

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 24, 2010

Revised Staff Report

**REQUEST FOR AN AWARD OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009
RECOVERY ZONE FACILITY BOND RE-ALLOCATION**

Prepared by: John Weir

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$9,994,269

Project Information:

Project Name: Irvine Unified School District Solar
Project Address: Scattered Sites
Project City, County, Zip Code: Irvine, Orange

Qualified Business Information:

Name: Sun Edison, LLC
Principals: Carlos Domenech Zornoza, Kevin Lapidus, Kevin Cunningham, Kurt Breunning.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: George K. Baum & Co.
Credit Enhancement: See Comments below
Private Placement Purchaser: Not Applicable
TEFRA Hearing: March 9, 2010
Adoption of Recovery Zone Designation Date: January 12, 2010

Description of Proposed Project:

The Project involves the installation of roof-top solar panels in 29 schools throughout the Irvine Unified School District. Irvine U.S.D. will in turn, obtain electrical contracts priced below current utility prices for the amount of electricity the panels produce. The panels are manufactured by Sun Edison's parent company, MEMC in Pasadena, CA.

Principal production: Installation of solar panels
Number of jobs created: 35
Jobs-to-bond ratio: 1 job per \$285,551 in allocation.
Estimated total development cost: \$16,657,116

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: 24 out of 100

Recommendation:

Staff recommends that the Committee approve \$9,994,269 in Recovery Zone Facility Bond re-allocation with the following conditions: 1) the bonds shall be marketed and sold only to qualified institutional buyers, 2) bonds shall be sold in denominations of no less than \$500,000, and 3) no less than three business days prior to issuance, the applicant shall report to CDLAC staff information on all bond purchase commitments.

DETAILS OF PROJECT FINANCING:

- *Sources of Funds:*

Tax-Exempt Bond Proceeds	\$	9,994,269
Project Sponsor Equity	\$	6,662,846
Total Sources	\$	16,657,115

- *Uses of Funds:*

Acquisition of New Equipment	\$	8,410,094
Installation of New Equipment	\$	5,405,919
Legal, Permits, etc.	\$	2,159,399
Cost of Issuance (including discount)	\$	681,703
Total Uses	\$	16,657,115

JOB CREATION:

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

	Jobs Created
Management	8
Skilled/Semi-Skilled	26
Unskilled	1
Total	35

- *Total Jobs/Allocation Ratio:* 1 job per \$285,551 in allocation.

COMMENTS:

The Applicant intends to issue the bonds without credit enhancement and with no credit rating. While there is a precedent for the Committee to approve such a structure, staff remains concerned as to the ability for such a issuance plan to succeed. However, staff believes additional approval conditions may ensure a successful bond issuance that would adequately protect both the project and the issuer. Therefore, staff recommends the approval of allocation with the following conditions: 1) the bonds shall be marketed and sold only to qualified institutional buyers, 2) bonds shall be sold in denominations of no less than \$500,000, and 3) no less than three (3) business days prior to issuance, the applicant shall report to CDLAC staff information on all bond purchase commitments. This report shall include the name of the entities entering into such commitments along with copies of their commitment letters and respective amounts.

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed	Points Scored
Community Economic Need:		
1. Unemployment Rate of Project Area	10	0
2. Poverty Rate of Project Area	5	0
3. Special Designation Area	5	0
4. Median Family Income of Project Area	5	0
Job Creation Ratio (1 job per \$285,551 in allocation.)	25	0
Welfare to Work Program Participation	5	0
Employee Benefits	5	5
Average Hourly Wage	5	5
Land Use	6	0
Transit Corridor	7	7
Energy Efficiency	7	7
Leveraging	15	0
Total Points	100	24