

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 21, 2007
Executive Summary
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN
EXEMPT FACILITY PROJECT

Prepared by Walter Akiyama.

Applicant:	California Pollution Control Financing Authority
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Allocation Amount Requested:	\$175,000,000
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Project Name:	CalPlant I
Project Address:	6101 State Highway 162
City, County, Zip Code:	Willows, CA 95988

Project Sponsor Information:	
Name:	CalAg LLC
Address:	P.O. Box 1338 Willows, CA 95988
Principals:	Jerry, Uhland, Susan Boyd and James Boyd,III
Contact:	Jerry Uhland
Phone:	(530) 639-2190

Project User Information:	
Name:	Same as Project Sponsor
Address:	Same as Project Sponsor
Contact:	Same as Project Sponsor
Phone:	Same as Project Sponsor

Project Financing Information:	
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriter:	Well Fargo Institutional Securities LLC
Credit Enhancement Provider:	Union Bank of California
Private Placement Purchaser:	Not applicable

Description of Proposed Project: According to the application, the proposed Project consists of the purchase of 276 acres of land and the construction of a 300,000 square feet facility that will recycle 265,000 tons of grown rice straw, an annually renewable agriwaste, which will be used to manufacture a highly competitive formaldehyde free medium density fiberboard (MDF) to substitute wood based products. The primary raw materials are grown rice straw and a polymeric Methylene Diphenyl Diisocyanate resin binder. The Project Sponsor has executed a 15 year material supply and service contracts. In addition, the Project Sponsor has executed a 15 year agreement with a forest products company to purchase and distribute 100% of the Project's 150 million square feet of MDF manufactured annually. The equipment will be purchased from Metso Panelboard, the world's leading technology and equipment supply-company within the forest products industry. Such equipment includes straw handling, defibrator system, wax system, drying, ducts/cyclones, storage, fiber cleaning, mat forming, forming conveying/prepressing, press infeed, saw and sanderdust transport, fuel handling/thermal fluid and steam, high voltage distribution, fire protection, press outfeed, sanding, sawing, packaging and rolling stock. Each production element associated with converting raw material into fiber, blending it with resin binder, forming it into mats, pressing it into boards, and sanding and sawing into finished panels will be done with established machine designs configured in a well-accepted process arrangement. Installation and construction contract has been executed with CH2M Hill Lockwood Green. The Project will serve the Counties of Butte, Colusa, Glenn, Sacramento, Sutter, Tehama, Yolo and Yuba.

First Tier Business (Yes/No): Yes

Legal Questionnaire: No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Recommendation: Staff recommends that the Committee approve \$100,000,000 in tax-exempt bond allocation due to the demand of exempt facility allocation. However, if usage of allocation is less than anticipated in other program areas, this project may apply for additional allocation later in the year.

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March 21, 2007
STAFF REPORT
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN
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APPLICANT: California Pollution Control Financing Authority

ALLOCATION AMOUNT REQUESTED: \$175,000,000

PROJECT NAME:

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TEFRA Hearing: February 13, 2007

MINIMUM REQUIREMENTS:

- *Applicant must demonstrate that there will be more public benefits if the project is financed with tax-exempt bond financing than with any other means of financing:* According to the application, the difference between tax-exempt financing and taxable options over 30-year life of the loan is \$72,908,700 in savings.

- **California Environmental Quality Act (CEQA) review process must have commenced at the time of Application. In addition, Applicant must provide applicable discretionary use permits and approvals:**

According to the application, the proposed Project's CEQA review process is complete and all discretionary permits have been approved.

- **Submittal of Credit Enhancement:**
Union Bank of California

EVALUATION CRITERIA:

- **First Tier Business (yes or no):** Yes
- **Regulatory mandate:** According to the application, the proposed Project is NOT under state or federal regulatory mandates.
- **Description of project, renovation or new construction, the number of square feet to be constructed/renovated:** According to the application, the proposed Project consists of the purchase of 276 acres of land and the construction of a 300,000 square feet facility that will recycle 265,000 tons of grown rice straw, an annually renewable agriwaste, which will be used to manufacture a highly competitive formaldehyde free medium density fiberboard (MDF) to substitute wood based products. The primary raw materials are grown rice straw and a polymeric Methylene Diphenyl Diisocyanate resin binder. The Project Sponsor has executed a 15 year material supply and service contracts. In addition, the Project Sponsor has executed a 15 year agreement with a forest products company to purchase and distribute 100% of the Project's 150 million square feet of MDF manufactured annually. The equipment will be purchased from Metso Panelboard, the world's leading technology and equipment supply-company within the forest products industry. Such equipment includes straw handling, defibrator system, wax system, drying, ducts/cyclones, storage, fiber cleaning, mat forming, forming conveying/prepressing, press infeed, saw and sanderdust transport, fuel handling/thermal fluid and steam, high voltage distribution, fire protection, press outfeed, sanding, sawing, packaging and rolling stock. Each production element associated with converting raw material into fiber, blending it with resin binder, forming it into mats, pressing it into boards, and sanding and sawing into finished panels will be done with established machine designs configured in a well-accepted process arrangement. Installation and construction contract has been executed with CH2M Hill Lockwood Green. The Project will serve the Counties of Butte, Colusa, Glenn, Sacramento, Sutter, Tehama, Yolo and Yuba.
- **Project Sponsor's principal activity:** According to the application, the Project Sponsor's principal activity is the collection, recycling, transportation and disposal of solid waste.
- **Estimated total development cost:** \$241,800,000
- **Sources of Funds:**

Tax-Exempt Bond Proceeds	\$175,000,000
Other Sources	\$ 66,800,000
Total Sources	\$241,800,000
- **Uses of Funds:**

Acquisition of Land	\$ 1,600,000
Site Preparation and Improvements	\$ 28,000,000
Construction of New Building(s)	\$ 15,000,000

New Equipment Purchase & Installation	\$151,500,000
Engineering/Architecture	\$ 5,000,000
Legal Permits	\$ 12,100,000
Cost of Issuance (including discount)	\$ 3,700,000
Letter of Credit or Bond Insurance Fee	\$ 4,400,000
Interest During Construction	<u>\$ 20,500,000</u>
Total Uses	\$241,800,000

- ***Environmental impact:***

- 1) Air Quality: According to the application, the proposed Project will improve California’s air quality by reducing the need and amount of open air burning of rice fields; and the reduced free-borne methane gas produced by rotting rice straw in the farm fields.
- 2) Water Quality: According to the application, the proposed Project will reduce the waste of approximately 120,000 acre feet of water (over 35 billion gallons) per year currently being diverted from rivers for the practice of rice straw decomposition as an alternative disposal system to burning in the Sacramento Valley rice fields.
- 3) Energy Efficiency: According to the application, the proposed Project will require 15% less energy use than a like size wood based MDF plant.
- 4) Recycling of Commodities: According to the application, the proposed Project will recycle 265,000 tons of the state’s grown rice straw. Over 99% of the straw is utilized in the manufacture of MDF.
- 5) Consumer Cost Savings of Efficiencies: According to the application, the Project Sponsor has developed a business model that will provide the lowest cost producer status. These savings can be passed onto the consumer.

- ***Leveraging***: The estimated total project cost is \$241,800,000 of which \$66,800,000 is equity, and \$175,000,000 will be new issue tax-exempt bond debt. The amount of tax-exempt bond debt represents 72% of the total project cost.

- ***Other public benefits provided by the project***: According to the application, the proposed Project will reduce the need to clear-cut over 6,600 acres of mature growth forest each year. The Project will create approximately 115 full-time jobs as well as 450 temporary jobs. An additional 1200 ancillary jobs will be created by the proposed Project. The proposed Project will also generate the following tax revenue:

Property Taxes	\$1,000,000 (annually)
Payroll Taxes	\$3,000,000 (annually)
Unemployment Insurance Taxes	\$2,000,000 (one-time)

COMMENTS:

1. According to the application, the Project Sponsor is a First Tier Business but NOT under state or federal regulatory mandates.
2. According to the application, the proposed Project will manufacture formaldehyde free rice straw based panel-board, which will provide a cleaner and healthier indoor air environment.
3. According to the application, the proposed Project with the use of tax-exempt bond financing will improve air and water quality, reduce energy use, and recycle renewable agriwaste.
4. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

RECOMMENDATION:

Staff recommends that the Committee approve \$100,000,000 in tax-exempt bond allocation due to the demand of exempt facility allocation. However, if usage of allocation is less than anticipated in other program areas, this project may apply for additional allocation later in the year.

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