December 3rd, 2021

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Sacramento, CA 95814

Betty Yee, State Controller  
State Controller’s Office  
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Keely Martin Bosler, Director of Finance  
Department of Finance  
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Re: CDLAC Agenda Item # 10: Discussion of Distribution of 2022 Allocation to Pools - Opposition to Inclusion of $1.1B in Exempt Facilities Pool for Poseidon’s Huntington Beach Desalination Plant

Dear Chair Ma and Members of the California Debt Limit Allocation Committee,

On behalf of the undersigned organizations and individuals, we write to express our unanimous objection to the potential allocation of $1.1 billion in California Debt Limit Allocation Committee (CDLAC) Private Activity Bonds (PABs) to Poseidon Water for the development of a proposed for-profit desalination plant in Huntington Beach. Poseidon Water is a subsidiary of Brookfield Asset Management, a massive Canadian-based corporation with global assets in excess of $650 billion under its control, and does not need CDLAC money to fund its projects. On the other hand, the people of California who are crushed by our current, unprecedented housing crisis are waiting for new affordable housing. It is incumbent upon CDLAC to choose the communities that are struggling to pay rent and survive rather than subsidize a
corporate effort to privatize water. We firmly believe CDLAC should allocate these funds to affordable housing. This $1.1 billion request was approved in an initial resolution in December 2019 by the California Pollution Control Financing Authority (CPCFA) and expires in December 2022.

The anticipated pool of CDLAC Private Activity Bonds for 2022 is believed to be somewhere in the range of $4.4 Billion and is substantially over-subscribed. Poseidon’s request would reduce the total pool available for affordable housing projects across multiple categories by roughly 28%. This is a drastic reduction in CDLAC’s capacity to expand affordable housing.

CDLAC tax-exempt debt is supposed to be used primarily to finance affordable housing developments for low-income Californians, build solid waste disposal and waste recycling facilities, and finance direct loans used by in-need college students and their parents. CDLAC and California Pollution Control Financing Authority (CPCFA) resources should not be used to help finance projects that pollute coastal waters, pollute groundwater resources, and require massive amounts of fossil fuel energy to operate resulting in significant greenhouse gas emissions that contribute to climate change.

In the face of a state-wide housing crisis, CDLAC’s potential diversion of these critical affordable housing funds to a for-profit Canadian-owned conglomerate directly affects California’s lower-income working families and the unhoused, prolonging their housing struggles. The diversion of these funds is in direct conflict with CDLAC’s mandate to promote housing for lower income families and individuals and preserve and rehabilitate governmental assisted housing for lower income families and individuals. Important environmental justice, tribal consultation, and climate justice mandates from the state-level are also clearly implicated here.

For every dollar of Private Activity Bonds CDLAC would allocate to the Poseidon project, CDLAC would actually be depriving Californians $1.80 in affordable housing dollars because every dollar of lower-interest financing triggers about $0.80 in federal affordable housing tax credits. In other words, allocating $1.1 billion in Private Activity Bonds (PABS) denies Californians $1.98 Billion for affordable housing. This simply cannot happen, not at a time of such need.

This is not the first-time Poseidon has applied for a significant CDLAC allocation. In 2012, on the heels of the economic downturn, Poseidon’s Carlsbad Desalination Project received an allocation for $733 million in private activity bonds that it used to finance the bulk of the construction of the Poseidon Carlsbad Seawater Desalination Plant now owned by a UK-based private equity firm, Aberdeen Standard. The structure and intent of the Carlsbad financing deal was the subject of a detailed case study published in the academic journal Urban Studies in 2019. The authors’ over-arching conclusion was that the deal was designed to require taxpayers and local water ratepayers to finance and pay for this excessively expensive project to benefit Poseidon’s global investors and financiers, not the public.

Poseidon is tapping other public and ratepayer subsidized sources of funds as well to build this plant, including a Trump Administration-approved $585 million low-interest WIFIA loan, while it also seeks a $400 million subsidy from the Metropolitan Water District that would reduce the pool of dollars available for more environmentally sound and cost effective water supply alternatives. Poseidon may seek alternative funding from the More Water Now initiative that is gathering signatures for the November 2022 ballot. If it passes, this initiative will skim off 2% of the General Fund each year and gut environmental review for projects that are selected for funding. Ultimately, Brookfield Asset Management, the parent company attempting to divert these public affordable housing funds to their private interest, with roughly $650 billion in global assets, does not need this capital for its projects. The money would simply make the whole operation more profitable for them while Californians in desperate need of affordable housing are
left out in the cold. Poseidon is well equipped to find alternative methods for financing that do not take away critical funds and tax credits from affordable housing and other worthy projects.

We urge CDLAC to deny the $1.1 billion allocation requested by Brookfield’s Poseidon Water by excluding it from the exempt facility (EXF) pool allocation and directing a minimum of 95% of the federal allocation of private activity bonds to affordable housing projects, putting hard-working Californians first. The pandemic has increased the already onerous burdens faced by sensitive, disadvantaged, and vulnerable communities across the state who struggle every day to pay rent and provide for their families. The Poseidon project would not only increase water rates and rents, but would deplete much needed funds to build affordable housing Californians so desperately need.

Sincerely,

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Azul  
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Executive Director  
Los Angeles Waterkeeper

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cc.  
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Nancee Robles, CDLAC Interim Executive Director