



Southern California

LOGISTICS AIRPORT

November 29, 2017

NOTICE TO BONDHOLDERS AND "REPORTING OF SIGNIFICANT EVENTS" CONCERNING THE FOLLOWING BONDS ISSUED BY THE SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY (SCLAA)

FOR: Senior Lien Pledge, Non-Housing Bonds:

SCLAA, Tax Allocation Parity Bonds, Series 2005A
SCLAA, Taxable Tax Allocation Revenue Parity Bonds, Series 2006
SCLAA, Tax Allocation Revenue Parity Bonds, Refunding Series 2006
SCLAA, Taxable Tax Allocation Revenue Parity Forward Bonds, 2006

Housing Bonds:

SCLAA, Tax Allocation Revenue Parity Refunding Housing Bonds, 2006
SCLAA, Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

Junior Lien Subordinate Pledge, Non-Housing Bond:

SCLAA, Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

Subordinate Pledge, Non-Housing Bonds:

SCLAA, Subordinate Tax Allocation Revenue Bonds, Series 2007
SCLAA, Subordinate Tax Allocation Revenue Bonds, Series 2008A

SUMMARY

On September 25, 2017, Victor Valley Economic Development Authority (VVEDA) issued a check for \$10,830,546 to the City of Victorville. This distribution consisted of tax increment revenue for the period of December 14, 2016 through April 28, 2017 due to Victorville and SCLAA. Additional revenue in the amount of \$347,861, resulting from SCLAA's Ground Lease and Development Agreement with High Desert Power Project (HDPP), Section 2.02, will also be used for SCLAA debt service.

Of the total revenue available, \$47,000 will be set aside to be used for bond administration and fiscal agent fees. The remainder amount of \$11,131,407, along with \$401,008 on deposit with the Trustee, The Bank of New York Mellon (BNY), will be used for principal and interest debt service payments due December 1, 2017 for the Senior Lien Pledge Non-Housing Bonds, the Housing Bonds and the Junior Lien Subordinate Pledge Non-Housing Bond, and for interest debt service for the Subordinate Tax Allocation Revenue Bonds, Series 2008A. The total of these debt service payments is \$11,571,993. Since the total amount of debt service scheduled to be paid exceeds the funds available, \$39,578 of reserve funds held by BNY for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A will be used to pay the full interest debt service payment for this bond issue.

Defaults will occur on the current principal and interest debt service payments due December 1, 2017 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the current principal debt service payment due for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. There are sufficient funds to pay the full current interest payment for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A, but not the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007, since the amount due for the 2008A bond issue is significantly less and The Bank of New York Mellon does not provide for use of reserves for partial interest payments.

The interest and principal defaults on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal defaults on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A will not be cured until

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sufficient revenue is received and sent to the Trustee to distribute. For additional detailed information on how funds will be applied to past due amounts and replenishing reserves for the subordinate bonds, please see The Bank of New York Mellon's Notices to Bondholders posted on MSRB's Electronic Municipal Market Access system ("EMMA") on May 24, 2017.

A detailed spreadsheet summarizing the debt service payments, current defaults, use of reserves and a projection of reserve balances on December 1, 2017 is attached as Exhibit A.

Several material events have occurred over the last several years that have resulted in SCLAA defaulting on the bond issues and the use of reserves with the Trustee for interest payments:

- (1) As part of adopting its 2009 budget bill, the State of California approved AB 26 4X, which included a provision that required redevelopment agencies to make remittance for FY 10/11 to a county Supplemental Educational Revenue Augmentation Fund. Tax increment on hand from SCLAA paid this obligation of \$9,352,308 in FY 09/10 and \$1,923,641 in FY 10/11. These state-mandated payments severely impacted SCLAA's cash reserves.
- (2) In Fiscal Year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Beginning in FY 09/10, there were significant decreases in assessed value for the Victor Valley Redevelopment Project Area. Assessed values for the Project Area reached a low point of \$6.6 Billion in FY 12/13. The decrease was largely the result of the Great Recession. Since FY 12/13, assessed values have increased steadily. For Fiscal Year 17-18, the assessed value for the Project Area was approximately \$8.3 billion.
- (3) The State of California enacted legislation in June 2011 which eliminated all Redevelopment Agencies across the state. The Redevelopment Agency (RDA) dissolution process has created cash flow issues. The former RDAs must utilize a Recognized Obligation Payment Schedule (ROPS) process annually to receive funding from the County of San Bernardino only as approved by the State's Department of Finance (DOF). The County collects tax increment of the former RDAs and holds it in the Redevelopment Property Tax Trust Fund (RPTTF). Revenue distributed by the County on January 2 is typically the larger distribution; however, the January 2 distribution is designated for June 1 interest-only debt service payments. The June 1 distribution from the County, which is typically the smaller distribution, is designated for December 1 principal and interest debt service payments.

FUTURE OUTLOOK

As previously disclosed in SCLAA's notices to bondholders, the DOF's prior determination letters to SCLAA had limited SCLAA's ability to remedy previously defaulted amounts by not allowing SCLAA to collect and distribute all tax increment available from the revenues pledged for debt service. However, the DOF changed its position, and in its FY 16-17 ROPS determination letter dated April 13, 2016, the DOF authorized the payment of previously defaulted amounts and reserve shortfalls from all tax increment available from the revenues pledged for debt service. In its April 11, 2017 determination letter for FY 17/18 funding, the DOF continued its position to allow for all tax increment available to be used for payment of previously defaulted amounts and reserve shortfalls.

If there are any questions regarding this notice, please contact Christina James at cjames@victorvilleca.gov or by phone at 760-955-5585.

The information contained herein has been approved for filing with the MSRB's Electronic Municipal Market Access system ("EMMA") by the Southern California Logistics Airport Authority, which as authorized and instructed the Bank of New York Mellon Global Corporate Trust to file this report in its capacity as the Disseminating Agent for the SCLAA bonds.



Douglas B. Robertson, Disclosure Representative
Southern California Logistics Airport Authority

Exhibit A

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
December 1, 2017 Debt Service Payments

Name of Debt	Original Debt	Reserve Fund Requirement	BNY Reserve 11/1/2017	Debt Service Principal 12/1/2017	Debt Service Interest 12/1/2017	Total Debt Service	Use of VVEDA Distributions	Use of Funds on Deposit at BNY 12/1/2017	Use of Reserve 12/1/2017	Default	BNY Reserve 12/1/2017	% Reserve Fully Funded 12/1/2017
Senior Lien Pledge, Non-Housing Bonds												
SCLAA Tax Alloc. Rev. Parity Bonds (Partially Refunded)	26,850,000	1,797,890	1,803,813	985,000.00	402,966.88	1,387,966.88	1,387,966.88	-	-	-	1,803,813	100%
SCLAA Tax Allocation Revenue Parity Bonds	45,020,000	4,441,744	4,454,202	125,000.00	1,283,287.50	1,408,287.50	1,408,287.50	-	-	-	4,454,202	100%
SCLAA Tax Allocation Revenue Parity Bonds (Refunding)	62,780,000	3,519,300	3,530,539	1,020,000.00	1,247,268.75	2,267,268.75	2,267,268.75	-	-	-	3,530,539	100%
SCLAA Tax Allocation Revenue Parity Bonds	34,980,000	2,476,455	2,484,365	480,000.00	997,855.00	1,477,855.00	1,477,855.00	-	-	-	2,484,365	100%
Total Senior Lien Pledge, Non-Housing Bonds	169,630,000	12,235,389	12,272,919	2,610,000.00	3,931,378.13	6,541,378.13	6,541,378.13	-	-	-	12,272,919	
Housing Set-Aside Bonds												
SCLAA Housing Set-Aside Revenue Bonds (Refunding)	16,855,000	945,975	949,022	275,000.00	334,920.63	609,920.63	609,920.63	-	-	-	949,022	100%
SCLAA Taxable Housing Set-Aside Revenue Parity Bonds (other 50% of Reserve is insured)	41,460,000	1,301,205	1,305,360	620,000.00	989,387.50	1,609,387.50	1,609,387.50	-	-	-	1,305,360	100%
Total Housing Set-Aside Bonds	58,315,000	2,247,180	2,254,382	895,000.00	1,324,308.13	2,219,308.13	2,219,308.13	-	-	-	2,254,382	
Total Senior and Housing Bonds	227,945,000	14,482,569	14,527,301	3,505,000.00	5,255,686.26	8,760,686.26	8,760,686.26	-	-	-	14,527,301	
Junior Lien Subordinate Pledge Bonds (Senior Subordinate Debt)												
SCLAA Taxable Subordinate Tax Allocation Revenue Bonds	64,165,000	4,389,930	4,403,733	900,000.00	1,744,668.75	2,644,668.75	2,370,720.93	273,947.82	-	-	4,403,733	100%
TOTAL SENIOR, HOUSING AND SENIOR SUBORDINATE BONDS	292,110,000	18,872,499	18,931,034	4,405,000.00	7,000,355.01	11,405,355.01	11,131,407.19	273,947.82	-	-	18,931,034	
Subordinate Pledge Bonds (Junior Subordinate Debt)												
SCLAA Subordinate Tax Allocation Revenue Bonds	42,000,000	2,824,473	375,745	620,000.00	1,155,961.25	1,775,961.25	-	-	-	1,775,961.25	375,745	13%
SCLAA Subordinate Tax Allocation Revenue Bonds*	13,334,925	1,332,492	154,264	85,000.00	166,637.50	251,637.50	-	127,059.94	39,577.56	85,000.00	114,686	9%
Total Subordinate Pledge Bonds (Junior Subordinate Debt)	55,334,925	4,156,965	530,009	705,000.00	1,322,598.75	2,027,598.75	-	127,059.94	39,577.56	1,860,961.25	490,431	
TOTAL	347,444,925	23,029,464	19,461,043	5,110,000.00	8,322,953.76	13,432,953.76	11,131,407.19	401,007.76	39,577.56	1,860,961.25	19,421,465	

SUMMARY OF FUNDS:

Payment from VVEDA to SCLAA & Victorville - September 25, 2017	\$ 10,830,546.19
HDPP Ground Lease - Section 2.02 - FY 16/17	347,861.00
Total	11,178,407.19
Less: Amount Held at SCLAA for Fiscal Agents Fees & Continuing Disclosure Report (1/2 of FY 2017/18 Budget)	(47,000.00)
Total Funds Available for December 1, 2017 Debt Service Payments	11,131,407.19
Total of December 1, 2017 Debt Service Payments - SENIOR, HOUSING, AND SENIOR SUBORDINATE BONDS	(11,405,355.01)
Shortage of Funds (Need to use Remaining Funds on Deposit with BNY)	(273,947.82)
Remaining Funds On Deposit With BNY (See Below)	401,007.76
Remaining Funds - to be used for the SCLAA Sub 2008A Interest Debt Service	127,059.94
SCLAA Sub 2008A Interest Debt Service	(166,637.50)
Shortage of Funds - Will need to use reserve funds held by BNY for the SCLAA Sub 2008A Interest Debt Service	\$ (39,577.56)

Remaining Funds from Prior VVEDA Distributions On Deposit With BNY as of 11/1/17:

(Funds held by BNY until full interest payments can be made on Subordinate Bonds, per BNY Mellon Notice to Bond Holders dated October 14, 2016)	BNY Acct:	183030	10,643.25
		183032	386,371.09
		251676	3,393.42
Total			401,007.76