

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 26, 2007
Executive Summary
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
SMALL-ISSUE INDUSTRIAL DEVELOPMENT BOND PROJECT

Prepared by Walter Akiyama.

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested: \$8,000,000

Project Name: **Community Fuels Biodiesel Plant**
Project Address: 809-C Snedeker Ave.
Project City, County, Zip Code: Stockton, San Joaquin, 95203

Located in a Distressed Community location, with an unemployment rate of 186% of the state average and a poverty rate of 119% of the state average.

Project Sponsor Information:
Name: American Biodiesel, Inc.
Principals: Lisa Mortenson

Project User Information:
Name: Same as Project Sponsor
Principals: Same as Project Sponsor

Project Financing Information:
Bond Counsel: Gilmore & Bell, P.C.
Underwriter: BNY Capital Markets
Credit Enhancement Provider: Exchange Bank
Private Placement Purchaser: Not applicable
TEFRA Hearing: July 10, 2007

Description of Proposed Project:
According to the application, the proposed project consists of the construction of a storage facility on a 2 acre parcel and the renovation of a 40,000 square foot warehouse adjacent to the yard area and the purchase of related equipment. The purpose of the proposed project is to develop biodiesel manufacturing capacity in the state.

Principal products to be manufactured: Biodiesel (also known as B100) and crude glycerin.
Number of jobs created: 35
Number of jobs retained: 6
Jobs-to-bond ratio: \$228,571
Estimated total development cost: \$11,605,965

Legal Questionnaire:
The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 38 out of 85

Recommendation:
Staff recommends that the Committee approve \$8,000,000 in tax-exempt bond allocation.

DESCRIPTION OF PROPOSED PROJECT:

- **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 construction of a storage facility on a 2 acre parcel and the renovation of a 40,000 square foot warehouse adjacent to the yard area and the purchase of related equipment. The purpose of the proposed project is to develop biodiesel manufacturing capacity in the state. The biodiesel manufacturing process is based on the transesterification reaction, in which a triglyceride feedstock (vegetable oil and/or animal fat) is reacted with an alcohol (methanol) using a base catalyst (sodium methylate). The resulting material is separated into a biodiesel product and glycerol byproduct. The plant is designed to initially produce 7.5 million gallons per year of biodiesel. Approximately 1 part of glycerin will be produced for each 10 parts of biodiesel. The biodiesel will be sold wholesale in bulk to fuel distributors for blending with petroleum diesel and for sale to existing diesel markets; the glycerol will sold wholesale in bulk to third parties for use in various industrial applications.
- **Type of equipment being purchased:** Equipment for the new storage facility consists of storage tanks for feedstock, chemicals and the finished products; a cooling tower, a distillation column, and an emergency generator, loading/unloading equipment and an office trailer and parking. Equipment for the 40,000 square foot warehouse consists of reactant vessel, various pumps, piping and tanks, process instrumentation and controls, boiler room, laboratory and restrooms.
- **Principal products to be manufactured:** Biodiesel (also known as B100) and crude glycerin.
- **Purpose of the project:** The purpose of the proposed project is to develop biodiesel manufacturing capacity in the state.
- **Estimated total development cost:** \$11,605,965
- **Relocation:** Not applicable
- | | | |
|--------------------------|--------------------------|---------------------|
| Sources of funds: | Tax-Exempt Bond Proceeds | \$ 8,000,000 |
| | Other Sources | <u>\$ 3,605,965</u> |
| | Total Sources | \$11,605,965 |
- | | | |
|-----------------------|--|-------------------|
| Uses of funds: | Rehab of Existing Building(s) | \$ 33,557 |
| | Site Preparation | \$ 557,792 |
| | Construction New Building(s) | \$ 1,600,383 |
| | New Equipment Purchase & Installation | \$ 7,296,621 |
| | Engineering/Architecture | \$ 895,951 |
| | Legal, Permits, etc. | \$ 339,627 |
| | Cost of Issuance (including discount) | \$ 136,600 |
| | Letter of Credit or Bond Insurance Fee | \$ 50,000 |
| | Interest During Construction | |
| | From 8/0/07 to 2/1/08 | \$ 176,000 |
| | Interest Income During Construction | |
| | From 8/0/07 to 2/1/08 | \$ -17,386 |
| | Bond Reserve Fund | <u>\$ 536,820</u> |
| | Total Uses | \$11,605,965 |

DESCRIPTION OF PUBLIC BENEFITS:

- ***Distressed community location:***

Located in a Distressed Community location, with an unemployment rate of 186% of the state average and a poverty rate of 119% of the state.

- ***Total number of new jobs to be created and jobs to be retained within two years of project completion:***

| | Jobs Created | Jobs Retained |
|---------------|--------------|---------------|
| Management: | 4 | 6 |
| Skilled: | 31 | 0 |
| Semi-skilled: | 0 | 0 |
| Unskilled: | 0 | 0 |
| TOTAL | 35 | 6 |

- ***Total jobs/Allocation ratio:*** 1 job per \$228,571 in allocation

EVALUATION SCORING:

| Point Criteria | Maximum Points Allowed | Points Scored |
|---|------------------------|---------------|
| <u>Community Economic Need:</u> | | |
| 1. Unemployment Rate of Project Area | 10 | 10 |
| 2. Poverty Rate of Project Area | 5 | 3 |
| 3. Special Designation Area | 5 | 0 |
| 4. Median Family Income of Project Area | 5 | 0 |
| Job Creation Ratio (1/\$195,122) | 25 | 0 |
| Welfare to Work Program Participation | 5 | 5 |
| Employee Benefits | 5 | 5 |
| Average Hourly Wage | 5 | 5 |
| Land Use | 5 | 5 |
| Transit Corridor | 5 | 0 |
| Energy Efficiency | 5 | 5 |
| Leveraging | 5 | 0 |
| Total Points | 85 | 38 |