

## MINUTES

### NEW MARKETS TAX CREDIT ADVISORY BOARD MEETING OF July 17, 2018

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 3:02 p.m.
- Board Members Present: Cruz Gonzalez, Jody Wood, Jason Wells, Joel Roberts, Diane Moss (all via conference call)
- Board Members Absent: Tina Ngo Bartel
- Civic San Diego Staff: Assistant Vice President, Economic Development Michael Lengyel and Associate Project Manager Joanna Whitley

#### 2. APPROVAL OF THE MINUTES FROM THE APRIL 5, 2018 MEETING OF THE ADVISORY BOARD

**Motion:** Member Wells moved and Member Roberts seconded a motion to approve the minutes of the April 5, 2018 Advisory Board Committee meeting.

**Vote:** The motion passed 5-0

#### 3. STAFF UPDATE ~ Michael Lengyel

Mr. Lengyel announced the untimely passing of Member Rickey Laster in May. This is a tremendous loss to the community and the NMTC advisory board. While there is no formal process established to replace a vacant board seat, Mr. Lengyel requested input the board. Member Laster qualified for the advisory board member based on his position as a reverend, his role with City’s Gang Commission, and as a resident of a low income community. Member Gonzales suggested reaching out to Council District #4 to weigh in or recommend a community representative.

Mr. Lengyel also provided a loan portfolio status update. The Ajinomoto Windsor (AWI) transaction is moving forward. This company purchased the Tyson’s plant and is retaining more than 300 jobs and adding a third line to add 80 new jobs. A tour of the facility took place in May and the Otay Chamber, South County EDC and Workforce Partnership were also involved. The full investment of \$10 million allocation will be presented to the board next week for approval to close the transaction. The CBA requires the company work with the agencies to market those job opportunities to residents in low income communities.

The investment was expected to close in June, however, structuring of the transaction delayed the closing slightly. The investment is not secured by real estate but rather by equipment. The new jobs for this project will come online over the next year to year and a half.

Mr. Lengyel noted the Fund submitted an application for new allocation last month. Announcement of awards expected Q1 2019. For future pipeline staff is having ongoing discussion for the KIPP project. Also, there have been good discussions with regarding Vien Dong. Staff is awaiting an update on when they may be ready to move forward.

Thrive is interested in purchasing a site for school in City Heights. Also, Thrive's Linda Vista campus should be completed next month. A grand opening is expected in September after students are settled in.

The Goodwill project opened the new facility and are working on the improvements at the training facility.

Momentum Learning project, or 37ECB, has been delayed due to an issue with the contractor. A new contractor is on board to complete the project and staff expects a fall grand opening for that project.

Staff has had good progress with the structure of the LISC loan fund. A local bank is interested in providing the leverage debt to set up the fund. Staff believe allocation around \$5 million will make it of enough scale to work as a loan fund. The subsidy from the tax credits is used to buy down the rate on the loans, rather than the typical NMTC structure. This will provide lower rates and flexible terms for smaller businesses.

In consideration of the actions items, staff suggested the board consider funding the loan fund out of new allocation. Over the past six month construction costs have increased, impacting the Living Rooms at the Border and Access Youth Academy projects. Staff requested the advisory board's recommendation to increase allocation for the two projects.

Ms. Whitley provided an update on the KIPP Adelante project. The site KIPP had proposed to use for the new grades 5 through 8 campus had environmental issues. KIPP has negotiated with Jacobs Center for and alternate parcel to construct the school. KIPP is moving forward with civil engineering and design work but this is basically the same project, within the same census tract. Substantial conformance review for the project is expected by end of August and foundation and grading permits in December. The project is in need of \$13 million in allocation, which would require a CDE partner, or come out of new allocation if awarded.

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

4. ACTION ITEM – RECOMMENDATION TO INCREASE NMTC FUNDING FOR PROJECTS, Access Youth Academy (AYA); and Living Rooms at the Border ~ Michael Lengyel; Joanna Whitley

AYA is a non-profit located in Mira Mesa. Their mission is to provide academic assistance to at-risk youth while teaching the skills of squash. They have 100% track record of getting youth into colleges and \$5 million in scholarships. Most of the students served are from Southeastern San Diego. In December AYA purchased a site from Jacobs Center at Euclid and Guymon. There was a delay due to need for Neighborhood Use Permit. Also, AYA has good commitments for grant funding and support from Price Foundation and others but some are dependent on closing the transaction. With a shortfall of upfront cash, more debt is needed. Two leverage lenders are working together to provide the debt and issue a joint term sheet.

Due to increased construction costs, the project is expected to come in closer to \$13 million as opposed to the \$12 million that was previously recommended. Staff recommends increasing allocation to up to \$14 million for AYA. The additional allocation would come from the allocation intended for the LISC loan fund.

With regard to Living Rooms at the Border, the project has also experienced increased construction costs. Advisory board previously recommended up to \$9 million for the project. They are currently doing value engineering to certain design and materials elements to bring costs down. However, closer to \$9.5 million may be needed. They are bringing additional financing and grant funds to defray some costs. Staff recommended allocation of up to \$10 million in case it's needed to get the project completed. The project transaction is expected to close in September and ground-breaking soon after.

Member Wells and Member Gonzales agreed that increases in constructions cost in the time between application and actual construction is a reality. Mr. Wells commended the project sponsor's efforts to cover the costs by various sources.

**Motion 1:** Member Wood moved and Member Wells seconded a motion to recommend up to \$14 million in allocation for Access Youth Academy.

**Vote 1:** The motion passed 5-0.

**Motion 2:** Member Wells moved and Member Moss seconded a motion to recommend up to \$10 million in allocation for the Living Rooms at the border project.

**Vote 2:** The motion passed 5-0.

5. INFORMATIONAL ITEM – MARKETING OF THE NMTC PROGRAM

Mr. Lengyel discussed continued marketing efforts and suggests staff conduct workshops that are broad in subject matter. He also noted the recent economic development bus tour of Linda Vista and the upcoming tour of City Heights to highlight development opportunities. Staff also plans to convene a fall workshop on NMTC or general finance. Member Gonzales asked what the political climate was around the NMTC program. Mr. Lengyel expressed there is strong local and national support for the program. It is economic development that provides good return locally and to the federal government. Staff anticipates a push for another extension of the program. Mr. Lengyel noted Andy Phillips has been in communication with the local Chamber to make sure our local representatives are aware of the program's benefits to San Diego.

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

6. INFORMATIONAL ITEM – NON-AGENDA ITEMS

None.

7. **ADJOURNMENT** ~ The meeting was adjourned at 3:34 p.m.