

Civic San Diego  
Economic Growth and Neighborhood Investment Fund

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**MINUTES**

**NEW MARKETS TAX CREDIT ADVISORY BOARD  
MEETING OF  
Tuesday, November 7, 2017**

Civic San Diego  
401 B Street, Suite 400  
San Diego, CA 92101

1. ROLL CALL: The meeting of the New Markets Tax Credit (NMTC) Advisory Board (“Advisory Board”) convened at 3:30 p.m.

Board Members Present: Cruz Gonzalez, Tina Ngo Bartel  
Joel Roberts (via conference call), Jody Wood (via  
conference call)

Board Members Absent: Diane Moss, Jason Wells, Rickey Laster

Civic San Diego Staff: President Reese A. Jarrett, Vice President Kristine Zortman,  
Assistant Vice President Michael Lengyel, Associate  
Project Manager Joanna Whitley

2. APPROVAL OF THE MINUTES FROM THE AUGUST 11, 2017 MEETING OF THE  
ADVISORY BOARD

**Motion:** Mr. Wood moved and Mr. Roberts seconded a motion to approve the minutes of the August 11, 2017 meeting of the Advisory Board.

**Vote:** The motion passed 3-0 with Ms. Bartel abstaining

3. INFORMATIONAL ITEM – STAFF UPDATE ~ Michael Lengyel

Mr. Lengyel provided an update on the federal NMTC program. To qualify for New Markets Tax Credit, a project must be within a qualified census tract based on poverty levels, area median income and unemployment. The current census data is based on 2006-2010 community survey data. New census tract data is being released this month that covers 2011-2015. The CDEs will have one year to fully transition from using old data to using the new data. Once the new data is available online, staff will map out the qualifying census tracts to determine to extent of the

changes from the previous qualifying areas and provide this information to the advisory board if the changes are significant. Additionally, the House Ways and Means Committee recently released their tax reform proposal, and a last minute change eliminated the NMTC program. This proposal is scheduled to go through a “chairman’s markup” and there is hope that further revisions will retain the program. Alternatively, the Senate tax proposal may retain the program. There is lots of support for the program, and the gross program cost of \$1.7 billion over ten years is marginal. Hopefully, after reconciliation the committees will come together with a final bill that includes NMTC. The NMTC program creates jobs and spurs investment which ultimately helps growth projection. This argument is currently being made at the national level. More clarity on this matter is expected by Thanksgiving.

Mr. Lengyel discussed pipeline projects and existing allocation of NMTC. Remaining projects include: Goodwill Industries; Casa Familiar’s Living Rooms at the Border; Access Youth Academy; North Highland; and possibly revisiting Vien Dong Supermarket, a former pipeline project that had been put on hold. North Highland is slated to close next year and will require additional allocation to fully fund the project. If the CDE receives an award of tax credits in the next round, additional allocation can be provided to North Highland. However, this project could be in jeopardy if the NMTC program is eliminated. Mr. Lengyel and Mr. Gonzalez also noted the North Highland project will provide good living wage jobs and hope to be able to help get this project done. Mr. Lengyel noted, the Vien Dong project would also be a good job creator.

Regarding portfolio, Mr. Lengyel discussed the grand opening of the Jackie Robinson Family YMCA in October.

**Action:** This item was informational only.

4. ACTION ITEM – RECOMMENDATION OF INCREASED NMTC ALLOCATION FOR PROJECTS, Living Rooms at the Boarder (San Ysidro) ~ Joanna Whitley

Ms. Whitley provided an update on Casa Familiar’s Living Rooms at the Border project. Current estimated project costs now exceed the \$8 million allocation recommended by the advisory board on May 12, 2017. Ms. Whitley recommended increasing the allocation for this project from \$8 million to up to \$9 million to allow for these increased cost and any additional changes to the project budget. Casa Familiar’s board of directors is expected to approve the signing of the NMTC reservation letter and deposit on November 15, 2017. The NMTC transaction is expected to close Q1 2018.

**Motion:** Ms. Bartel moved and Mr. Wood seconded a motion to recommend approval of up to \$9 million in New Markets Tax Credit allocation for Living Rooms at the Border

**Vote:** The motion passed unanimously (4-0) with Ms. Moss, Mr. Wells, and Mr. Laster absent

5. ACTION ITEM – RECOMMENDATION OF LOAN FUND WITH LOCAL INITIATIVES SUPPORT CORPORATION (LISC) ~ Michael Lengyel

Mr. Lengyel provided some background information on Civic San Diego's CDE in comparison to other CDEs with local service areas. Only one other local CDE, Cleveland, has received more allocation in the last four year than Civic San Diego. Last year, Cleveland partnered with LISC to form a loan fund to serve smaller businesses in underserved communities. Cleveland and LISC brought in Morgan Stanley and placed a \$5 million investment in the loan fund to provide loans in the \$125,000 to \$2 million range. The loans have interest rates around 5% and very flexible underwriting. LISC has approached Civic San Diego about creating a similar loan fund locally. LISC requested that the Fund enters into an engagement letter prior to the parties entering into full negotiations on the fund structure and terms and approval of the Engagement Letter was presented to the Fund Board in September. Mr. Lengyel requested the advisory board's recommendation to move forward with LISC to work toward structuring the loan fund. Mr. Jarrett noted that Civic San Diego board is supportive of this approach and this loan fund will also lead to a stronger application in any future rounds of NMTC allocations.

**Motion:** Ms. Bartel moved and Mr. Roberts seconded a motion to recommend conceptual approval of structuring a \$5 million loan fund with LISC.

**Vote:** The motion passed unanimously (4-0) with Ms. Moss, Mr. Wells, and Mr. Laster absent

6. ACTION ITEM – RECOMMENDATION OF \$250,000 BRIDGE LOAN FOR ACCESS YOUTH ACADEMY ~ Michael Lengyel

Mr. Lengyel provided an update on the Access Youth Academy (AYA) project. AYA is in the process of purchasing the project site. The land is valued at \$1 million but is being sold to AYA for approximately \$750,000. AYA has requested a \$250,000 bridge loan from Civic San Diego to assist with the predevelopment and acquisition costs of the project. AYA has secured a commitment of additional capital for working capital. The bridge loan would close on December 1, 2017, carry an interest rate of 2% that would accrue for the first 6 months. It is expected that the NMTC equity would pay off this loan at closing in April or May 2018. In the event the NMTC transaction has not closed within 6 months, a higher amortizing principle and interest payment would be required through the end of the one-year term. Additionally, Civic San Diego will collect a \$2,500 origination fee for staff costs and any legal fees incurred will covered by AYA's reservation deposit.

**Motion:** Mr. Wood moved and Mr. Roberts seconded a motion to recommend approval of a \$250,000 bridge loan to Access Youth Academy

**Vote:** The motion passed unanimously (4-0) with Ms. Moss, Mr. Wells, and Mr. Laster absent

7. INFORMATIONAL ITEM – MARKETING OF THE NMTC PROGRAM

Mr. Lengyel discussed the continuing marketing efforts. He discussed the successful alternative finance workshop held in October and the upcoming bus tours for the Promise Zone and Linda Vista. Mr. Lengyel also discussed Civic San Diego's appearance on Politically Speaking where Mr. Jarrett and Mr. Lengyel shared projects and programs Civic San Diego is engaged in. Ms. Zortman suggested sending a link of the television appearance to the advisory board members.

**Action:** This item was informational only.

8. INFORMATIONAL ITEM – NON-AGENDA ITEMS

Ms. Whitley announced she would be emailing Advisory Board Certifications and asked that the board complete the forms and return to her promptly.

**Action:** This item was informational only.

**ADJOURNMENT** ~ The meeting was adjourned at 4:04 p.m.