

MINUTES

California Industrial Development
Financing Advisory Commission
915 Capitol Mall, Room 587
Sacramento, California
May 26, 2010

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Acting Chairwoman, called the California Industrial Development Financing Advisory Commission (CIDFAC) meeting to order at 10:33 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, State Controller
Cynthia Bryant for Ana J. Matosantos, State Director of Finance
Preston DuFauchard, California Corporations Commissioner,
Department of Corporations
Stanton Hazelroth for Dale Bonner, Secretary, Business,
Transportation and Housing Agency

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

Quorum: Ms. Redway declared a quorum was present.

2. APPROVAL OF APRIL 28, 2010 MEETING MINUTES

Ms. Redway asked if there were any questions or comments concerning the April 28, 2010 meeting minutes. There were none.

Ms. Redway asked if there was a motion to approve the minutes.

Mr. DuFauchard moved approval; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Dresslar stated that he had nothing to report.

4. BUSINESS ITEMS

A. REQUEST APPROVAL OF INITIAL AND FINAL RESOLUTION FOR TAX-EXEMPT (TE) BONDS AND REQUEST FOR TE BOND ALLOCATION

Presented by: Deanna Hamelin, Staff Services Analyst

Staff introduced Ben Barker of the California Municipal Finance Authority (CMFA) and Jim Kordas, of GE Government Finance.

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The Issuer, CMFA, on behalf of the Borrower and User, Paeteria La Michoacana (PLM), requested approval of an Initial and Final Resolution and tax-exempt IDB allocation for an amount not to exceed \$3 million.

PLM is a manufacturer of ice cream and other frozen desserts. PLM's major customers include Food Maxx, Food 4 Less, Sav Max, Superior Supermarkets and Northgate Markets, as well as a variety of other small, independent grocers. Bond proceeds will be used to finance the purchase of new freezer equipment.

The project received 25 points under the system for evaluating the public benefit of IDB projects adopted by the California Debt Limit Allocation Committee (CDLAC). PLM anticipates hiring an additional 21 employees within two years of project completion.

Staff recommended approval of the Initial and Final Resolution for \$3 million and approval of tax-exempt IDB allocation for \$3 million for the Issuer for the project. Staff's recommendation is subject to staff analysis and approval of final bond documents and receipt of bond counsel opinion as set forth in the Initial and Final Resolution.

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

Ms. Redway asked if there was a motion to approve the staff recommendation.

Ms. Bryant moved approval; upon a second, the motion passed unanimously.

B. REQUESTS FOR APPROVAL TO ISSUE RECOVERY ZONE FACILITY BONDS (RZFBs)

Ms. Redway noted these are the first RZFBs to come through CIDFAC. Industrial Development Authorities (IDAs) issuing RZFBs come to CIDFAC for approval.

Ms. Marxen noted that in each of the staff reports, background information concerning RZFBs was provided. RZFBs are a type of tax-exempt private activity bond created by the federal American Recovery and Reinvestment Act (ARRA) that became law in February 2009. Of the total nationwide allocation of \$15 billion for these bonds, the State of California received \$1.2 billion. The allocation was made directly to the cities and counties by the U.S. Treasury Department. The State had no part in making allocation decisions. CIDFAC amended its statute to allow IDAs to issue RZFBs for cities and counties that choose to go that route to take advantage of the economic benefits.

Ms. Holton-Hodson asked if all cities and counties were eligible for the bonds.

Ms. Marxen responded that the U.S. Treasury Department made the allocation to counties, and cities with populations over 100,000, based on a formula that measured changes in the unemployment rates between 2007 and 2008. In California, some cities and counties, such as Fresno, previously had high unemployment rates that did not

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increase too much between 2007 and 2008. Consequently, under this formula they did not qualify, and thus, did not receive any allocation. The City of San Diego and San Diego County, and other California communities with high unemployment rates, did not receive allocations under the Treasury Department's formula. Ms. Marxen said there is pending legislation in Congress would extend the RZFB program and change the allocation formula.

Ms. Holton-Hodson asked for clarification that the federal government, not the State, set the allocation formula.

Ms. Marxen confirmed it was the U.S. Treasury Department.

Ms. Redway added that CDLAC set up a process for local communities to waive their RZFB allocation. Any waived allocation would go to CDLAC for reallocation to cities and counties that want to use it.

1) **Northgate Gonzalez, LLC**

Presented by: Deanna Hamelin, Staff Services Analyst

Staff introduced Bob Cornwall of CSG Advisors; Kurt Yeager of Stradling, Yocca, Carlson, and Rauth; and Jim Kordas of GE Government Finance.

The Issuer, the City of Anaheim IDA, on behalf of the Borrower and User, Northgate Gonzalez, LLC, requested approval of an Initial and Final Resolution for the issuance of RZFBs in an amount not to exceed \$20 million. The City of Anaheim contributed \$9.8 million of its RZFB allocation, and the County of Orange provided \$10.2 million of its allocation, for a total of \$20 million.

Northgate Gonzalez, LLC owns and operates 29 Northgate Gonzalez Markets located throughout Orange, Los Angeles and San Diego counties. Northgate grocery stores offer their customers a wide variety of Hispanic foods, specialty meats, fresh-baked goods, fresh-made tortillas and various prepared foods. The RZFBs will be used to buy equipment such as refrigeration, racks, electrical HVAC, IT and telecom equipment, furniture, fixtures and other improvements for the new Corporate Headquarters and Distribution/Warehouse Center.

Staff verified the project is eligible for RZFB financing. Staff received executed copies of documents that verify Recovery Zone designation and allocation, local adoption of the Inducement and Final Resolutions, and compliance with TEFRA requirements.

Staff recommended approval of Initial and Final Resolution No. 10-004 for \$20 million of RZFBs for the project.

Ms. Redway asked if there were any questions or comments from the Board or public.

Mr. Hazelroth offered his commendation for the hard work that went into pioneering

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a new government program.

Mr. DuFauchard asked about the implementation of the project and if the property has already been purchased.

Mr. Cornwall responded that construction is under way.

Mr. DuFauchard then asked how the portion of the project already underway has been financed.

Mr. Cornwall stated the overall project cost is approximately \$60 million.

Mr. Kordas then stated that the developer is leasing the facility to Northgate. The bond proceeds will be used to finance everything inside the shell of the building.

Mr. Cornwall added that while the leasehold and building cost money, the RZFBs are only for the equipment inside the building.

Mr. DuFauchard then asked what the specialized improvements are.

Mr. Cornwall responded that it is more equipment, cold storage, and various items needed for the distribution center and headquarters.

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

Ms. Redway asked if there was a motion to approve the staff recommendation.

Mr. Hazelroth moved approval; upon a second, the motion passed unanimously.

2) **Wakanama Investors**

Presented by: Deanna Hamelin, Staff Services Analyst

Company Representatives: Bob Cornwall, CSG Advisors; Kurt Yeager, Stradling, Yocca, Carlson and Rauth; and Jim Kordas, GE Government Finance.

Ms. Marxen began by stating she wanted to explain why there were some additional changes made to the staff summary that were being distributed to the Board at the meeting. Some months ago when the project was contemplated by the finance team, bond counsel had some discussions with the Internal Revenue Service (IRS) about the ability to finance the footprint of the building (land under the building). ARRA rules restrict RZFB financing to depreciable assets, which does not include land. Bond counsel received guidance that it was likely the IRS would determine that the footprint of the building would be financeable with the RZFBs. However, there is no official guidance on that point. Staff felt that, in an abundance of caution, it could not recommend using RZFBs for the building footprint. Ms. Marxen noted that discussions with project bond counsel produced an agreement that the portion of RZFB proceeds earmarked for the building footprint instead would be used to buy

equipment.

At this point, Ms. Hamelin continued with staff's presentation of the item. The Issuer, the County of San Bernardino IDA, on behalf of the Borrower and User, Wakanama Investors, requested approval of an Initial and Final Resolution for the issuance of RZFBs in an amount not to exceed \$3.15 million.

Wakanama is a warehousing and logistics company. Kathleen Cunningham, who has 50 percent ownership in Wakanama, also has ownership in Traditional Baking, Inc. (56 percent) along with other family members. Traditional Baking Inc. will be Wakanama's first customer at the new facility. The Borrower will be seeking other customers for its warehousing and logistics services. The RZFB proceeds will be used to acquire and install qualified furnishings and equipment, and to acquire an existing, vacant, 104,072 square-foot building.

Staff verified the project is eligible for RZFB financing. Staff received executed copies of documents that verify Recovery Zone designation and allocation, local adoption of the Inducement and Final Resolutions, and compliance with TEFRA requirements.

Staff recommended approval of Initial and Final Resolution No. 10-005 for \$3.15 million of RZFBs for the project.

Ms. Redway asked if there were any questions or comments from the Board, or the public.

Mr. DuFauchard asked whether there was an issue about bond proceeds being used to acquire an existing building versus constructing a new facility. He asked if staff was comfortable that the proceeds could be used to purchase the existing building because there was no prior tenant or prior occupancy.

Mr. Cornwall responded affirmatively because the building was newly built and had not been previously occupied.

Ms. Marxen added that this would be the first use of the building and that RZFB proceeds could be used to buy the facility.

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

Ms. Redway asked if there was a motion to approve the staff recommendation.

Ms. Bryant moved approval; upon a second, the motion passed unanimously.

3) Dale Hardware, Inc.

Presented by: Deanna Hamelin, Staff Services Analyst

Staff introduced Keith Sutton of Alameda County IDA.

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The Issuer, the Alameda County IDA, on behalf of the Borrower and User, Dale Hardware, Inc., requested approval of an Initial and Final Resolution for the issuance of RZFBs in an amount not to exceed \$8 million. The City of Fremont contributed \$4.456 million of its RZFB allocation, and the County of Alameda provided \$3.544 million of its allocation, for a total of \$8 million.

Dale Hardware, Inc. is a retailer of hardware, lumber and nursery supplies and has served the Fremont area since 1955. The RZFBs will be used to finance: new construction, consisting of adding 55,000 square feet to the existing facility; renovation of the existing facility; and the purchase of racking structures for lumber, retail fixture gondolas and forklifts.

Staff verified the project is eligible for RZFB financing. Staff received executed copies of documents that verify Recovery Zone designation and allocation, local adoption of the Inducement and Final Resolutions, and compliance with TEFRA requirements.

Staff recommended approval of Initial and Final Resolution No. 10-006 for \$8 million of RZFBs for the project.

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

Ms. Redway asked if there was a motion to approve the staff recommendation.

Ms. Holton-Hodson moved approval; upon a second, the motion passed unanimously.

5. PUBLIC COMMENT

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

Mr. DuFauchard added before adjournment that he wanted to express his appreciation to Ms. Marxen for her hard work in the time he has worked with her at CIDFAC.

6. ADJOURNMENT

There being no further business, public comments or concerns, the meeting adjourned at 10:51 a.m.

Respectfully submitted,

Tom Dresslar
Executive Director