

MINUTES

**California Pollution Control Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
Tuesday, October 20, 2020**

1. CALL TO ORDER & ROLL CALL

Treasurer Fiona Ma, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:30 a.m.

Members Present: Fiona Ma, CPA, State Treasurer
Members on the phone: Jacqueline Wong-Hernandez for Betty T. Yee, State Controller
Gayle Miller for Keely Martin Bosler, Director of Finance

Staff Present: Nancee Robles, Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Treasurer Ma asked if there were any questions or comments concerning the meeting minutes from the meeting held September 15, 2020. There were none.

Ms. Miller moved approval of the minutes; upon a second, the minutes were unanimously approved.

The item was passed by the following vote:

Gayle Miller for the Director of Finance	Aye
Jacqueline Wong-Hernandez for the State Controller	Aye
Fiona Ma, CPA, State Treasurer	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Robles began with Bond Program updates. She stated that since the last Board meeting she used her delegated authority to approve two Initial Resolutions (IR). On September 17, 2020 Ms. Robles approved an IR for Mission Trail Waste Systems, Inc. for \$25,000,000 for equipment and construction for improvements to its solid waste and recycling facilities. On September 22, 2020 Ms. Robles approved an IR for Garden City Sanitation, Inc. for \$42,500,000 for equipment and construction for improvements to its solid waste and recycling facilities.

Ms. Robles then updated the Board members on CPCFA's outreach efforts. She accompanied Treasurer Ma from October 12-15, 2020 on a waste and recycling education tour throughout Oregon and Washington. The group visited several types of recycling processing facilities and

participated in briefings on policy and legislation around recycling, including those addressing medical waste and cannabis waste best practices. Ms. Robles shared that it was great to see projects that are similar to those that CPCFA's finances in action and that she learned something new each day of the experience.

Treasurer Ma asked if there were any questions from the Board or public. There were none.

4. BUSINESS ITEMS

A. APPROVAL OF 2021 BOARD MEETING DATES

Presented by: Nancee Robles

Treasurer Ma conferred with STO Legal Counsel and they agreed the meeting dates item did not require a vote. Treasurer Ma confirmed with Ms. Robles that CAEATFA and CPCFA coordinated its 2021 meeting dates.

B. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF TAXABLE BOND ANTICIPATION NOTES (BANs) RELATING TO FINANCING OF DISTRICT HEATING AND COOLING, SEWAGE RECYCLING AND WATER FURNISHING FACILITIES

Presented by: Andrea Gonzalez, Associate Treasury Program Officer

Ms. Gonzalez started her report by acknowledging the Bond Counsel, Underwriter, the Borrower Representative and company representatives who were on the phone representing the project.

Ms. Gonzalez reported that Mission Rock Utilities, Inc. and/or its affiliates requested approval of a Final Resolution for an amount not to exceed \$25,000,000 in taxable BANs. that a BAN is a short-term note by which the payments and interest are secured by a future bond issuance. The terms of this transaction require that the notes must be refinanced within three years of the maturity date.

Ms. Gonzalez stated that Mission Rock Partners, comprised of the San Francisco Giants and Tishman Speyer, established Seawall Lot 337 Associates, LLC as master developer for the Mission Rock development in San Francisco. As part of this development Mission Rock Utilities, Inc. was created in order to develop the thermal energy and black water recycling systems for a new mixed-use waterfront neighborhood located in downtown San Francisco, comprised of 11 new buildings, eight acres of parks and open space, housing - of which 40% will be affordable, and a unique mix of neighborhood-serving retail. The entire Mission Rock development is expected to be built over four phases. Phase I of development will involve four buildings, including a mix of commercial, residential, and retail. Construction of Phase 1 is targeted to commence in 2020.

Ms. Gonzalez stated the BANs proceeds will provide financing for the acquisition, construction, and/or installation of facilities for the collection and treatment of black water

Agenda Item 2.

for the purpose of treating sewage and furnishing water and will include a black water recycling system and related facilities. The project will also include local district heating and cooling, including the construction of a district energy system and related facilities, all of which will be located in the City and County of San Francisco, California. The target date for financing is November 10, 2020.

Ms. Gonzalez concluded her report by recommending approval of Final Resolution No. 20-01-600 for an amount not to exceed \$25,000,000 in taxable BANs for Mission Rock Utilities, Inc., and/or its affiliates. Then, Ms. Gonzalez let the participants on the teleconference line know that it was their turn to speak.

Treasurer Ma asked if there were any questions from the Board or the public.

Maggie Cadin with Tishman Speyer was on the teleconference line to answer questions. Ms. Cadin then explained that they are intending to start construction later this year on the thermal energy system on-site and a black water treatment plant that will service all eleven buildings that will be completed through the four phases of the project. They will also be able to serve irrigation needs for the site in the future. They are working on unique cutting edge sustainability measures for this project.

Treasurer Ma asked about the affordable housing part of the project.

Ms. Cadin stated that 40% of the housing will be below market rate units and that the first phase of the development contains over 200 affordable housing units. All affordable units will be delivered with market rate units. There will be a total of 550 units in phase one and some of them will be serving middle-market consumers who have challenges finding housing in the San Francisco market.

Ms. Wong-Hernandez stated that the project had come before the State Lands Commission and they were supportive of it a few years ago. She asked how the pandemic affected the project up to that point and asked about the status of the construction.

Ms. Cadin replied that the pandemic paused construction in March 2020, but that they added safety protocols and were given an exemption to continue so they were able to resume construction at the end of March 2020. She also shared that the City of San Francisco gave the project street improvement permits for the project October 1, 2020 and that will allow them to finish the infrastructure for the project. They anticipate construction on the first phase to be finished in 2022.

When Ms. Miller asked if the company will be back to CPCFA for Phase 2 for financial further assistance, Ms. Cadin stated that they expected to be back for permanent financing in Fall 2022.

Mr. Devin Brennan, representing the bond counsel firm Orrick, Herrington & Sutcliffe, added that the expectation was that a portion of the permanent financing will be taxable

Agenda Item 2.

and a portion will be non-taxable. He also stated that the permanent financing must take place within the three year time limit.

Treasurer Ma asked Mr. Brennan to keep the Board up-to-date on the progress of the financing so as to make sure that allocation is available.

In response to Ms. Miller's questions to Mr. Brennan about why the first phase of the financing is using taxable and how the tax-exempt status was determined, Mr. Brennan explained that that the first phase is taxable so they can get the project started right away. During the second part of the project the funding will be assessed as taxable or non-taxable.

Treasurer Ma asked who the developer for the affordable housing portion of the project. Mr. Andrew Kasid from EG Services, LLC answered that Mission Rock Partners, a combination of Tishman Speyer and the San Francisco Giants, will be the developer.

Mr. Jack Bair from the San Francisco Giants thanked the Board.

Treasurer Ma asked if there were any questions or comments from the Board or public. There were none.

Ms. Miller moved approval; there was a second.

The item was passed by the following vote:

Gayle Miller for the Director of Finance	Aye
Jacqueline Wong-Hernandez for the State Controller	Aye
Fiona Ma, CPA, State Treasurer	Aye

C. REQUEST TO APPROVE A FEASIBLE PLAN TO FUND THE COMPLETION OF THE REMEDIATION OF A BROWNFIELD SITE UNDER THE CALIFORNIA RECYCLE UNDERUTILIZED SITES (CALREUSE) REMEDIATION PROGRAM

Presented by: Ethan Wieser

Mr. Wieser stated that at the June 16, 2020 meeting, the CPCFA Board held the Carson Reclamation Authority (CRA) in default for two missed benchmarks related to completion of the brownfield remediation. The Board provided the grantee with an opportunity to clear the default by presenting the Board with a feasible financial plan to fund completion of the site remediation at the October 2020 Board meeting and alternative project milestones acceptable to CPCFA at the November 2020 Board meeting.

Mr. Wieser said that CRA provided a plan to fund the remaining remediation of the Cell 2 site per a letter dated September 21, 2020. The CRA estimates that the remaining cost to complete the remediation of the Cell 2 site is \$40 million; however, they acknowledged that to determine the actual costs, they will need to resolve an \$80 million lawsuit brought against them by the outlet mall developer, CAM-Carson, LLC. Once the lawsuit is resolved, the CRA will be able to rebid the remaining environmental work,

Agenda Item 2.

which should result in an updated cost estimate. While the CRA is hopeful the lawsuit will be resolved and that CAM-Carson will complete the outlet mall, should they need to bring in a new developer, the project would likely require remedial systems design changes that would affect remediation costs.

Mr. Wieser explained that the CRA had identified two potential sources of funds to pay for the remediation. The primary source is \$45 million in upfront funds from the sale of Cells 3, 4, and 5 (which are not a part of the CALReUSE Grant), to FBD Carson, LLC. The CRA is currently in negotiations with FBD Carson, for the sale of these cells. He also said that FBD Carson submitted a letter October 20, 2020 stating that all major issues of the agreement have been completed and they are currently finalizing the language. The developer expects to finalize the agreement in the next couple of weeks and will then transfer the \$45 million to the CRA within 60 days of executing the agreement.

Mr. Wieser stated that the second potential funding source identified by the CRA would come from the issuance of \$90 million in bonds by the Carson Successor Agency (Successor Agency). The Successor Agency approved the \$90 million bond issuance in January 2020; however, under the Redevelopment Dissolution Act the issuance also requires approval by the Los Angeles County Consolidated Oversight Board (Oversight Board) and the Department of Finance (DOF). The Oversight Board did not approve the issuance and the CRA has requested a review by the DOF. The Successor Agency is currently in litigation with both the Oversight Board and the DOF for the issuance of \$90 million in bonds they believe to be an enforceable obligation under the Redevelopment Dissolution Act.

Mr. Wieser presented his staff analysis and shared staff concerns that could impact the Board's desire to accept or deny the CRA's feasible funding plan. The first concern is having an accurate estimate of the costs to complete the remediation, which will not be available until the CRA resolves the \$80 million CAM-Carson lawsuit and there is a new bid for the environmental work.

The second concern is that a stipulation of the \$45 million sale of Cells 3, 4, and 5 requires the CRA to pay for 40% of the offsite infrastructure costs for the development of these cells. While the CRA has identified some potential funding for the infrastructure costs, it acknowledged that they might need to use some of the \$45 million sale proceeds toward these costs. Staff is concerned that if the offsite infrastructure costs are significant, the \$45 million may not be sufficient cover completion of Cell 2 remediation. Mr. Wieser added that in a letter, the CRA identified that \$22.4 million from City Measure R/Measure M and a \$10 million advance from CAM-Carson could cover a portion of the infrastructure costs; however, this would depend on resolution of the CAM-Carson lawsuit.

Mr. Wieser stated that the third concern is that authorization of the potential \$90 million bond issuance by the Carson Successor Agency still needs to be resolved with the Los Angeles County Consolidated Oversight Board and the Department of Finance before we these funds are solid. The CRA has not yet provided an estimated timeline for this action.

Mr. Wieser summarized that, per the direction of the Board, the CRA did delivered a plan to fund the completion of the remediation; that the CRA spent considerable time, effort,

Agenda Item 2.

and funding for the remediation work thus far; and that they have completed both affordable housing projects required by the CALReUSE grant. He stated that in light of staff concerns that the funding identified may not be adequate to complete the required remediation, staff is seeking direction from the Board as to whether to accept or reject the feasible plan to fund the remediation of Cell 2 provided by the CRA.

Potential options for the Board's consideration include accepting the feasible plan to fund, submitted by the CRA, not accepting the CRA's feasible funding plan or providing the CRA a time extension to cure the default.

Treasurer Ma asked if there were any questions or comments from the Board or public.

John Raymond of Carson Reclamation Authority announced that he and Sunny Soltani were on the phone if the Board had any questions for the CRA.

Ms. Soltani shared that the CRA is about to sign an agreement with a new developer who will be acquiring 60% of the site and they will be taking care of the remediation for that part of the site. They expect everything to be completed with the developer by November 4, 2020.

Ms. Wong-Hernandez asked what the feasible plan is expected to be and what happened with the project since funding was originally granted in 2008. She also asked what the milestones were between then and now or if COVID-19 caused the problems.

Mr. Wieser addressed her questions with some background about the project. He said that Carson Reclamation Authority was not the original grantee and in 2015, without CPCFA's consent or knowledge, the property was sold to another entity for a possible National Football League (NFL) stadium site. Ultimately, the stadium did not get built on the site. Due to the changes, CRA submitted a new application in 2016. There were no milestones set in place at that time. The liquidation date for the remediation funds is June 2021, which cannot be recaptured and used elsewhere. CRA cut the acreage from 157 to "Cell 2" and they missed two milestones prior to June 2020 as they ran out of funding to continue the remediation. At the same time, CAM-Carson filed the \$80 million dollar lawsuit.

Ms. Wong-Hernandez suggested that there should be a discussion about benchmarks for deals in the future, as a lesson learned from this situation. Then she asked the Board members what they thought about the feasible plan.

Treasurer Ma said that we can accept the feasible plan and they can present the milestone information at the November 2020 Board meeting.

Ms. Wong Hernandez wanted to clarify what the motion will be.

Ms. Soltani asked for a 60-day extension.

Agenda Item 2.

Treasurer Ma stated that all of the money was already used and the site was previously a landfill and now contains affordable housing, a shopping mall and outdoor space. She stated that the Board is willing to give an extension of 90 days to the project.

Treasurer Ma asked if there were any questions or comments from the Board or public.

Treasurer Ma moved approval of the item; there was a second.

Treasurer Ma asked if there were any questions or comments from the Board or public. There were none.

The item was passed by the following vote:

Gayle Miller for the Director of Finance	Abstained
Jacqueline Wong-Hernandez for the State Controller	Aye
Fiona Ma, CPA, State Treasurer	Aye

5. PUBLIC COMMENT

Treasurer Ma asked if there were any comments from the public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:25 a.m.

Respectfully submitted,

(Originally signed by)

Nancee Robles
Executive Director