

# MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on  
Wednesday, November 15, 2023, at 3:00 p.m.

IBank's meeting was held remotely and was accessible and open to the public and with virtual participation via teleconference for board members, staff, borrowers and general public.

Acting Chair Chris Dombrowski, delegate of the Director of the Governor's Office of Business and Economic Development, welcomed everyone to IBank's Board meeting. He started by providing instructions to participants regarding process, participation, recording, and public comment.

## 1. Call to Order and Roll Call

Acting Chair Dombrowski then called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at approximately 3:00 p.m.

The following Board members attended:

Acting Chair Chris Dombrowski, as delegate of the Director of the Governor's Office of Business and Economic Development,  
Carlos Quant for the Secretary of the State Transportation Agency,  
Amy Jarvis, for the Department of Finance,  
Juan Fernandez, for the State Treasurer, and  
Marc Steinorth as Governor's Appointee.

IBank staff members in attendance:

Scott Wu, Jaymie Lutz, and Stefan Spich

## Information Item

## 2. Executive Director's Report

Scott Wu, IBank's Executive Director, delivered the Executive Director's Report.

Mr. Wu began by noting he was currently attending events at APEC (Asia-Pacific Economic Cooperation), including one co-hosted by GO-Biz. Other than the poor weather, Mr. Wu reported that San Francisco has rolled out the red carpet and was showcasing the most beautiful city in the world. He remarked this was an opportunity for visitors to see first-hand the reality of the city, hopefully dispelling the doom-loop narrative.

Mr. Wu explained that APEC was an intergovernmental forum formed in 1989 that holds annual gatherings to promote free trade, economic development, and cooperation in the Asia-Pacific region. Its 21 member economies include 19 countries plus Taiwan and Hong Kong, and together, comprise over 40% of world population and over 60% of global GDP.

Mr. Wu noted that not only does APEC bring together world leaders, but it also attracts those protesting free trade, inequality, and global conflicts. California welcomes the diversity of viewpoints on challenging issues expressed in a civil, respectful manner, but cannot tolerate harassment or violence.

Mr. Wu then somberly noted it has been 40 days since 240 hostages were kidnapped and held captive in tunnels following the terrorist massacre of 1,200 people on October 7th, including the elderly and babies. Since then, 11,000 have been killed in Gaza, including 7,500 women and children.

He reflected that there was really nothing he could add to this discourse. Mr. Wu shared his perspective from his prior visits to Israel as well as Palestinian refugee camps: how difficult it was for Americans to appreciate how Israel lives continually under severe security threats and surrounded by hostile neighbors, or how displaced Palestinians suffer a challenging existence with diminishing hope for their future. The situation is tragic on every level and will leave a stain on civilized society throughout history. Mr. Wu noted that California grieves with all...every person who has been affected and traumatized and who continues to deal with loss, suffering and fear.

Mr. Wu then provided a historical perspective, noting that, on this day in 1988, the declaration of the State of Palestine was adopted by the Palestinian National Council. Reflecting on the legacy of this declaration 35 years later, he noted Palestine was recognized by 139 nations but that little had changed on the ground.

He further noted that, on this day in 1920, the League of Nations held its first Assembly meeting. A precursor to APEC, the League of Nations was the first world-wide intergovernmental organization and was formed after World War I with the mission to maintain world peace. Mr. Wu explained that these historical forces of global diplomacy still impact us today; the Mandate for Palestine was submitted to the League on December 7, 1920 to administer the territories conceded by the Ottoman Empire, land where Jews, Muslims and Christians once peacefully coexisted.

Mr. Wu provided additional context, noting President Wilson won the Nobel Peace Prize for being the League of Nations lead architect, but that the United States never joined as a member. The organization lasted just a few decades and was replaced by the United Nations (UN) after World War II. The UN then administered the creation of the State of Israel in 1948 and formed the UNRWA (United Nations Relief and Works Agency for Palestine Refugees in the Near East) to support Palestinian refugees in 1949.

Turning to the larger picture, Mr. Wu explained that, despite past failures, intergovernmental bodies such as the UN and APEC remain a critical avenue for cooperation to seek solutions to intractable problems and that without engagement and dialogue, there will be no acceptable outcomes. Mr. Wu concluded that, by graciously hosting high level Chinese and Russian delegations to American shores, APEC has already succeeded.

Mr. Wu then turned to one information item:

He informed the Board that one year after California was awarded \$1.2 billion in federal funds for the State Small Business Credit Initiative (SSBCI), California will be the host state for the U.S. Treasury's Western Regional Conference in December.

IBank will join representatives from 12 states and 3 territories in San Francisco to share knowledge and best practices in SSBCI-funded small business programs. California's SSBCI programs include IBank's Small Business Loan Guarantee and Expanding Venture Capital Access programs, along with the State Treasurer's Collateral Support and Capital Access programs. He noted IBank looked forward to sharing its experience to date and learning what works well in the other states.

Mr. Wu then yielded back to the Chair. Acting Chair Dombrowski asked the Board if they had any questions. Hearing none, he thanked Mr. Wu for his report.

### **Consent Item**

#### **3. Approve minutes from the meeting held October 11, 2023**

Acting Chair Dombrowski opened the discussion of the previous meeting's minutes. Mr. Steinorth moved to approve the minutes, and Mr. Quant seconded the motion. The Board unanimously approved the October 11, 2023, meeting Minutes.

### **Action Item**

#### **4. Resolution No. 23-15 approving certain amendments to the Loan Agreement, in connection with earlier 2023 obligations initially sold to City National Bank and CN Financing, Inc. through a private placement for the benefit of Olive Crest used to finance an eligible project located in the City of Bellflower.**

John Belmont, Public Finance Specialist, introduced Resolution 23-15.

Mr. Belmont started by introducing representatives from Olive Crest: Justin Laird (CFO), Sam Balisy and David Mnatsakanyan (Bond Counsel, Kutak), and CJ Bibolet (City National Bank). He then discussed the financing, noting the issuance of both tax-exempt and taxable obligations of approximately \$4.2M to be privately placed. He explained the funds would be used for the acquisition and equipping of a property in Bellflower, CA that consisted of offices and a parking lot, and that the transaction would be documented as an amendment to the earlier 2023 IBank financing for Olive Crest. He concluded by noting that this expansion would allow the borrower to better pursue its mission and serve the residents of South Los Angeles County.

Acting Chair Dombrowski thanked Mr. Belmont, welcomed the representatives from Olive Crest, and asked them to comment on the project.

Mr. Laird briefly thanked the Board for their support. He explained that this expansion would provide Olive Crest with a better presence in South Los Angeles and would be a strong base for further growth.

Acting Chair Dombrowski thanked Mr. Laird and asked if the Board members had any questions on the matter. No Board members had any questions.

Acting Chair Dombrowski then asked for any public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Ms. Jarvis seconded. The Board voted unanimously to pass Resolution 23-15.

Acting Chair Dombrowski congratulated Olive Crest on the approval.

#### **5. Resolution No. 23-16 approving lending Climate Catalyst Revolving Loan Fund Program funds to Blue Forest Financing, Inc. in an amount not to exceed \$25,000,000 pursuant to the Financing Plan for Wildfire and Forest Resilience for projects located across California.**

Dan Adler, Deputy Director for Climate Finance, introduced Resolution 23-16. He also introduced the borrower's representatives: Zach Knight (CEO and Co-Founder), and Gordon Vermeer (CFO).

Mr. Adler set the context for the Blue Forest investment by reintroducing the Climate Catalyst Fund, and its history and mandate. He noted the Catalyst Fund was originally proposed by Governor Newsom in 2020 as an important new tool in the state's climate fight as the state's all-purpose Green Bank.

He then explained that the Catalyst Fund was capitalized in 2021 for work in the forest biomass management sector. This effort was formalized in the required Financing Plan, adopted pursuant to Resolution 22-03, to address the threat of forest wildfire accelerated by climate change. Staff began work on deals in that sector, pausing briefly between December 2022 and July 2023 due to budget uncertainty. Upon confirmation of continued funding under the Forest Biomass Financing Plan, Catalyst continued to review projects and opportunities, culminating in this proposed partnership with one of the clear leaders in the sector.

Mr. Adler then addressed the forest biomass sector generally. He noted that wildfire threat was apparent to us all, and California's policy response focused on treating and mitigating 1 million acres per year for the next several decades. This sector historically suffered from underinvestment in communities, entrepreneurs, and technology.

Mr. Adler suggested that to revitalize these industries, and meet our policy goals, would require a diversity of approaches and close, on-the-ground support from private sector partners. These efforts must prove out economically for private investors because the public sector cannot afford to tackle this challenge on its own.

Mr. Adler then discussed Blue Forest; the nonprofit sponsor of the California Wildfire Innovation Fund (CWIF) being presented today. He noted they had an interdisciplinary team of financial, scientific, legal and policy leaders combined with a track record of partnership with public sector entities, at the local, state, and federal levels. Mr. Adler described their investment vehicle, the CWIF, as a novel structure that would deploy capital across a range of forest solutions, focusing on viable businesses and financial returns to both public and private capital providers.

Mr. Adler then provided detail on IBank's proposed commitment of up to \$25M to the CWIF; the financing would be structured as a hybrid debt instrument, first developed by IBank's Venture Capital Program. The loan would be made to the CWIF General Partner for the sole purpose of investing in the CWIF portfolio. The CWIF would have a target fund size of at least \$50M with a hard cap at \$60M and an anticipated final close in the first quarter of 2024. Following a 4-year investment period, the CWIF would have a total term of up to 14 years, comprised of a 10-year fund life, with up to two 2-year extensions. CWIF would utilize a range of investment techniques across debt and equity, structured to meet the needs of portfolio opportunities while insuring successful and timely exits during the Fund life.

Mr. Adler stressed that CWIF's target investments will be entirely consistent with Catalyst Fund's mandate in the forestry sector, including focusing on:

- Advanced clean energy production
- Advanced construction materials
- Forestry equipment needed to achieve forest vegetation management goals
- Broadly, the development of industries, supply chains, and related practices needed to revitalize the state's forest management industries

He noted CWIF was anticipating 20-30 investments in the range of \$500k to \$7.5M. This deal diversity and varied scope were one of the real benefits of partnering with CWIF. This reach and breadth would broadly advance Catalyst's mandate and create a diverse portfolio of approaches to solving forestry sector challenges.

Mr. Adler then described how this financing represented progress in addressing multiple shared public-private common interests: CWIF was presently anchored by an existing commitment from a CA-focused insurer. This interest in addressing the root causes of our wildfire crisis would also help maintain viability in the state's insurance marketplace, an obvious policy imperative of mounting urgency in California.

Mr. Adler then warned the Board of the very real risks presented by this financing.

- He first noted the CWIF was a new approach for the Blue Forest team. The broad range of financing and investment opportunities could bring greater risk into the portfolio. The CWIF team's ability to manage this strategic shift would be central to the success of the Fund.
- He then stressed that the forestry sector is highly complex and had been deprived of capital for an extended period. Projects would attempt to grow into multiple product markets vertically, all while operating in a dangerous natural environment.
- He finally noted the macroeconomic environment facing the Fund is uncertain, with inflation, recession, supply chain, workforce and other issues set to impact portfolio performance. Mr. Adler commented that all of these are challenges for any fund's performance, but particularly a first-time fund like the CWIF.

Mr. Adler summed up that all these risks, and others as detailed in the Staff Report, would require ongoing diligent attention, and that IBank was ready.

Mr. Adler then concluded, noting that IBank's prior engagement with the challenging forest biomass marketplace had only confirmed the value of working with dedicated investment professionals focused 100% on finding and fostering good investment opportunities in the sector. Through CWIF, IBank would have the opportunity to support a broad and diverse range of approaches to forest biomass management and utilization and be able to observe the maturation of the sector, furthering IBank's sector specific expertise. Finally, Mr. Adler noted the critical importance of engaging private investors, such as the anchor investors presently in the CWIF, and demonstrating the pathway to financial viability for these projects that would help reduce pressure on the state's budget over time.

Acting Chair Dombrowski thanked Mr. Adler for the report. He then asked Blue Forest if they had any comments for the Board.

Mr. Knight thanked the Board for their consideration. He stated that Blue Forest was a California public benefit corporation established to focus on forest restoration projects. He noted he was excited to partner with IBank and to advance the cause for greater public-private cooperation in bringing capital into the sector. He explained that the current anchor investor of the CWIF, CSAA, was exactly the right type of private sector partner to advance these policy goals. He noted that IBank would likewise represent the perfect public sector partner to help advance these important policies.

Mr. Steinorth responded by thanking Mr. Adler for a good presentation. He noted this collaboration would advance the long-term policy goal of both IBank and California to develop and support biomass projects while simultaneously reducing wildfire risk.

Mr. Fernandez then asked whether this proposed investment would exhaust the IBank's funds set aside under the Forest Biomass Financing Plan. Mr. Adler responded that a modest amount would remain following this transaction, and that IBank would continue to evaluate opportunities in the sector. He concluded by confirming this was the bulk of existing funds under that Plan.

Acting Chair Dombrowski asked about the overall value to the State of this proposed financing. Mr. Knight responded that this financing would be a major signal from the State to the forest biomass sector and would continue the State's bold policy decisions on forest management. Prior signals included spending State funds on federal lands and investing over \$1 billion into this sector across multiple fronts. Despite those efforts, Mr. Knight acknowledged that the forest biomass sector still suffered from 30 to 40 years of chronic under-investment, as evidenced by closed mills and impacted rural communities. He stressed that only sustained access to capital could reverse this trend.

Outside of these communities, he noted the broader positive impacts for the State. Mr. Knight noted he was a Sacramento resident and he and his family had labored through hazardous wildfire smoke conditions in past years. He hoped his decade of work in this sector could make a difference for all California families.

Mr. Fernandez then asked about the fund's size and the possibility of further investors joining CWIF. Mr. Knight responded that CWIF had already begun their own investment activities, but that they were working with other potential investors. He clarified that CWIF had been approved by California Organized Investment Network (COIN) and therefore represented a potential eligible investment by California insurance companies. He concluded that if these discussions did not result in further investments, he was prepared to close at the current \$50M level. Mr. Fernandez thanked Mr. Knight for the responses.

Acting Chair Dombrowski then asked for any public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Mr. Quant seconded. The Board voted unanimously to pass Resolution 23-16.

Acting Chair Dombrowski congratulated Blue Forest on the approval and wished them success. He noted he looked forward to updates on CWIF's performance.

### **Reporting/Non-Action Business**

### **Public Comment and Adjournment**

Acting Chair Dombrowski asked for a final public comment and heard none.

Acting Chair Dombrowski declared the meeting adjourned at approximately 3:26 p.m.