

CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION

Request to Transfer Industrial Development Tax-Exempt Bond (IDB) Allocation

**Canyon Plastics, Inc.
Application No. 14-0004**

December 16, 2014

SUMMARY

Borrower/Project Sponsor– Livingston-SGN, LLC

User – Canyon Plastics, Inc.

Issuer – The California Infrastructure and Economic Development Bank (I-Bank)

Location – Valencia, Unincorporated Los Angeles County

Requested Bond Issuance - \$1,885,000 Tax-Exempt IDB
\$7,580,000 Taxable IDB

Requested IDB Allocation Approval – \$1,885,000 TE

Public Benefit Points Awarded – 54 points out of 142 possible

Staff Recommendation – Approval

THE COMPANY

Livingston-SGN, LLC (the Borrower) and Canyon Plastics, Inc. (the Company) were organized in California in November 2010 and September 1998, respectively. The Company is solely owned by Karshan Gajera. Canyon Plastics, Inc. is a manufacturer of plastic injection and blow-molded containers, packaging, and specialty products for customers in a variety of industrial areas - including those in the aerospace, medical, pharmaceutical, agricultural, and food processing industries.

The Company manufactures its products for the following customers: Cytosport, Berlin Packaging, Universal Nutrition, Tricor Braun, Adams Rite Aerospace, Marvin Engineering, Philips Burton, AP Parpro, and Midcon Cable.

THE PROJECT

The Company currently owns and operates an approximately 111,000 square foot manufacturing facility located in Valencia, an unincorporated area of Los Angeles County. Tax-exempt bond proceeds will be used for the acquisition and installation of new solar electrical generation system equipment. The installation of the solar paneling system will reduce the Company's operating costs and reduce its dependence on nonrenewable energy sources. The taxable IDB proceeds will be used to refinance the Company's existing mortgage debt.

Anticipated Project and Issuance Costs

	To be paid from Tax-Exempt <u>Bond Proceeds</u>	To be paid from Taxable <u>Bond Proceeds</u>	To be paid from all other <u>sources</u>
Acquisition of New Equipment			
(a) Invoice	\$1,850,000	\$0	\$0
Bond Issuance Expenses	35,000	45,000	40,000
Refinance of Existing Commercial Debt	<u>0</u>	<u>7,535,000</u>	<u>0</u>
Totals:	<u>\$1,885,000</u>	<u>\$7,580,000</u>	<u>\$40,000</u>

Timeline

The installation of the solar electrical generating system is scheduled to be completed by January 2015.

Financing Details

The tax-exempt and taxable IDBs will be sold in a limited offering. The bonds will be variable rate and repayable over a 25 year period, and they will be secured by an irrevocable Letter of Credit issued by Bank of the West.

Financing Team

- Issuer: I-Bank
- Credit Enhancement Provider: Bank of the West
- Bond Counsel: Kutak Rock LLP
- Underwriter: Gates Capital Corporation
- Financial Advisor: Growth Capital Associates, Inc.

PROJECT EVALUATION

PUBLIC BENEFITS: The Project received 54 points out of a possible 142 pursuant to the California Debt Limit Allocation Committee (CDLAC) scoring system for IDB Projects. The award of points is detailed below:

A. Community Economic Need (0 of 20 points).

1. Unemployment Rate of the Project Area (0 of 10 points). In accordance with CDLAC Regulations, points are awarded in this category if the 2013 unemployment rate of the county sub-area in which the Project is located is at least 125 percent of the 2013 statewide rate. The unemployment rate of this Project area is 67.4 percent of the statewide rate. Therefore, the Project received 0 points in this subcategory.

2. Poverty Rate of Project Area (0 of 5 points). In accordance with CDLAC Regulations, the most recent data from the U.S. Bureau of the Census, which in this case is Census 2010 (5 year) data, is used to determine if the Project qualifies for points in this category. Points are awarded in this category if the poverty rate is at least 110 percent or more of the statewide rate. The poverty rate for this Project area is 16.7 percent, which is 109 percent of the Census 2010 statewide rate of 15.3 percent. Therefore, the Project received no points in this subcategory.

3. Median Family Income (0 of 5 points). In accordance with CDLAC Regulations, the most recent data from the U.S. Bureau of the Census, which in this case is from Census 2010, is used to determine if the Project qualifies for points in this category. Points are awarded if the Project is located in an area with a median family income of less than 80 percent of the statewide average. The Project is located in Valencia, an unincorporated area of Los Angeles County, where the average median family income is \$76,250. The median family income for the State of California is \$69,883. So, the median family income for the Project area is 109.1 percent of the statewide average. Therefore, the Project did not receive points in this subcategory.

B. Job Creation (35 of 35 points). Points are awarded in this category based on the borrower and/or user's representation that it will use its best efforts to increase the number of direct, full-time employees at the Project site within two years of Project completion by at least 10 percent. The company represents that it currently employs 71 direct, full-time employees at the Project site. The company represents that it anticipates hiring an additional 31 direct, full-time employees, which equates to approximately 44 percent increase, within two years of completion of the Project. Therefore, the Project received 35 points in this category.

C. Job Retention (0 of 10 points). Points are awarded in this category based on the Borrower's or User's representation that it has considered moving operations out of state.

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There was no such representation in the application materials received, and therefore the Project received no points in this category.

D. Average Hourly Wage (10 of 10 points). In accordance with CDLAC Regulations, the most recent data from the Bureau of Labor Statistics, which in this case is May 2013, is used to determine if the Project qualifies for points in this category. Points are awarded if the company's average hourly wage is at least 105 percent of the nearest Metropolitan Statistical Area (MSA) average hourly wage. The company's weighted average hourly wage is \$17.05 while the MSA for Los Angeles/Long Beach/Santa Ana area had an average 2013 manufacturing wage for the occupation of assemblers/fabricators is \$13.17. Therefore, the company's average hourly wage is 129.4 percent of the average manufacturing wage for the Los Angeles/Long Beach/Santa Ana area.

E. Workforce and Economic Development (0 of 15 points).

1. **Welfare-to-Work Plan (0 of 5 points).** The Company did not provide any information indicating participation in a welfare-to-work program.

2. **Workforce Training (0 of 5 points).** The Company did not provide information indicating participation in a workforce training program.

3. **Exports Outside California (0 of 5 points).** The Company did not provide information indicating that they export products outside of California.

F. Health Care Benefits (0 of 15 points). The Company indicated that it contributes to medical, dental and vision insurance for its employees, but the documentation of the benefits was not sufficient according to the CDLAC Regulations.

G. Payment of Retirement Benefits (0 of 5 points). The Company did not provide information indicating the contribution to payment of retirement benefits for its employees.

H. Environmental Stewardship (4 of 27 points).

1. **Land Use (0 of 3 points).** This Project does not involve the reuse of vacant or abandoned land or buildings.

2. **Public Transit Corridor (4 of 4 points).** The Company provided verification that the Project site is located in a public transit corridor. A Santa Clarita Transit System bus stop is located $\frac{1}{4}$ of a mile from the Project site.

3. **Energy Efficiency and Renewable Energy (0 of 15 points).** The Company did not provide information regarding the Project's energy efficiency.

4. Manufacturer of Certified Environmentally Preferable Products (0 of 5 points). The Company did not provide information indicating that the Project produces or will produce environmentally preferable products.

I. Leveraging (5 of 5 points). The total Project cost is \$9.5 million. The Company will borrow \$1.88 million of the Project costs in the form of tax-exempt IDBs, which will cover approximately 20% of the Project costs. The remaining 80% of Project costs will be covered by a companion taxable IDB.

RELOCATION OF COMPANY OPERATIONS

The Company will remain at its current location.

QUALIFICATION OF BOND ISSUANCE

Based on the proposed financial structure, and the application and other materials submitted to CIDFAC for this Project, staff believes the bonds (a) will be adequately secured; (b) will be fair, just and equitable to a purchaser of the bonds; and (c) will not defraud the bond purchaser. Final determination of qualification of the bonds will be subject to staff's review of final bond documents prior to the issuance of the bonds.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

- The I-Bank approved the Inducement Resolution in an aggregate amount not to exceed \$10,000,000 in tax-exempt IDBs for the Project on August 26, 2014. I-Bank is scheduled to adopt a final resolution for the Project on December 16, 2014.
- A TEFRA hearing was held by the I-Bank on November 24, 2014. No comments in support of or in opposition to the Project were received.
- The Company's operations do not require additional land use or zoning approvals or permits to accommodate this Project.

LEGAL QUESTIONNAIRE

Staff reviewed the Borrower's/User's responses to the questions contained in the Legal Status portion of the application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of the company.

PRIOR ACTIONS AND FINANCINGS

None.

CIDFAC FEES

In accordance with CIDFAC regulations, the Company has paid CIDFAC an application fee of \$1,250¹.

RECOMMENDATION

Staff recommends approval of Allocation Resolution No. 14-2-004 transferring \$1,885,000 from the State's 2014 allocation for qualified tax-exempt, private activity IDBs to the I-Bank for the Canyon Plastics, Inc. Project.

Staff report by: Deanna Hamelin

¹ California Code of Regulations Title 10, Chapter 8, Article 3, §6070

**THE CALIFORNIA INDUSTRIAL DEVELOPMENT
FINANCING ADVISORY COMMISSION
RESOLUTION NO. 14-2-004
RESOLUTION TRANSFERRING A PORTION OF THE 2014 STATE CEILING
FOR QUALIFIED PRIVATE ACTIVITY BONDS FOR A
SMALL-ISSUE INDUSTRIAL DEVELOPMENT PROJECT**

WHEREAS, that the California Debt Limit Allocation Committee (“CDLAC”) awarded allocation to the California Industrial Development Financing Advisory Commission (the “Commission”) for the purpose of awarding a portion of the allocation to local and State issuers; and

WHEREAS, the Commission has the authority to transfer a portion of its allocation to local and State issuers; and

WHEREAS, the Commission has received an application (“Application”) from the California Infrastructure and Economic Development Bank (“Applicant”) requesting a transfer to the Applicant of a portion of the 2014 State Ceiling on Qualified Private Activity Bonds (the “State Ceiling”) under Section 146 of the Internal Revenue Code of 1986, as amended, for use by the Applicant to issue bonds or other obligations (“Bonds”) for a project as specifically described in Exhibit A (“Project”) (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Regulations of the CDLAC Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds (“CDLAC’s Regulations”)); and

WHEREAS, the Project Sponsor (as defined in Exhibit A) has represented certain facts and information concerning the Project in the Application, which the Applicant has confirmed; and

WHEREAS, in evaluating the Project and potential allocation of a portion of the State Ceiling to the Applicant for the benefit of the Project, the Commission has relied upon the written facts and information provided in the Application and otherwise by the Project Sponsor and the Applicant; and

WHEREAS, it is appropriate for the Commission to make a transfer of a portion of the State Ceiling (“Allocation”) in order to benefit the Project described in the Application.

NOW, THEREFORE, the California Industrial Development Financing Advisory Commission resolves as follows:

Section 1. There will be a transfer to the Applicant an amount of the State Ceiling equal to \$1,885,000. Such Allocation may be used only by the Applicant and only for the issuance of Bonds for the Project, as specifically described in Exhibit A. All of the terms and conditions of Exhibit A are incorporated as though fully set forth herein (this resolution, together with Exhibit A, hereinafter referred to as the “Resolution”).

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor, the Applicant and their respective successors and assigns will be bound by such terms and conditions.

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Section 3. Any modification to the Project made prior to the issuance of the Bonds must be reported to the Commission Chairperson or his or her designee, Executive Director or Deputy Executive Director and, if such modification is determined to be material in light of the Commission's Procedures, such modification shall require reconsideration by the Commission before the Allocation may be used for the Project. Once the Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by the Commission through an action for specific performance or any other available remedy, provided however, that the Commission agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of the Bondholders. The Commission may, as circumstances warrant, consent to changes in the terms and conditions set forth in this Resolution in the event the Commission is advised of changes in the Project.

Section 4. Prior to the issuance of the Bonds, any material changes in the structure of the credit enhancement and not previously approved by the Commission shall require approval of the Commission Chair, his or her designee, or the Executive Director or the Deputy Executive Director.

Section 5. The Applicant is not authorized to use the Allocation transferred hereby to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer the Allocation to any governmental unit in the State other than this Commission.

Section 6. The potential Allocation transferred herein shall automatically revert to this Commission unless the Applicant has issued Bonds for the Project by the close of business within 90 days of the award of Allocation. In the case of extreme hardship, the Commission Chairperson or his or her designee, Executive Director or the Deputy Executive Director may extend this date by up to five (5) business days.

Section 7. Within twenty-four (24) hours of using the Allocation to issue the Bonds, the Applicant shall notify the Commission's staff and CDLAC's staff in writing (which may be by electronic or facsimile communication) that the Allocation has been used. Each notification to the Commission and to CDLAC shall identify the Applicant, the project or program, the date the Allocation was used, and the amount of the Allocation used.

Section 8. Within fifteen (15) calendar days of the issuance of the Bonds, the Applicant or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting, in a form prescribed by and made available by CDLAC a completed Report of Action Taken. In addition, the Applicant shall provide the Commission with a copy of the final Official Statement, Private Placement Agreement, or other appropriate sale document.

Section 9. Any differences between the amount of Bonds issued and the amount of the Allocation granted in Section 1 of this Resolution shall automatically revert to the Commission. If at any time prior to the expiration date set forth in Section 6 of this Resolution the Applicant determines that part or all of the Allocation will not be used to issue Bonds by that date, the Applicant shall take prompt action by resolution of its governing board or by action of its authorized officer to return such unused Allocation to the Commission.

Section 10. The staff of the Commission is authorized and directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain, for the term of the Bonds, a copy of this Resolution in the Applicant's official records. The Commission staff

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is further directed to retain a copy of this Resolution in the files of the Commission (or any successor thereto) for the same period of time.

Section 11. In consideration of the potential Allocation to be transferred to the Applicant and the Project Sponsor, the Applicant and the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Applicant and the Project Sponsor expressly agree that the terms and conditions of this Resolution may be enforced by the Commission through an action for specific performance or any other available remedy, provided however, that the Commission expressly agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of the Bondholders. In addition, the Applicant and the Project Sponsor shall ensure that the Bond documents, as appropriate, expressly provide that the Commission is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 12. The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by the Commission.

Section 13. This Resolution shall take effect upon its adoption.

EXHIBIT A

**RESOLUTION NO: 14-2-004
(A SMALL-ISSUE INDUSTRIAL DEVELOPMENT PROJECT)**

1. Applicant: The California Infrastructure and Economic Development Bank (I-Bank)
2. Application No.: 14-0004
3. Borrower/Project Sponsor: Livingston-SGN, LLC and/or a related entity
User: Canyon Plastics, Inc.
4. Project Name: Canyon Plastics, Inc. Project
5. Project Description: Acquisition and Installation of New Equipment
6. Address: 28455 Livingston Avenue
Location: Valencia, CA 91355
County: Los Angeles County
7. Amount of Allocation: \$1,885,000
8. The Borrower has represented that it reasonably expects to use its best efforts to achieve the following within two years of the completion of the Project:
 - Creation of 31 additional direct, full-time positions.