ presented to the official or officials or committee designated by the governing board of the Borrower to obligate the Borrower in connection with the Obligations or, in the absence of a

governing board, ___ presented to the official or officials of the Borrower having authority to obligate the Borrower in connection with the Obligations (mark one).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Obligations issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to a variety of factors. The actual interest rates borne by the Obligations and the actual amortization of the Obligations will depend on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Borrower.

The Authority is authorized to make this document available to the public at the Meeting of the Authority.

Dated: January 9, 2020

CSCDA
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

**Agenda Item No. 6b**

# Agenda Report

| | |
|---|---|
| **DATE:** | January 9, 2020 |
| **TO:** | CSCDA COMMISSIONERS |
| **FROM:** | Cathy Bando, Executive Director |
| **PROJECT:** | Hobart Gardens Apartments |
| **PURPOSE:** | Approve the Financing of Rental Affordable Housing Project Located in the City of Los Angeles, County of Los Angeles |
| **AMOUNT:** | Not to Exceed $56,000,000 |

**EXECUTIVE SUMMARY:**

Hobart Gardens Apartments (the "Project") is an acquisition and rehabilitation of 142 units of rental affordable housing located in the City of Los Angeles. 100% of the units will remain rent restricted for low-income senior residents.

**PROJECT DESCRIPTION:**

- Acquisition and rehabilitation of a 142-unit affordable rental housing facility located at 1344 North Hobart Street in the City of Los Angeles.
- 1.5 site.
- Three-story residential building, community center, and laundry rooms.
- Consists of 141 studio and one-bedroom units and one manager's unit.

**PROJECT ANALYSIS:**

**Background on Applicant:**

Reiner Communities (formerly known as Bentall Residential) was founded by Ken Reiner in 2003 to preserve, enhance and create affordable housing in California. Its mission to revitalize communities through the acquisition, renovation and operation of multifamily properties has been successfully carried out in communities throughout California. The company maintains its headquarters in Irvine, with a satellite office in Santa Rosa. Reiner Communities has previously constructed or rehabilitated more than 20 multifamily housing properties. This is Reiner's third financing with CSCDA.

**Public Agency Approval:**

**TEFRA Hearing:** August 6, 2019 – City of Los Angeles – unanimous approval

**CDLAC Approval:** October 16, 2019

**Public Benefits:**

- 100% of the units will be rent restricted for 55 years.
  - 63% (89 units) restricted to 60% or less of area median income households.
  - 37% (52 units) restricted to 50% or less of area median income households.
  - One Manager's unit.
- The Project is in walking distance to parks, recreational facilities, public schools, grocery stores and other retail establishments.

**Sources and Uses:**

| | |
|---|---|
| Sources of Funds: | |
| Tax-Exempt Bonds: | $ 49,500,000 |
| Tax Credit Equity: | $ 14,896,795 |
| Deferred Developer Fee: | $ 5,295,177 |
| Total Sources: | $ 69,691,972 |
| | |
| Uses of Funds: | |
| Acquisition: | $ 49,329,388 |
| Construction Costs: | $ 7,238,033 |
| Architecture & Engineering: | $ 331,215 |
| Relocation: | $ 660,000 |
| Financing Costs: | $ 1,264,444 |
| Operating Reserve | $ 820,755 |
| Developer Fee: | $ 8,207,038 |
| Costs of Issuance: | $ 190,000 |
| Soft Costs: | $ 988,392 |
| Soft Cost Contingency: | $ 662,707 |
| Total Uses: | $ 69,691,972 |

**Finance Partners:**

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP, San Francisco

Authority Counsel: Orrick, Herrington & Sutcliffe, LLP, Sacramento

Private Placement Purchaser: MUFG Union Bank

**Finance Terms:**

| | |
|---|---|
| **Rating:** | Unrated |
| **Term:** | 35 years |
| **Method of Sale:** | Private Placement |
| **Estimated Closing:** | January 31, 2020 |

**CSCDA Policy Compliance:**

The financing of the Project complies with CSCDA's general and issuance policies for unrated debt.

**DOCUMENTS:** (as attachments)

1. CSCDA Resolution (Attachment A)

**COMMISSION ACTION RECOMMENDED BY THE EXECUTIVE DIRECTOR:**

CSCDA's Executive Director recommends that the Commission adopt the resolution, which:

1. Approves the issuance of the Bonds and the financing of the Project;
2. Approves all necessary actions and documents in connection with the financing; and
3. Authorizes any member of the Commission or Authorized Signatory to sign all necessary documents.

**ATTACHMENT A**

**RESOLUTION NO. 20H-____**

**A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A MULTIFAMILY HOUSING REVENUE NOTE IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $56,000,000 FOR THE FINANCING OF A MULTIFAMILY RENTAL HOUSING DEVELOPMENT FOR SENIORS TO BE GENERALLY KNOWN AS HOBART GARDENS; DETERMINING AND PRESCRIBING CERTAIN MATTERS AND APPROVING AND AUTHORIZING THE EXECUTION OF AND DELIVERY OF VARIOUS DOCUMENTS RELATED THERETO; RATIFYING ANY ACTION HERETOFORE TAKEN AND APPROVING RELATED MATTERS IN CONNECTION WITH THE NOTE.**

**WHEREAS**, the California Statewide Communities Development Authority (the "Authority") is authorized by the Joint Powers Act, commencing with Section 6500 of the California Government Code (the "JPA Law"), and its Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988, as the same may be amended (the "Agreement"), to issue revenue bonds and execute and deliver revenue notes for the purpose of financing, among other things, the acquisition, construction, rehabilitation and development of multifamily rental housing projects in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the "Housing Law");

**WHEREAS**, Hobart Affordable, L.P., a California limited partnership, and entities related thereto (collectively, the "Borrower"), has requested that the Authority execute and deliver its California Statewide Communities Development Authority Multifamily Housing Revenue Note (Hobart Gardens) 2020 Series E (the "Note") to assist in the financing of the acquisition, rehabilitation and equipping of a 142-unit multifamily housing rental development for seniors located in the City of Los Angeles, California, and known as Hobart Gardens (the "Project");

**WHEREAS**, on October 16, 2019, the Authority received an allocation in the amount of $54,500,000 (the "Allocation Amount") from the California Debt Limit Allocation Committee in connection with the Project;

**WHEREAS**, the City of Los Angeles (the "City") is a Program Participant (as defined in the Agreement) of the Authority and has authorized the execution and delivery of the Note;

**WHEREAS**, the Authority is willing to execute and deliver the Note in an aggregate principal amount not to exceed $56,000,000, provided that the portion of such Note executed and delivered as federally tax-exempt obligations shall not exceed the Allocation Amount, and to loan the proceeds thereof to the Borrower to assist in providing financing for the Project, which will allow the Borrower to reduce the cost of the Project and to assist in providing housing for low income persons;

**WHEREAS**, the Note will be executed and delivered to MUFG Union Bank, N.A. (the "Bank"), as the initial holder of the Note in a private placement transaction;

**WHEREAS**, pursuant to Section 5852.1 of the California Government Code, the Authority, as a conduit financing provider, has received certain representations and good faith estimates from the Borrower and has disclosed such good faith estimates as set forth in Exhibit A hereto;

**WHEREAS**, there have been prepared and made available to the members of the Commission of the Authority (the "Commission") the following documents required for the execution and delivery of the Note, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended:

(1) Funding Loan Agreement (the "Funding Loan Agreement") to be entered into between the Bank and the Authority;

(2) Construction and Permanent Loan Agreement (Multifamily Housing Back to Back Loan Program) (the "Borrower Loan Agreement") to be entered into among the Authority, the Bank and Borrower; and

(3) Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") to be entered into between the Authority and the Borrower.

**NOW, THEREFORE, BE IT RESOLVED** by the members of the Commission, as follows:

Section 1. The recitals set forth above are true and correct, and the members of the Commission hereby find them to be so.

Section 2. Pursuant to the JPA Law and the Funding Loan Agreement, and in accordance with the Housing Law, the Authority is hereby authorized to execute and deliver the Note in one or more series, which may be taxable or tax-exempt. The Note shall be designated as "California Statewide Communities Development Authority Multifamily Housing Revenue Note (Hobart Gardens) 2020 Series E" including, if and to the extent necessary, one or more sub-series, with appropriate modifications and series and sub-series designations as necessary, in an aggregate principal amount not to exceed $56,000,000; provided that the aggregate principal amount of the tax-exempt portion of such Note executed and delivered shall not exceed the Allocation Amount. The Note shall be executed and delivered in the form set forth in and otherwise in accordance with the Funding Loan Agreement, and shall be executed on behalf of the Authority by the manual or facsimile signature of any Authorized Signatory. The Note shall be secured in accordance with the terms of the Funding Loan Agreement presented to this meeting, as hereinafter approved. Payment of the principal and purchase price of, and prepayment premium, if any, and interest on, the Note shall be made solely from amounts pledged thereto under the Funding Loan Agreement, and the Note shall not be deemed to constitute a debt or liability of the Authority or any Program Participant or Member of the Commission of the Authority (each, a "Member").

Section 3. The Funding Loan Agreement in the form presented at this meeting is hereby approved. Any Member, or any other person as may be designated and authorized to sign for the Authority pursuant to a resolution adopted thereby (including, without limitation, the administrative delegatees duly authorized pursuant to Resolution No. 19R-1 of the Authority, adopted on January 24, 2019) (together with the Members, each such person is referred to herein individually as an "Authorized Signatory"), acting alone, is authorized to execute by manual signature and deliver the Funding Loan Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof. The date, maturity date or dates (which shall not extend beyond 45 years from the date of execution and delivery thereof), interest rate or rates (which shall not exceed 12%), interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of prepayment and other terms of the Note shall be as provided in the Funding Loan Agreement as finally executed.

Section 4. The Borrower Loan Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Borrower Loan Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 5. The Regulatory Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Regulatory Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 6. The Authority is hereby authorized to execute and deliver the Note to the Bank pursuant to the terms and conditions of the Funding Loan Agreement.

Section 7. All actions heretofore taken by the officers and agents of the Authority with respect to the financing of the Project and the execution and delivery of the Note are hereby approved, ratified and confirmed, and any Authorized Signatory, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to a tax certificate, loan related documents, an assignment of deed of trust, any endorsement, allonge or assignment of any note and such other documents as described in the Funding Loan Agreement and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful execution and delivery of the Note and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the Authority and otherwise in order to carry out the financing of the Project.

Section 8. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the execution and delivery of the Note, including without limitation any of the foregoing that may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project, any addition or substitution of security for the Note or any prepayment of the Note, may be given or taken by any Authorized Signatory, as appropriate, without further authorization by the Commission, and each such officer is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action that such officer may deem necessary or desirable to further the purposes of this Resolution and the financing of the Project; provided such action shall not create any obligation or liability of the Authority other than as provided in the Funding Loan Agreement and other documents approved herein.

This Resolution shall take effect upon its adoption.

**PASSED AND ADOPTED** by the California Statewide Communities Development Authority this January 9, 2020.

The undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of the Authority at a duly called meeting of the Commission of the Authority held in accordance with law on January 9, 2020

PUBLIC DISCLOSURES RELATING TO CONDUIT REVENUE OBLIGATIONS

Pursuant to California Government Code Section 5852.1, the borrower (the "Borrower") identified below has provided the following required information to the California Statewide Communities Development Authority (the "Authority") as conduit financing provider, prior to the Authority's regular meeting (the "Meeting") of its Commission (the "Commission") at which Meeting the Commission will consider the authorization of conduit revenue obligations (the "Obligations") as identified below.

1. Name of Borrower: Hobart Affordable LP

2. Authority Meeting Date: 01/09/2020

3. Name of Obligations: Hobart Gardens

4. _X_ Private Placement Lender or Bond Purchaser, __ Underwriter or __ Financial Advisor (mark one) engaged by the Borrower provided the Borrower with the required good faith estimates relating to the Obligations [as follows / attached as Schedule A]:

   [(A) The true interest cost of the Obligations, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Obligations (to the nearest ten-thousandth of one percent): _3.04% to be locked at close

   (B) The finance charge of the Obligations, which means the sum of all fees and charges paid to third parties: $__495,000__.

   (C) The amount of proceeds received by the public body for sale of the Obligations less the finance charge of the Obligations described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the Obligations: $_49,290,000_.

   (D) The total payment amount, which means the sum total of all payments the Borrower will make to pay debt service on the Obligations plus the finance charge of the Obligations described in subparagraph (B) not paid with the proceeds of the Obligations (which total payment amount shall be calculated to the final maturity of the Obligations): $ 44,800,000.

5. The good faith estimates [provided above / attached as Schedule A] were _X__ presented to the governing board of the Borrower, or ___ presented to the official or officials or committee designated by the governing board of the Borrower to obligate the Borrower in connection with the Obligations or, in the absence of a

governing board, ___ presented to the official or officials of the Borrower having authority to obligate the Borrower in connection with the Obligations (mark one).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Obligations issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to a variety of factors. The actual interest rates borne by the Obligations and the actual amortization of the Obligations will depend on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Borrower.

The Authority is authorized to make this document available to the public at the Meeting of the Authority.

Dated: 1/9/20

## Agenda Item No. 6c

# Agenda Report

**DATE:** January 9, 2020

**TO:** CSCDA COMMISSIONERS

**FROM:** Cathy Bando, Executive Director

**PROJECT:** Agave at Elk Grove Apartments

**PURPOSE:** Approve the Financing of Rental Affordable Housing Project Located in the City of Elk Grove, County of Sacramento

**AMOUNT:** Not to Exceed $45,000,000

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**EXECUTIVE SUMMARY:**

Agave at Elk Grove Apartments (the "Project") is an acquisition and rehabilitation of 188 units of rental affordable housing located in the City of Elk Grove. 100% of the units will remain rent restricted for low-income residents.

**PROJECT DESCRIPTION:**

- Acquisition and rehabilitation of a 188-unit affordable rental housing facility located at 10070 Willard Parkway in the City of Elk Grove.
- 8.97 site.
- 11 two and three-story buildings, pool, fitness center, community center, playground and laundry rooms.
- Consists of 186 two, three and four-bedroom units and two manager's units.

**PROJECT ANALYSIS:**

**Background on Applicant:**

Vintage Housing Development, Inc. ("Vintage Housing") has been developing and operating apartment homes for income qualified families and active seniors for over ten years. With communities throughout California, Washington, Nevada, Oregon, and Missouri, Vintage has a variety of properties with amenities to meet the needs of its residents. Vintage Housing's apartments for seniors provide their respective city and surrounding areas with quality affordable retirement housing for independent seniors ages 55 and older. Additionally, a specified number of units in various locations are made available for seniors with disabilities. All of the Vintage Housing properties for seniors offer a wide variety of amenities which may include on-site property management services, arrangements for grocery delivery, pharmacy delivery, monthly newsletters, a wellness program administered by visiting physicians, and organized activities and trips in conjunction with local senior citizen organizations and controlled building entry for enhanced resident security. The Project is Vintage Housing's fourth financing with CSCDA.

**Public Agency Approval:**

**TEFRA Hearing:** October 23, 2019 – City of Elk Grove – unanimous approval

**CDLAC Approval:** December 11, 2019

**Public Benefits:**

- 100% of the units will be rent restricted for 55 years.
  - 80% (148 units) restricted to 60% or less of area median income households.
  - 20% (38 units) restricted to 50% or less of area median income households.
  - Two Manager's units.
- The Project is in walking distance to parks and public schools.

**Sources and Uses:**

| | |
|---|---|
| Sources of Funds: | |
| Tax-Exempt Bonds: | $ 35,000,000 |
| Seller Carry-Back: | $ 1,250,000 |
| Tax Credit Equity: | $ 3,459,200 |
| Income: | $ 2,852,576 |
| Deferred Developer Fee: | $ 4,327,681 |
| Total Sources: | $ 46,889,457 |
| | |
| Uses of Funds: | |
| Acquisition: | $ 29,200,000 |
| Construction Costs: | $ 7,906,696 |
| Architecture & Engineering: | $ 200,000 |
| Relocation: | $ 32,500 |
| Capitalized Interest: | $ 2,215,633 |
| Operating Reserve | $ 558,098 |
| Developer Fee: | $ 5,411,279 |
| Costs of Issuance: | $ 529,750 |
| Soft Costs: | $ 835,501 |
| Total Uses: | $ 46,889,457 |

**Finance Partners:**

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP, San Francisco

Authority Counsel: Orrick, Herrington & Sutcliffe, LLP, Sacramento

Private Placement Purchaser: Citibank

**Finance Terms:**

| | |
|---|---|
| **Rating:** | Unrated |
| **Term:** | 35 years |
| **Method of Sale:** | Private Placement |
| **Estimated Closing:** | January 28, 2020 |

**CSCDA Policy Compliance:**

The financing of the Project complies with CSCDA's general and issuance policies for unrated debt.

**DOCUMENTS:** (as attachments)

1. CSCDA Resolution (Attachment A)

**COMMISSION ACTION RECOMMENDED BY THE EXECUTIVE DIRECTOR:**

CSCDA's Executive Director recommends that the Commission adopt the resolution, which:

1. Approves the issuance of the Bonds and the financing of the Project;

2. Approves all necessary actions and documents in connection with the financing; and

3. Authorizes any member of the Commission or Authorized Signatory to sign all necessary documents.

**ATTACHMENT A**

**RESOLUTION NO. 20H-__**

**A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF MULTIFAMILY HOUSING REVENUE NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $45,000,000 FOR THE FINANCING OF A MULTIFAMILY RENTAL HOUSING PROJECT GENERALLY KNOWN AS AGAVE APARTMENTS; DETERMINING AND PRESCRIBING CERTAIN MATTERS AND APPROVING AND AUTHORIZING THE EXECUTION OF AND DELIVERY OF VARIOUS DOCUMENTS RELATED THERETO; RATIFYING ANY ACTION HERETOFORE TAKEN AND APPROVING RELATED MATTERS IN CONNECTION WITH THE NOTES.**

**WHEREAS**, the California Statewide Communities Development Authority (the "Authority") is authorized by the Joint Powers Act, commencing with Section 6500 of the California Government Code (the "JPA Law"), and its Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988, as the same may be amended (the "Agreement"), to issue revenue bonds and execute and deliver revenue notes for the purpose of financing, among other things, the acquisition, construction, rehabilitation, and development of multifamily rental housing projects in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the "Housing Law");

**WHEREAS**, Agave by Vintage, LP, a California limited partnership, and entities related thereto (collectively, the "Borrower"), has requested that the Authority execute and deliver its Multifamily Housing Revenue Construction/Permanent Note (Agave Apartments) 2020 Series M-1 and its Multifamily Housing Revenue Construction Note (Agave Apartments) 2020 Series M-2 (collectively, the "Notes") to assist in the financing of the acquisition and rehabilitation of a 188-unit multifamily housing rental development located in the City of Elk Grove, California, and known as Agave Apartments (the "Project");

**WHEREAS**, on December 11, 2019, the Authority received an allocation in the amount of $35,000,000 (the "Allocation Amount") from the California Debt Limit Allocation Committee ("CDLAC") in connection with the Project;

**WHEREAS**, the City of Elk Grove (the "City") is a Program Participant (as defined in the Agreement) of the Authority and has authorized the execution and delivery of the Notes;

**WHEREAS**, the Authority is willing to execute and deliver the Notes in an aggregate principal amount not to exceed $45,000,000, provided that the portion of such Notes executed and delivered as federally tax-exempt obligations shall not exceed the Allocation Amount, and to loan the proceeds thereof to the Borrower to assist in providing financing for the Project, which will allow the Borrower to reduce the cost of the Project and to assist in providing housing for low and moderate income persons;

**WHEREAS**, pursuant to Section 5852.1 of the California Government Code, the Authority, as a conduit financing provider, has received certain representations and good faith estimates from the Borrower and has disclosed such good faith estimates as set forth in Exhibit A attached hereto;

**WHEREAS**, the Notes will be executed and delivered to Citibank, N.A. (the "Funding Lender"), as the initial holder of the Notes in accordance with the Authority's private placement policies; and

**WHEREAS**, there have been prepared and made available to the members of the Commission of the Authority (the "Commission") the following documents required for the execution and delivery of the Notes, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended:

(1) Funding Loan Agreement (the "Funding Loan Agreement") to be entered into between the Funding Lender and the Authority;

(2) Borrower Loan Agreement (the "Borrower Loan Agreement") to be entered into between the Authority and the Borrower;

(3) Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement"), to be entered into between the Authority and the Borrower; and

(4) Contingency Draw-Down Agreement (the "Contingency-Draw-Down Agreement") to be entered into by the Funding Lender and the Borrower.

**NOW, THEREFORE, BE IT RESOLVED** by the members of the Commission, as follows:

Section 1. The recitals set forth above are true and correct, and the members of the Commission hereby find them to be so.

Section 2. Pursuant to the JPA Law and the Funding Loan Agreement, and in accordance with the Housing Law, the Authority is hereby authorized to execute and deliver the Notes in one or more series. The Notes shall be designated as "California Statewide Communities Development Authority Multifamily Housing Revenue Construction/Permanent Note (Agave Apartments) 2020 Series M-1" and "California Statewide Communities Development Authority Multifamily Housing Revenue Construction Note (Agave Apartments) 2020 Series M-2" including, if and to the extent necessary, one or more sub-series, with appropriate modifications and series and sub-series designations as necessary, in an aggregate principal amount not to exceed $45,000,000; provided that the aggregate principal amount of any federally tax-exempt Notes executed and delivered shall not exceed the Allocation Amount. The Notes shall be executed and delivered in the form set forth in and otherwise in accordance with the Funding Loan Agreement, and shall be executed on behalf of the Authority by the manual or facsimile signature of any Authorized Signatory (as defined below). The Notes shall be secured in accordance with the terms of the Funding Loan Agreement presented to this meeting, as hereinafter approved. Payment of the principal and purchase price of, and prepayment premium, if any, and interest on, the Notes shall be made solely from amounts pledged thereto under the Funding Loan Agreement, and the Notes shall not be deemed to constitute a debt or liability of the Authority or any Program Participant or Member of the Commission of the Authority (each, a "Member").

Section 3. The Funding Loan Agreement in the form presented at this meeting is hereby approved. Any Member, or any other person as may be designated and authorized to sign for the Authority pursuant to a resolution adopted thereby (including, without limitation, the administrative delegatees duly authorized pursuant to Resolution No. 19R-1 of the Authority, adopted on January 24, 2019) (together with the Members, each such person is referred to herein individually as an "Authorized Signatory"), acting alone, is authorized to execute by manual signature and deliver the Funding Loan Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof. The date, maturity date or dates (which shall not extend beyond 45 years from the date of execution and delivery thereof), interest rate or rates (which shall not exceed 12%), interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of prepayment and other terms of the Notes shall be as provided in the Funding Loan Agreement as finally executed.

Section 4. The Borrower Loan Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Borrower Loan Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 5. The Regulatory Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Regulatory Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 6. The Contingency Draw-Down Agreement in the form presented at this meeting is hereby approved.

Section 7. The Authority is hereby authorized to execute and deliver the Notes to the Funding Lender pursuant to the terms and conditions of the Funding Loan Agreement.

Section 8. All actions heretofore taken by the officers and agents of the Authority with respect to the financing of the Project and the execution and delivery of the Notes are hereby approved, ratified and confirmed, and any Authorized Signatory, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to a tax certificate, contingency draw-down agreement, loan related documents, an assignment of deed of trust, any endorsement, allonge or assignment of any note and such other documents as described in the Funding Loan Agreement and the other documents herein approved, and any documents or amendments which may be necessary to terminate any prior documents or instruments, which they, or any of them, may deem necessary or advisable in order to consummate the lawful execution and delivery of the Notes and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the Authority and otherwise in order to carry out the financing of the Project.

Section 9. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the execution and delivery of the Notes, including without limitation any of the foregoing that may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project, any addition or substitution of security for the Notes or any prepayment of the Notes, may be given or taken by any Authorized Signatory, as appropriate, without further authorization by the Commission, and each such officer is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action that such officer may deem necessary or desirable to further the purposes of this Resolution and the financing of the Project; provided such action shall not create any obligation or liability of the Authority other than as provided in the Funding Loan Agreement and other documents approved herein.

This Resolution shall take effect upon its adoption.

**PASSED AND ADOPTED** by the California Statewide Communities Development Authority this January 9, 2020.

The undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of the Authority at a duly called meeting of the Commission of the Authority held in accordance with law on January 9, 2020.

By ______________________________
Authorized Signatory

PUBLIC DISCLOSURES RELATING TO CONDUIT REVENUE OBLIGATIONS

Pursuant to California Government Code Section 5852.1, the borrower (the "Borrower") identified below has provided the following required information to the California Statewide Communities Development Authority (the "Authority") as conduit financing provider, prior to the Authority's regular meeting (the "Meeting") of its Commission (the "Commission") at which Meeting the Commission will consider the authorization of conduit revenue obligations (the "Obligations") as identified below.

1. Name of Borrower: Agave by Vintage, LP

2. Authority Meeting Date: January 9th, 2020

3. Name of Obligations: Agave Apartments

4. X Private Placement Lender or Bond Purchaser, __ Underwriter or __ Financial Advisor (mark one) engaged by the Borrower provided the Borrower with the required good faith estimates relating to the Obligations [as follows / attached as Schedule A]:

   [(A) The true interest cost of the Obligations, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Obligations (to the nearest ten-thousandth of one percent): 4.23%.

   (B) The finance charge of the Obligations, which means the sum of all fees and charges paid to third parties: $439,000.00.

   (C) The amount of proceeds received by the public body for sale of the Obligations less the finance charge of the Obligations described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the Obligations: $24,351,135.10.

   (D) The total payment amount, which means the sum total of all payments the Borrower will make to pay debt service on the Obligations plus the finance charge of the Obligations described in subparagraph (B) not paid with the proceeds of the Obligations (which total payment amount shall be calculated to the final maturity of the Obligations): $52,860,770.78.

5. The good faith estimates [provided above / attached as Schedule A] were ___ presented to the governing board of the Borrower, or ___ presented to the official or officials or committee designated by the governing board of the Borrower to obligate the Borrower in connection with the Obligations or, in the absence of a

governing board, ___ presented to the official or officials of the Borrower having authority to obligate the Borrower in connection with the Obligations (mark one).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Obligations issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to a variety of factors. The actual interest rates borne by the Obligations and the actual amortization of the Obligations will depend on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Borrower.

The Authority is authorized to make this document available to the public at the Meeting of the Authority.

Dated: 1/9/20

CSCDA
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

**Agenda Item No. 6d**

# Agenda Report

**DATE:** January 9, 2020

**TO:** CSCDA COMMISSIONERS

**FROM:** Cathy Bando, Executive Director

**PROJECT:** Orchard Park Apartments

**PURPOSE:** Approve the Financing of Rental Affordable Housing Project Located in the City of Beaumont, County of Riverside

**AMOUNT:** Not to Exceed $15,000,000

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## EXECUTIVE SUMMARY:

Orchard Park Apartments (the "Project") is an acquisition and rehabilitation of 144 units of rental affordable housing located in the City of Beaumont. 100% of the units will remain rent restricted for low-income residents.

## PROJECT DESCRIPTION:

- Acquisition and rehabilitation of a 144-unit affordable rental housing facility located at 423 Cougar Way in the City of Beaumont.
- 9.9 site.
- 17 two-story residential buildings, pool, picnic area, playground and laundry rooms.
- Consists of 143 one and two-bedroom units plus a manager's unit.

## PROJECT ANALYSIS:

### Background on Applicant:

Spira Equity Partners ("Spira") is a real estate investment and development company with socially responsible investing and environmental, social and governance principles integral to its mandate. Spira's immediate focus is on the preservation of multifamily affordable housing utilizing low income housing tax credits. Spira's two Co-Founders and the Managing Partners of the Fund are Stephen Ho and Robert Lee. Mr. Ho has sourced, negotiated, closed, and asset managed projects totaling $72 million across 437 units in California and Washington. Mr. Lee has over fourteen years of experience in private equity, investing and accounting. This is Spira's first financing with CSCDA.

**<u>Public Agency Approval</u>:**

**TEFRA Hearing:** August 6, 2019 – City of Beaumont – unanimous approval

**CDLAC Approval:** October 16, 2019

**<u>Public Benefits</u>:**

- 100% of the units will be rent restricted for 55 years.
    - 80% (114 units) restricted to 60% or less of area median income households.
    - 20% (29 units) restricted to 50% or less of area median income households.
    - One Manager's unit.
- The Project is in walking distance to parks and public schools.

**<u>Sources and Uses</u>:**

| | |
|---|---|
| Sources of Funds: | |
| Tax-Exempt Bonds: | $ 12,980,000 |
| GP Loan: | $ 4,183,042 |
| GP Equity: | $ 767,362 |
| Tax Credit Equity: | $ 1,080,949 |
| Income: | $ 1,144,438 |
| Deferred Developer Fee: | $ 2,653,488 |
| Total Sources: | $ 22,809,279 |
| Uses of Funds: | |
| Acquisition: | $ 13,817,871 |
| Construction Costs: | $ 4,147,200 |
| Hard Cost Contingency: | $ 414,720 |
| Architecture & Engineering: | $ 175,000 |
| Relocation: | $ 206,790 |
| Capitalized Interest: | $ 894,203 |
| Operating Reserve | $ 310,164 |
| Developer Fee: | $ 2,653,488 |
| Legal Fees: | $ 52,500 |
| Soft Costs: | $ 137,343 |
| Total Uses: | $ 22,809,279 |

**<u>Finance Partners</u>:**

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP, San Francisco

Authority Counsel: Orrick, Herrington & Sutcliffe, LLP, Sacramento

Private Placement Purchaser: Capital One, N.A.

**Finance Terms:**

| | |
|---|---|
| **Rating:** | Unrated |
| **Term:** | 35 years |
| **Method of Sale:** | Private Placement |
| **Estimated Closing:** | February 15, 2020 |

**CSCDA Policy Compliance:**

The financing of the Project complies with CSCDA's general and issuance policies for unrated debt.

**DOCUMENTS:** (as attachments)

1. CSCDA Resolution (Attachment A)

**COMMISSION ACTION RECOMMENDED BY THE EXECUTIVE DIRECTOR:**

CSCDA's Executive Director recommends that the Commission adopt the resolution, which:

1. Approves the issuance of the Bonds and the financing of the Project;
2. Approves all necessary actions and documents in connection with the financing; and
3. Authorizes any member of the Commission or Authorized Signatory to sign all necessary documents.

**ATTACHMENT A**

**RESOLUTION NO. 20H-__**

**A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE MULTIFAMILY HOUSING REVENUE NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $15,000,000 FOR THE FINANCING OF A MULTIFAMILY RENTAL HOUSING PROJECT GENERALLY KNOWN AS ORCHARD PARK APARTMENTS; DETERMINING AND PRESCRIBING CERTAIN MATTERS AND APPROVING AND AUTHORIZING THE EXECUTION OF AND DELIVERY OF VARIOUS DOCUMENTS RELATED THERETO; RATIFYING ANY ACTION HERETOFORE TAKEN AND APPROVING RELATED MATTERS IN CONNECTION WITH THE NOTES AND BONDS.**

**WHEREAS**, the California Statewide Communities Development Authority (the "Authority") is authorized by the Joint Powers Act, commencing with Section 6500 of the California Government Code (the "JPA Law"), and its Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988, as the same may be amended (the "Agreement"), to issue revenue bonds and execute and deliver revenue notes for the purpose of financing, among other things, the acquisition, construction, rehabilitation, and development of multifamily rental housing projects in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the "Housing Law");

**WHEREAS**, Orchard Park Apartments, LP, a California limited partnership, and entities related thereto (collectively, the "Borrower"), has requested that the Authority execute and deliver its California Statewide Communities Development Authority Multifamily Housing Revenue Note (Orchard Park Apartments) 2020 Series D (the "Note") to assist in financing the acquisition and rehabilitation of a 144-unit multifamily housing rental development located in the City of Beaumont, California (the "City"), and known as Orchard Park Apartments (the "Project");

**WHEREAS**, on October 16, 2019, the Authority received a private activity bond volume cap allocation in the amount of $12,980,000 (the "Allocation Amount") from the California Debt Limit Allocation Committee in connection with the Project;

**WHEREAS**, the City is a Program Participant (as defined in the Agreement) of the Authority and has authorized the issuance, execution and delivery of tax-exempt obligations for the purpose of financing the Project;

**WHEREAS**, the Authority is willing to execute and deliver the Note in an aggregate principal amount not to exceed $15,000,000, provided that the portion of such Note executed and delivered as federally tax-exempt obligations shall not exceed the Allocation Amount, and to loan the proceeds thereof to the Borrower to assist in providing financing for the Project, which will allow the Borrower to reduce the cost of the Project and to assist in providing housing for low and moderate income persons;

**WHEREAS**, pursuant to Section 5852.1 of the California Government Code, the Authority, as a conduit financing provider, has received certain representations and good faith estimates from the Borrower and has disclosed such good faith estimates as set forth in Exhibit A attached hereto;

**WHEREAS**, the Note is expected to be executed and delivered to Capital One, National Association (the "Funding Lender"), as the initial holder of the Note in accordance with the Authority's private placement policies; and

**WHEREAS**, there have been prepared and made available to the members of the Commission of the Authority (the "Commission") the following documents required for the execution and delivery of the Note, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended:

(1) Funding Loan Agreement (the "Funding Loan Agreement") to be entered into among the Authority, U.S. Bank National Association, as fiscal agent (the "Fiscal Agent") and the Funding Lender;

(2) Project Loan Agreement (the "Project Loan Agreement") to be entered into among the Authority, the Fiscal Agent and the Borrower; and

(3) Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement"), to be entered into by and between the Authority and the Borrower.

**NOW, THEREFORE, BE IT RESOLVED** by the members of the Commission, as follows:

Section 1. The recitals set forth above are true and correct, and the members of the Commission hereby find them to be so.

Section 2. Pursuant to the JPA Law, the Funding Loan Agreement and in accordance with the Housing Law, the Authority is hereby authorized to execute and deliver the Note in one or more series. The Note shall be designated as "California Statewide Communities Development Authority Multifamily Housing Revenue Note (Orchard Park Apartments) 2020 Series D" including, if and to the extent necessary, one or more sub-series, with appropriate modifications and series and sub-series designations as necessary, in an aggregate principal amount not to exceed $15,000,000; provided that the aggregate principal amount of any federally tax-exempt obligations shall not exceed the Allocation Amount. The Note shall be executed and delivered in the form set forth in and otherwise in accordance with the Funding Loan Agreement, and shall be executed on behalf of the Authority by the manual or facsimile signature of the Chair of the Authority or the manual signature of any Authorized Signatory (as defined below), and, if appropriate, attested by the manual or facsimile signature of the Secretary of the Authority or the Assistant to the Secretary of the Authority, or the manual signature of any Authorized Signatory. The Note shall be secured in accordance with the terms of the Funding Loan Agreement presented to this meeting, as hereinafter approved. Payment of the principal and purchase price of, and prepayment or redemption premium, if any, and interest on, the Note shall be made solely from amounts pledged thereto under the Funding Loan Agreement, respectively, and the Note shall not be deemed to constitute a debt or liability of the Authority or any Program Participant or Member of the Commission of the Authority (each, a "Member").

Section 3. The Funding Loan Agreement in the form presented at this meeting is hereby approved. Any Member, or any other person as may be designated and authorized to sign for the Authority pursuant to a resolution adopted thereby (including, without limitation, the administrative delegates duly authorized pursuant to Resolution No. 19R-1 of the Authority, adopted on January 24, 2019) (together with the Members, each such person is referred to herein individually as an "Authorized Signatory"), acting alone, is authorized to execute by manual signature and deliver the Funding Loan Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof. The date, maturity date or dates (which shall not extend beyond 45 years from the date of execution and delivery thereof), interest rate or rates (which shall not exceed 12%), interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of prepayment and other terms of the Note shall be as provided in the Funding Loan Agreement as finally executed.

Section 4. The Project Loan Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Project Loan Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 5. The Regulatory Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Regulatory Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 6. The Authority is hereby authorized to execute and deliver the Note to the Funding Lender pursuant to the terms and conditions of the Funding Loan Agreement.

Section 7. The Note, when executed, shall be delivered to the Fiscal Agent for authentication. The Fiscal Agent is hereby requested and directed to authenticate the Note by executing the certificate of authentication of the Fiscal Agent appearing thereon, and to deliver the Note, when duly executed and authenticated, to or at the direction of the Funding Lender, in accordance with written instructions executed and delivered on behalf of the Authority by an Authorized Signatory, which any Authorized Signatory, acting alone, is hereby authorized and directed to execute and deliver such instructions to the Fiscal Agent. Such instructions shall provide for the delivery of the Note to or at the direction of the Funding Lender in accordance with the Funding Loan Agreement upon payment of the purchase price thereof.

Section 8. All actions heretofore taken by the officers and agents of the Authority with respect to the financing of the Project, the execution and delivery of the Note are hereby approved, ratified and confirmed, and any Authorized Signatory, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to a tax certificate, loan related documents, assignment(s) of deed(s) of trust, any endorsement, allonge or assignment of any note and such other documents as described in the Funding Loan Agreement, and the other documents herein approved, and any documents or amendments which may be necessary to terminate any regulatory agreement or prior documents or instruments, which they, or any of them, may deem necessary or advisable in order to consummate the lawful execution and delivery of the Note, and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the Authority and otherwise in order to carry out the financing of the Project.

Section 9. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the execution and delivery of the Note, including without limitation any of the foregoing that may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project, any addition or substitution of security for the Note or any prepayment of the Note, may be given or taken by any Authorized Signatory, as appropriate, without further authorization by the Commission, and each such officer is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action that such officer may deem necessary or desirable to further the purposes of this Resolution and the financing of the Project; provided such action shall not create any obligation or liability of the Authority other than as provided in the Funding Loan Agreement and the other documents approved herein.

This Resolution shall take effect upon its adoption.

**PASSED AND ADOPTED** by the California Statewide Communities Development Authority this January 9, 2020.

The undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of the Authority at a duly called meeting of the Commission of the Authority held in accordance with law on January 9, 2020.

By ______________________________
Authorized Signatory

PUBLIC DISCLOSURES RELATING TO CONDUIT REVENUE OBLIGATIONS

Pursuant to California Government Code Section 5852.1, the borrower (the "Borrower") identified below has provided the following required information to the California Statewide Communities Development Authority (the "Authority") as conduit financing provider, prior to the Authority's regular meeting (the "Meeting") of its Commission (the "Commission") at which Meeting the Commission will consider the authorization of conduit revenue obligations (the "Obligations") as identified below.

1. Name of Borrower: Orchard Park Apartments, LP

2. Authority Meeting Date: 1/9/20

3. Name of Obligations: Orchard Park Apartments

4. __ **Private Placement Lender** or Bond Purchaser, __ Underwriter or __ Financial Advisor (mark one) engaged by the Borrower provided the Borrower with the required good faith estimates relating to the Obligations [as follows / attached as Schedule A]:

   [(A) The true interest cost of the Obligations, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Obligations (to the nearest ten-thousandth of one percent): **4.03%.**

   (B) The finance charge of the Obligations, which means the sum of all fees and charges paid to third parties: **$300,125**.

   (C) The amount of proceeds received by the public body for sale of the Obligations less the finance charge of the Obligations described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the Obligations: **$12,149,875**.

   (D) The total payment amount, which means the sum total of all payments the Borrower will make to pay debt service on the Obligations plus the finance charge of the Obligations described in subparagraph (B) not paid with the proceeds of the Obligations (which total payment amount shall be calculated to the final maturity of the Obligations): **$10,602,346.**

5. The good faith estimates [provided above / attached as Schedule A] were ___ presented to the governing board of the Borrower, or ___ presented to the official or officials or committee designated by the governing board of the Borrower to obligate the Borrower in connection with the Obligations or, in the absence of a

governing board, ___ presented to the official or officials of the Borrower having authority to obligate the Borrower in connection with the Obligations (mark one).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Obligations issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to a variety of factors. The actual interest rates borne by the Obligations and the actual amortization of the Obligations will depend on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Borrower.

The Authority is authorized to make this document available to the public at the Meeting of the Authority.

Dated: 1/9/20

**Agenda Item No. 6e**

# Agenda Report

**DATE:** January 9, 2020

**TO:** CSCDA COMMISSIONERS

**FROM:** Cathy Bando, Executive Director

**PROJECT:** Gateway Terrace II Apartments

**PURPOSE:** Approve the Financing of Rental Affordable Housing Project Located in the City of Merced, County of Merced

**AMOUNT:** Not to Exceed $12,000,000

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## EXECUTIVE SUMMARY:

Gateway Terrace II Apartments (the "Project") is the new construction of a 50-unit rental affordable housing project located in the City of Merced. 100% of the units will be rent restricted for low-income tenants.

## PROJECT DESCRIPTION:

- Construction of a 50-unit affordable rental housing facility located at the intersection of West 12th Street and K Street in the City of Merced.
- 1.66 acre site.
- Wood frame two-story residential building.
- Consists of one-bedroom units, two-bedroom units, three-bedroom units and a manager's unit.

## PROJECT ANALYSIS:

**Background on Applicant:**

The Central Valley Coalition for Affordable Housing (the "Coalition"), a nonprofit organization, was established in 1989 by the Housing Authority of the County of Merced. The Coalition is committed to making safe, decent, affordable housing available to people that could not otherwise afford it. The Coalition is dedicated to providing service-enriched affordable housing for low-income families, the elderly and the handicapped. They work to combat community deterioration and to lessen the burdens on government. Their vision is for all people to enjoy quality affordable housing regardless of age, income, national origin, color, sex, or religion, and for all persons to have access to necessary services in order to maintain a self-sufficient and independent lifestyle.

The Coalition has participated as the owner or nonprofit partner in fourteen prior CSCDA financings.

**Public Agency Approval:**

**TEFRA Hearing:** December 2, 2019 – City of Merced – unanimous approval
**CDLAC Approval:** January 16, 2019

**Public Benefits:**

- 100% of the units will be rent restricted for 55 years.
  - 10% (5 units) restricted to 50% or less of area median income households.
  - 90% (44 units) restricted to 60% or less of area median income households.

**Sources and Uses:**

| | |
|---|---|
| Sources of Funds: | |
| Tax-Exempt Bonds: | $ 8,700,000 |
| City Loan: | $ 1,885,000 |
| Tax Credits: | $ 494,298 |
| Deferred Developer Fee: | $ 1,699,668 |
| Total Sources: | $ 12,778,966 |
| | |
| Uses of Funds: | |
| Construction Costs: | $ 8,732,116 |
| Soft Costs: | $ 1,421,941 |
| Capitalized Interest: | $ 531,146 |
| Loan Fees/Costs of Issuance: | $ 334,175 |
| Developer Fee: | $ 1,599,588 |
| Reserves: | $ 160,000 |
| Total Uses: | $ 12,778,966 |

**Finance Partners:**

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP, San Francisco

Authority Counsel: Orrick, Herrington & Sutcliffe, LLP, Sacramento

Private Placement Purchaser: BBVA Compass Bank

**Finance Terms:**
**Rating:** Unrated
**Term:** 35 years
**Method of Sale:** Private Placement
**Estimated Closing:** January 24, 2020

**<u>CSCDA Policy Compliance</u>:**

The financing of the Project complies with CSCDA's general and issuance policies.

**DOCUMENTS:** (as attachments)

1. CSCDA Resolution (Attachment A)

**COMMISSION ACTION RECOMMENDED BY THE EXECUTIVE DIRECTOR:**

CSCDA's Executive Director recommends that the Commission adopt the resolution, which:

1. Approves the issuance of the Bonds and the financing of the Project;

2. Approves all necessary actions and documents in connection with the financing; and

3. Authorizes any member of the Commission or Authorized Signatory to sign all necessary documents.

**ATTACHMENT A**

**RESOLUTION NO. 20H-__**

**A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AUTHORIZING THE ISSUANCE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $12,000,000 FOR THE FINANCING OF A MULTIFAMILY RENTAL HOUSING DEVELOPMENT TO BE GENERALLY KNOWN AS GATEWAY TERRACE II APARTMENTS; DETERMINING AND PRESCRIBING CERTAIN MATTERS AND APPROVING AND AUTHORIZING THE EXECUTION OF AND DELIVERY OF VARIOUS DOCUMENTS RELATED THERETO; RATIFYING ANY ACTION HERETOFORE TAKEN AND APPROVING RELATED MATTERS IN CONNECTION WITH THE BONDS.**

**WHEREAS**, the California Statewide Communities Development Authority (the "Authority") is authorized by the Joint Powers Act, commencing with Section 6500 of the California Government Code (the "JPA Law"), and its Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988, as the same may be amended (the "Agreement"), to issue revenue bonds for the purpose of financing, among other things, the acquisition, construction, rehabilitation and development of multifamily rental housing projects in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the "Housing Law");

**WHEREAS**, Merced Gateway Investors II, LP, a California limited partnership, and entities related thereto (the "Borrower") has requested that the Authority issue and deliver multifamily housing revenue bonds to assist in the financing of the acquisition, construction, development and equipping of a 50-unit residential rental housing development to be located in the city of Merced, California, and to be generally known as Gateway Terrace II Apartments (the "Project");

**WHEREAS**, on January 16, 2019 the Authority received an allocation in the amount of $10,000,000 (the "Allocation Amount") from the California Debt Limit Allocation Committee in connection with the Project;

**WHEREAS**, the City of Merced is a Program Participant (as defined in the Agreement) of the Authority and has authorized the issuance and delivery of the Bonds;

**WHEREAS**, the Authority is willing to issue not to exceed $12,000,000 aggregate principal amount of its California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Gateway Terrace II Apartments) 2020 Series F (the "Bonds"), in one or more series or subseries, provided that the portion of such Bonds issued as federally tax-exempt obligations shall not exceed the Allocation Amount, and to loan the proceeds thereof to the Borrower to assist in providing financing for the Project, which will allow the Borrower to reduce the cost of the Project and to assist in providing housing for low income and moderate income persons;

**WHEREAS**, the Bonds will be privately placed with BBVA Mortgage Corporation (the "Bank"), as the initial purchaser of the Bonds, in accordance with the Authority's private placement policy;

**WHEREAS**, pursuant to Section 5852.1 of the California Government Code, the Authority, as a conduit financing provider, has received certain representations and good faith estimates from the Borrower and has disclosed such good faith estimates as set forth in Exhibit A hereto;

**WHEREAS**, there have been prepared and made available to the members of the Commission of the Authority (the "Commission") the following documents required for the issuance of the Bonds, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended:

(1) Master Agency Agreement (the "Agency Agreement") to be entered into between the Authority and the Bank, as agent (the "Agent");

(2) Master Pledge and Assignment (the "Pledge Agreement") to be entered into among the Authority, the Agent and the Bank, as bondholder; and

(3) Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") to be entered into between the Authority and the Borrower;

**NOW, THEREFORE, BE IT RESOLVED** by the members of the Commission, as follows:

SECTION 1. The recitals set forth above are true and correct, and the members of the Commission hereby find them to be so.

SECTION 2. Pursuant to the JPA Law and the Pledge Agreement, and in accordance with the Housing Law, the Authority is hereby authorized to issue one or more series of Bonds. The Bonds shall be designated as "California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Gateway Terrace II Apartments) 2020 Series F," with appropriate modifications and series and sub-series designations as necessary, in an aggregate principal amount not to exceed $12,000,000; provided that the aggregate principal amount of any tax-exempt Bonds issued shall not exceed the Allocation Amount. The Bonds shall be issued in the form set forth in and otherwise in accordance with the Pledge Agreement, and shall be executed on behalf of the Authority by the facsimile signature of the Chair of the Authority or the manual signature of any Authorized Signatory (as defined below), and attested by the facsimile signature of the Secretary of the Authority or the Assistant to the Secretary of the Authority, or the manual signature of any Authorized Signatory. The Bonds shall be issued and secured in accordance with the terms of the Pledge Agreement presented to this meeting, as hereinafter approved. Payment of the principal and purchase price of, and redemption premium, if any, and interest on, the Bonds shall be made solely from amounts pledged thereto under the Pledge Agreement, and the Bonds shall not be deemed to constitute a debt or liability of the Authority or any Program Participant or Member of the Commission of the Authority (each, a "Member").

SECTION 3. The Pledge Agreement in the form presented at this meeting is hereby approved. Any Member, or any other person as may be designated and authorized to sign for the Authority pursuant to a resolution adopted thereby (including, without limitation, the administrative delegates duly authorized pursuant to Resolution No. 19R-1 of the Authority, adopted on January 24, 2019) (together with the Members, each such person is referred to herein individually as an "Authorized Signatory"), acting alone, is authorized to execute by manual signature and deliver the Pledge Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof. The date, maturity date or dates (which shall not extend beyond 45 years from the date of issuance thereof), interest rate or rates (which shall not exceed 12%), interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms of the Bonds shall be as provided in the Pledge Agreement as finally executed.

SECTION 4. The Agency Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Agency Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

SECTION 5. The Regulatory Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Regulatory Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

SECTION 6. The Authority is hereby authorized to sell the Bonds to the Bank pursuant to the terms and conditions of the Pledge Agreement.

SECTION 7. The Bonds, when executed, shall be delivered to the Agent for registration. The Agent is hereby requested and directed to register the Bonds by executing the certificate of registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or at the direction of the purchasers thereof in accordance with written instructions executed and delivered on behalf of the Authority by an Authorized Signatory, which any Authorized Signatory, acting alone, is hereby authorized and directed to execute and deliver such instructions to the Agent. Such instructions shall provide for the delivery of the Bonds to the purchasers thereof upon payment of the purchase price thereof.

SECTION 8. All actions heretofore taken by the officers and agents of the Authority with respect to the financing of the Project and the sale and issuance of the Bonds are hereby approved, ratified and confirmed, and any Authorized Signatory, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to a tax certificate, loan related documents, an assignment of deed of trust, any endorsements, allonge or assignment of any note and such other documents as described in the Pledge Agreement and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the Authority and otherwise in order to carry out the financing of the Project.

SECTION 9. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the issuance and delivery of the Bonds, including without limitation any of the foregoing that may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project, any addition or substitution of security for the Bonds or any redemption of the Bonds, may be given or taken by any Authorized Signatory, as appropriate, without further authorization by the Commission, and each such officer is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action that such officer may deem necessary or desirable to further the purposes of this Resolution and the financing of the Project; provided such action shall not create any obligation or liability of the Authority other than as provided in the Pledge Agreement and other documents approved herein.

SECTION 10. This Resolution shall take effect upon its adoption.

**PASSED AND ADOPTED** by the California Statewide Communities Development Authority this January 9, 2020.

The undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of the Authority at a duly called meeting of the Commission of the Authority held in accordance with law on January 9, 2020.

By ______________________________
Authorized Signatory

PUBLIC DISCLOSURES RELATING TO CONDUIT REVENUE OBLIGATIONS

Pursuant to California Government Code Section 5852.1, the borrower (the "Borrower") identified below has provided the following required information to the California Statewide Communities Development Authority (the "Authority") as conduit financing provider, prior to the Authority's regular meeting (the "Meeting") of its Commission (the "Commission") at which Meeting the Commission will consider the authorization of conduit revenue obligations (the "Obligations") as identified below.

1. Name of Borrower: Merced Gateway Investors II, LP

2. Authority Meeting Date: 1/9/20

3. Name of Obligations: Gateway Terrace II Apartments

4. _X_ Private Placement Lender or Bond Purchaser, __ Underwriter or __ Financial Advisor (mark one) engaged by the Borrower provided the Borrower with the required good faith estimates relating to the Obligations [as follows / attached as Schedule A]:

   [(A) The true interest cost of the Obligations, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Obligations (to the nearest ten-thousandth of one percent): 4.05%.

   (B) The finance charge of the Obligations, which means the sum of all fees and charges paid to third parties: $65,250.

   (C) The amount of proceeds received by the public body for sale of the Obligations less the finance charge of the Obligations described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the Obligations: $8,634,750.

   (D) The total payment amount, which means the sum total of all payments the Borrower will make to pay debt service on the Obligations plus the finance charge of the Obligations described in subparagraph (B) not paid with the proceeds of the Obligations (which total payment amount shall be calculated to the final maturity of the Obligations): $9,285,570.

5. The good faith estimates provided above were ___ presented to the governing board of the Borrower, or ___ presented to the official or officials or committee designated by the governing board of the Borrower to obligate the Borrower in connection with the Obligations or, in the absence of a governing board, _X_

presented to the official or officials of the Borrower having authority to obligate the Borrower in connection with the Obligations (mark one).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Obligations issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to a variety of factors. The actual interest rates borne by the Obligations and the actual amortization of the Obligations will depend on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Borrower.

The Authority is authorized to make this document available to the public at the Meeting of the Authority.

Dated: 1/9/20