

**MINUTES**

**California Industrial Development  
Financing Advisory Commission  
915 Capitol Mall, Room 587  
Sacramento, California  
April 22, 2009**

**1. CALL TO ORDER & ROLL CALL**

Bettina Redway, Acting Chair, called the California Industrial Development Financing Advisory Commission (CIDFAC) meeting to order at 10:36 a.m.

Members Present: Bettina Redway for Chairman Bill Lockyer, State Treasurer  
Tom Sheehy for Michael C. Genest, Director, Department of Finance  
Richard Chivaro for John Chiang, State Controller  
Preston DuFauchard, California Corporations Commissioner, Department of Corporations  
Stanton Hazelroth for Dale Bonner, Agency Secretary, Business, Transportation and Housing Agency

Staff Present: Tom Dresslar, Executive Director  
Eileen Marxen, Deputy Executive Director

Quorum: The Acting Chair declared a quorum

**2. APPROVAL OF FEBRUARY 25, 2009 MEETING MINUTES**

Ms. Redway asked if there were any questions or comments from the Board or the public on the February 25, 2009 meeting minutes. There were none.

Mr. DuFauchard moved approval of the February 25, 2009 meeting minutes. Upon a second of the motion by Mr. Hazelroth, the item passed unanimously.

**3. EXECUTIVE DIRECTOR'S REPORT**

Mr. Dresslar reported that CIDFAC has entered a new interagency agreement with the California Pollution Control Financing Authority (CPCFA) under which CPCFA will be reimbursed up to \$50,000 for support services provided by CPCFA's new Office Technician.

Mr. Dresslar stated that the pipeline of potential CIDFAC transactions is moving slowly. Financial institutions are not providing credit support to businesses, as evidenced by Treasury Secretary Geithner's comments yesterday that banks are well capitalized but he is disappointed that the money is not flowing out into the economy. Mr. Dresslar said that he

hopes the situation will improve soon and that there will be more Industrial Development Bond (IDB) transactions in the latter part of this year.

Mr. Dresslar informed the Board that CIDFAC staff is continuing to work with the Treasurer's staff to make sure CIDFAC's statute is aligned with the American Recovery and Reinvestment Act (ARRA) so that staff can implement the expanded definition of a manufacturer to cover the knowledge based sector.

Mr. Hazelroth commented that in California Infrastructure and Economic Development Bank (I-Bank) meetings with potential borrowers, he has found that borrowers are satisfied to wait until the ARRA sifts out so they can better assess the types of funding available before moving forward with IDB financing.

Ms. Redway asked if there were any questions from the Board or public. There were none.

#### **4. BUSINESS ITEMS**

##### **A. REQUEST FOR TAX-EXEMPT (TE) BOND ALLOCATION**

Staff introduced Paula Connors, I-Bank; John Gibbons, Olam America, President; Dave Watkins, Olam West Coast, Local General Manager; Chuck Davis, Olam America, Chief Financial Officer.

The I-Bank on behalf of Olam West Coast, Inc., dba Key Food Ingredients, requested approval Allocation Resolution No. 09-001-003 for an amount equal to \$10,000,000. The company currently owns the Firebaugh Dehydration Facility, consisting of buildings and equipment located in Firebaugh, California. The facility consists of 28 buildings with a total of 639,871 square feet. The building and equipment are currently not being used, and the property has been vacant for three years. The bond proceeds will be used to renovate the building and equipment to make them suitable for processing and storing dehydrated vegetables. Presented by Melissa Kwong.

Ms. Redway asked if there were questions from the public.

Ms. Connors stated that the project meets or exceeds the standards for approval by CIDFAC and has very strong local support, although nobody from the county or city was able to attend the meeting. She said that Esther Cuevas of the Fresno County Economic Development Corporation, told her this project is a very high priority for the county, especially on the west side where there is more than 20% unemployment. Ms. Connors noted that a fax received on April 21, 2009 raised some issues about the project. Ms. Connors stated that the Central Valley Regional Air Quality Management District has informed her the project does comply with the California Environmental Quality Act (CEQA).

Mr. Sheehy joined the meeting at 10:46 am.

Mr. DuFauchard asked if there are any updates regarding the structure of the bond offerings, such as the interest rate term.

Ms. Connors responded that the financing probably will not require the full \$10 million in allocation.

Ronald Wolf, bond counsel from the firm of Hawkins, Delafield & Wood LLP, responded that the bond will be backed by a letter of credit and the interest will be variable rate.

Ms. Redway asked if there was public comment, to which Mr. Timothy Bennett, attorney with the firm of Sagaser, Jones & Helsley and representing Sensient Dehydrated Flavors, responded affirmatively.

Mr. Bennett stated that Ms. Connors had alluded to a letter faxed on April 21, 2009, of which he had copies. Mr. Bennett asked the Commission to review the fax before making determinations on the Olam agenda item. He stated that it is important that the Commission understand the sensitive nature of the dehydration business in the state of California. He said that, over the past decade, a vast majority of the dehydration businesses in the state either have dissolved or been consolidated as a result of the current economic climate and environmental factors. He said that Sensient welcomes fair and open marketplace competition. Neither Olam nor its subsidiary, Anderson Clayton, has any experience or expertise in the California vegetable dehydration business, Mr. Bennett contended.

Mr. Bennett said Olam is seeking to enter the California marketplace at a time of over-saturation in the dehydration business and limited water resources. Mr. Bennett said he recognizes Olam's global vision, global expertise, and commitment to operating a successful Firebaugh plant. However, he stated, Olam's decision to use IDB financing administered by the California Infrastructure and Economic Development Bank raises concerns. He said that IDB financing carries with it additional requirements, including that the Commission fully analyze the project's net benefits to California residents, and that the Commission ultimately make a recommendation based on whether the project meets public-benefit criteria, not whether the project will be profitable for Olam. Mr. Bennett said the Legislature did not intend that tax-exempt financing be used to benefit one city or one county to the detriment of another city or another county. He contended the overall public benefit to Fresno County is vastly outweighed by the detriment to neighboring counties and the dehydration food industry. He asserted he believes additional economic and environmental analysis, both locally and statewide, are required before the Commission can make a fully informed decision. Mr. Bennett stated the Olam staff report provides no information concerning the project's effect on the cities of Livingston, Turlock, Greenfield, or neighboring counties. He said there is no evidence in the staff report to support staff's conclusion that this facility will in fact create 175 new, full-time jobs. He stated that, while the proposed project may temporarily improve Fresno County's unemployment, many of the employees are likely to be relocated employees from Livingston, Turlock and Greenfield where other dehydration businesses

are located. As a result, Mr. Bennett said, the net effect would not be an increased economic benefit to California residents. Mr. Bennett further claimed that there is no evidence beyond Olam's own written responses concerning the project's potential effects on the Central Valley's agricultural industry and California's water resources. Additionally, he said there is no evidence in the record that California has an overabundance of unfarmed land with water rights or available for water consumption in an amount that would support a 640,000 square foot dehydration facility in Fresno County. In fact, said Mr. Bennett, the current outlook for water availability on the west side of Fresno County is bleak. He added the federal government has decided not to deliver water through the canals this year, and federal officials do not know what next year will bring. He said farmers are not planting crops, and that there is barely enough vegetable commodities to support the existing California dehydrated food processing industry.

Mr. Sheehy asked Mr. Bennett if he is suggesting that there are not enough arable acres in the state to supply vegetables to this plant.

Mr. Bennett responded that there is certainly an issue regarding the water resources on the west side, where Olam has said it is acquiring the vegetable commodities to support its Firebaugh operation.

Mr. Sheehy then asked if there are any dehydration facilities right now on the west side of Fresno County or the west side of the San Joaquin Valley.

Mr. Bennett stated there are none.

Mr. Sheehy stated that there are thousands of acres of vegetables grown on the west side, and tons of garlic and other vegetables grown in the area must be shipped up and down Interstate 5 and Highway 99 to other dehydrating plants. That leaves a large carbon footprint, said Mr. Sheehy. He said that, if there was a dehydration facility on the west side of Fresno County, diesel trucks would not have to travel so far, thus reducing harmful emissions. He said that Mr. Bennett's testimony seems to be aimed at preventing the Olam project from going forward because his client does not want the competition. Mr. Sheehy then asked Mr. Bennett to describe the impacts of the Olam facility on Livingston, Turlock, Greenfield and the neighboring communities.

Mr. Bennett responded that the exact impacts are unknown. He said he cannot provide proof to substantiate his claims.

Mr. Sheehy stated that it is not appropriate to appear before the Commission and claim a project will produce negative impacts in an attempt to prevent a competitor's project, and then say the negative impacts of the project are unknown. He added IDBs help create economic development at a time when the State is in its worst recession in more than six decades. The state, said Mr. Sheehy, must use every tool available to try to stimulate the economy and create more jobs. Mr. Sheehy stated Mr. Bennett has not provided any legitimate reason why the Board should not approve the Olam project.

Mr. DuFauchard stated that, if anyone would have performed a macroeconomic analysis of the dehydration industry, it would be Sensient. He noted Sensient had provided no such analysis.

Mr. Bennett responded that it is his understanding that use of IDBs must bring a benefit to California residents, but the record contains no evidence, beyond Olam's assertions about job creation, that the project will produce such a benefit.

Mr. DuFauchard stated that there is a system in place for allocating points based upon a public benefits analysis. He said that, after the public benefit analysis is complete, the burden shifts to anyone opposing the project to explain why those public benefit points were inappropriately awarded or not sufficiently awarded. He said no analysis of that kind has come from Sensient Industries.

Ms. Redway added that the Commission relies on others to provide information when opposing a particular project. She said that when projects adversely affect any community, officials and residents can be counted on to raise objections. Ms. Redway noted that the Commission has not heard from any of the cities Mr. Bennett said would be harmed by the project. Ms. Redway added that there similar expectations in cases where a project raises environmental concerns; that is, various regulatory agencies involved in permitting the project are relied upon to raise issues. She said that the information provided to date is that Olam will be fully legally compliant prior to issuance of the bonds. In addressing Mr. Bennett's letter, Ms. Redway asked staff to respond to his question concerning prevailing wage.

Ms. Marxen responded that both the Industrial Development Act and the statute governing the I-Bank require IDB applicants to pay their employees prevailing wages. She said applicants' representations they will meet prevailing wage requirements are incorporated in bond documents.

Ms. Redway said that the Commission's sister state organizations have addressed the issues to the extent needed in order to make determinations. She said she believes the project has fully met the Commission's requirements.

Mr. Sheehy asked staff if the San Joaquin Valley Air Pollution Control District (District) has certified the Environmental Impact Report yet.

Ms. Marxen responded that the District has indicated Olam has no outstanding CEQA issues, and that the District has recently issued air permits to allow the restart of the facility.

Mr. Sheehy stated that he wanted to reemphasize the impacts of transporting goods in the state. He said there is a tremendous amount of vegetables grown on the west side of Fresno County, particularly in the fall and spring, and that having a local facility to

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process them is not only good for business, but also good for the environment. He stated that he believes this is an important consideration.

Mr. Bennett stated the issue is the usage of the IDBs and the fact that IDBs carry with them a benefit analysis requirement. He said that, if Olam is taking the position that it would be otherwise infeasible for them to have this operation if they were unable to procure the IDBs, then that raises a different set of issues. On the other hand, he stated, if Olam obtained private outside financing, it would not be required to go through what he considers to be the additional level of scrutiny required to meet the criteria for receiving IDB financing.

Ms. Redway interjected that she does not believe Olam ever made a representation about the feasibility of the project based upon its ability to access IDB financing. She stated such an assertion was made in a letter from a Fresno County supervisor and that it may have been based upon a misunderstanding about bond financing.

Mr. Bennett then responded to Mr. DuFauchard's comment by stating that he made multiple public record requests to review all of the applications and all of the documents prepared in connection with this project. He said Commission staff has not yet provided him any documents in response to his request.

Mr. DuFauchard replied that, regardless of what Mr. Bennett did or did not receive in response to his request for documents, the process for awarding points is transparent. Mr. DuFauchard said that it is uniform for all the projects that come before the board..

Ms. Redway asked if there were any further comments from the board.

Mr. Sheehy stated he would have appreciated hearing from other entities that were not Olam's competitors and, therefore, do not have a direct economic interest in seeing this project rejected. He said that, if it is true that the Olam project will result in negative consequences for Livingston, Turlock, Greenfield and their neighbors, then the Commission should have received objections from those jurisdictions.

Mr. DuFauchard then asked Mr. Bennett the amount of Sensient Dehydrated Flavors' market share in the dehydrated vegetable market.

Mr. Bennett said he did not know the answer.

Ms. Redway asked if there were any further comments from the public. There were none.

Ms. Redway asked if there was a motion.

Mr. DuFauchard moved approval of the item. Upon a second by Mr. Sheehy, the motion passed unanimously.

**5. PUBLIC COMMENT**

Ms. Redway asked for public comments. There were none.

**6. ADJOURNMENT**

There being no further business, public comments or concerns, the meeting was adjourned at 11:07 a.m.

Respectfully submitted,

Tom Dresslar  
Executive Director