

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
November 19, 2008**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 11:00 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Les Kleinberg for John Chiang, State Controller
Tom Sheehy for Michael C. Genest, Director, Department of Finance

Staff Present: Michael Paparian, Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Redway asked if there were any questions or comments concerning the October 22, 2008 meeting minutes. There were none.

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

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Paparian reported that this is the largest agenda in CPCFA history. The previous record was set in November 1985, when many projects came forward due to a change in the tax law. At that time, CPCFA had 29 staff summaries and resolutions. Today, the Board will be considering 33 projects.

Mr. Paparian stated that working with applicants, reviewing the applications, putting together background on the projects, and assembling and producing the agenda materials was an incredible team effort. The California Recycle Underutilized Sites (CALReUSE) Strategic Partners received the applications, worked with the applicants and provided the technical expertise to prepare the initial agenda summaries. Deana Carrillo, CALReUSE program manager, oversaw the entire effort. Staff utilized a team of analysts to evaluate the applications and staff summaries. CPCFA was able to borrow Robbie Biegler from the State Treasurer's Executive Office to assist in the analysis; and Pattie Tanous and Sherri Wahl offered editing and formatting assistance. Assembling and producing the agenda items fell on the administrative staff who deserve a lot of credit for the orderly and prompt production of the items.

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Mr. Paparian also reported that staff has been working to estimate the 2009 demand for CPCFA's Tax-Exempt Bond Program. Discussions with potential applicants and their representatives indicate there is still uncertainty about whether investments will be made in 2009. Despite the uncertainty, over \$700 million in potential projects have been identified and have a good chance of coming forward in the next year.

Mr. Paparian further reported the interest rate environment is stabilizing. Last week's weekly reset rates were between 1.22% and 1.3%, which is very much in line with where they were before the recent market instability.

Concerning the California Capital Access Program (CalCAP) program, he reported that one of the banks, Security Pacific, was running into difficulties. Staff has been monitoring the health of all the banks in the program. The program involves establishing loan loss reserve accounts. Stable and established banks are allowed to maintain loan loss reserve accounts. While newer or lower rated banks are required to maintain the loan loss reserve accounts with the Trustee Bank, The Bank of New York. When potential issues were noticed with Security Pacific earlier this year, staff compelled the bank to move its loan loss reserve account to the Trustee Bank. This move allows staff to maintain closer tabs on the account and assures that there will not be problems if something happens to the bank. In the case of Security Pacific, it was shut down by the Federal Deposit Insurance Corporation (FDIC) last week, but was then taken over by Pacific Western Bank. Pacific Western Bank is also a CalCAP lender, and as such, staff is expecting a smooth transition once FDIC determines which loans Pacific Western will be taking over. Staff will be updating procedures to monitor the status of CalCAP lenders.

Mr. Paparian mentioned that he lives very close to one of the CALReUSE brownfield projects. He consulted with the State Treasurer's Legal Office about the situation and out of an abundance of caution he removed himself from any involvement with item 4.C.21. – The Petrovich Curtis Park Village project.

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

4. BUSINESS ITEMS

~~A. REQUEST TO APPROVE AMENDMENT TO BOND DOCUMENTS~~

~~1) Consent to Conversion of Bond to New Term Interest Rate Period and Approve Re-Appointment of Remarketing Agent for Waste Management, Inc. Series 2002C Bonds, \$15,000,000~~

~~WITHDRAWN~~

B. REQUEST TO APPROVE INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

1) Hilmar Cheese Company, Inc. and/or its Affiliates requested approval of Initial Resolution No. 08-08 for an amount not to exceed \$25,000,000 to finance the cost of acquisition, construction and installation of equipment used to improve and increase capacity to the company's wastewater treatment operations. The project is an expansion and enhancement to an existing preliminary, secondary and tertiary

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wastewater treatment plant including facilities related to the ultimate disposal of the treated effluent. Presented by Doreen Smith.

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

Mr. Kleinberg asked if there was a representative from Hilmar Cheese Company present. Mr. Jason Grubbs, Taylor Company came forward. Mr. Grubbs represents Hilmar Cheese Company as financial advisor and underwriter.

Mr. Kleinberg questioned Hilmar Cheese Company's environmental violation and how the company is addressing the issue.

Mr. Grubbs explained that during the time period the company was cited, it spent approximately \$85,000,000 in order to try to improve its existing facility. As part of the settlement, the company paid \$1,000,000 to Regional Quality Water Control Board and also paid approximately \$2,000,000 to conduct an environmental study. Since that point in time, the company has been operating under a temporary permit and is expected to attain the final permit issued through the Regional Quality Water Control Board.

Mr. Kleinberg then asked what the company's long term plans are, as it was noted that the company will be moving some of the its facilities to Texas.

Mr. Grubbs responded that the company currently has the world's largest cheddar cheese manufacturing plant in California. It did expand two years ago into the state of Texas, but the California site will continue to be its primary operation site.

Ms. Redway clarified that this is just an Initial Resolution and the Board is not actually approving the bond issuance. Staff will conduct a technology review before the Board approves the allocation. This will allow the clock to start running, but does not in any way take final action on the project.

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

Mr. Sheehy moved approval of the item; upon a second, the item was unanimously approved.

C. CONSIDERATION AND APPROVAL OF APPLICATIONS FOR FINANCING UNDER THE CALReUSE REMEDIATION PROGRAM

Ms. Redway thanked everybody for all the hard work with special mention to Ms. Carrillo for bringing the projects to fruition.

Staff introduced Stephanie Shakofsky with the Center for Creative Land Recycling (CCLR), Margo Lederer Prado with the City of Oakland, and Chris Nelson with the National Brownfields Association CALReUSE Project Team.

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Ms. Carrillo stated that an enormous amount of time, thought and technical assistance was put into the CALReUSE Program (the “Program”).

Ms. Carrillo reported that the Housing and Emergency Shelter Trust Fund Act of 2006, (Prop 1C), included \$850 million for the Urban Infill Development, including parks, water, sewer, transportation, and environmental cleanup. \$60 million of these funds were allocated to CPCFA for brownfield clean-up which promoted housing and mixed-use developments.

Staff recommended approval of 32 Brownfield Infill Projects as described in Agenda Items 4.C.1—4.C.32 for a total amount of \$53,854,235.

CPCFA received applications totaling nearly \$82 million in funding.

Staff further recommended that for three projects requesting funding over the \$5 million cap, the Board pre-approve funding for these projects contingent on: (1) additional program funds being available and (2) Re-confirmation of the approval at a future Board meeting. These projects included:

- Hunters Point in San Francisco, Agenda Item 4.C.26.
- The Boulevards at South Bay in the City of Carson, Agenda Item 4.C.19.
- Sacramento Railyards here in Sacramento, Agenda Item 4.C.14.

Ms. Carrillo stated that the funding for the 32 recommended projects would assist in creating over 7,800 housing units directly and an additional 24,000 housing units indirectly. The Program’s investment of approximately \$53.9 million would leverage a minimum of \$4.2 billion in private investment and other financing; and although the applicants weren’t requested to provide any information on specific job creation, an initial sampling of five projects (three of those were the largest projects) indicate the program will assist in creating over 39,000 jobs.

Ms. Carrillo continued by stating that the projects would result in a variety of developments ranging from mixed-use projects, transit-oriented developments, market rate for-sale and rental units, to affordable for-sale, senior, and family rental units. Of the 32 projects, 28 (88%) are eligible for grants and four (13%) are eligible for loans; the lowest request is for \$94,000 and three applicants are requesting amounts over the Program maximum of \$5 million (ranging from \$12.4 to \$15 million). The projects are located in 11 counties and 13 cities across the state, ranging from the largest metropolitan areas – Los Angeles, Oakland, San Diego, San Francisco, and Sacramento – to cities such as Stockton, Yuba City, Truckee and Santa Cruz. The projects include housing for special needs populations, green development, rehabilitation of historical building, mixed-use and transit oriented development, as well as components of larger development areas.

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

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Mr. Kleinberg stated that staff analysis points out there are three areas in the State that have target representations – A, B and C. Area C (All Other Counties) is overrepresented, Area B (Southern California) and Area A (Central Valley) are underrepresented. Mr. Kleinberg asked if there was a reason for the under representation or whether staff needs to change how it evaluates projects in order to distribute funding evenly throughout California.

Ms. Carrillo responded that staff is looking at the geographical targets. These targets were based on the California Tax Credit Allocation Committee (CTCAC) targets. CTCAC's targets are based on the population, not necessarily on the prevalence of brownfields. Currently there is not a way staff could look at data that gives a clear log of where every brownfield exists in the state. Staff established the areas as targets, not necessarily as goals in order to address the situation.

Ms. Redway asked if the targets were aspirational.

Ms. Carrillo responded that would be a fair description.

Ms. Redway clarified that establishing geographic targets was an effort to try to quantify data.

Mr. Kleinberg asked if staff was focusing on specific cities; for instance, figure 1 in agenda item 4.C. indicates Los Angeles and San Diego, combined, have 6 projects. The other 24 projects are in Northern California.

Ms. Redway agreed that Southern California appears to be underrepresented in the applicant pool. She also mentioned that every single project that applied is being recommended to receive funding.

Ms. Carrillo added that staff will be increasing the marketing and direct outreach of the program.

Ms. Redway asked if there were any further questions from the Board, public or from the Strategic Partners.

Ms. Prado from the City of Oakland pointed out how important it was to receive funding for brownfields. Ms. Prado has worked in industrial retention, attraction, and planning. She stated these types of funds for the next two-year period are going to be crucial because it takes a while for the assessment and then the clean-up. The City of Oakland looks forward to having that two or three year period to get these things accomplished.

Kyri McClellan from the City and County of San Francisco thanked everyone, including the staff and the Strategic Partners. Ms. McClellan reminded the Board that over a year ago, she was before the Board advocating that the shipyard in Hunters Point be eligible for funding. The shipyard is a challenging project with extreme need. Development of the shipyard will create 10,000 housing units over the 700 acre site. The shipyard has been using federal advocates for years, and as Senator Diane Feinstein commented in her letter of support, she was grateful to see the State of California stepping up and investing

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as well. She felt staff's approach to pre-approve the additional funding is a smart balancing of the need that is in the room. Applicants are pledging their commitments to be advocates to go and help seek additional funds from the Legislature.

Ms. Redway suggested that the Board make a motion to approve resolutions 1 through 33 excluding Agenda Items 4.C.14., 4.C.19., and 4.C.26.

Mr. Kleinberg moved approval of the items 1 through 33 excluding Agenda Items 4.C.14., 4.C.19., and 4.C.26. Upon a second; the items were unanimously approved.

Ms. Redway stated that the Board is approving the \$5,000,000 on three items, but the pre-approval of an additional \$10,000,000 depends on getting additional funds from the Legislature.

Mr. Kleinberg stated that all three are worthy projects and he wanted to make sure that they get fully funded. He asked how the Board goes about helping to enhance additional funding, and if the Board members should write a letter to the Legislature or somewhere else pointing out the need.

Ms. Redway replied that typically it would be appropriate for the Board to ask the Executive Director to write a letter on behalf of CPCFA, since Mr. Sheehy represents the Department of Finance and his role as a Board member may make it a difficult situation if the Department of Finance has a different viewpoint.

Mr. Sheehy added that he would be supportive of it and he let the public know that he does not have a negative view of the CALReUSE program. Mr. Sheehy stated that it is a good program and he is impressed with all the good work that was done by the staff and strategic partners. He stated that the State is in the middle of the budget development process and there may or may not be projects in this area that impact this funding. So for that reason, it would be inappropriate for him, at this particular point in time, to be a signatory to a letter to the Director of the Department of Finance asking for more funds. That said, he was very supportive of the suggestion Ms. Redway made and supportive of the CALReUSE program.

Mr. Paparian verified that given the sense of the Board, he would prepare the letter.

Mr. Kleinberg asked that assuming further funding does not come through, what impact would limiting \$5,000,000 to those three projects have. Mr. Kleinberg expressed concern if the project asks for more than \$5,000,000, but it only gets \$5,000,000, what type of [aeffect](#) will that have on the project.

Mr. Rashmani representing Thomas Enterprises responded that clean-up at the Sacramento Railyards would start at the beginning of the new year together with the some infrastructure work that was funded weeks back. There will be about 3,000 people employed at the railyards starting at the beginning of the year which is a huge benefit for this region. This region has lost about 3,000 jobs this year, so the railyards will be bringing those jobs back through professional service people working on the clean-up and roadways utilities

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Mr. Paparian stated that he will use the job creation argument when making the request to the legislature for more funds. One of the big benefits of the program is the acceleration of clean-up and the acceleration of the jobs that are associated with the clean-ups. This is especially important at this time when the State is looking at various ways to stimulate the economy. Mr. Paparian believes that the program has the opportunity to leverage large investments if we are able get the projects going quickly.

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

Ms. Redway asked if there was a motion in regard to agenda items 4.C.14., 4.C.19., and 4.C.26.

Mr. Kleinberg moved approval of the items; upon a second; the items were unanimously approved.

5. PUBLIC COMMENT

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

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:34 a.m.

Respectfully submitted,

Michael Paparian
Executive Director