

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 26, 2010
Staff Report

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

Prepared by: Sarah Lester

Applicant: California Enterprise Development Authority

Allocation Amount Requested:
Tax-exempt: \$29,930,000

Project Information:
Project Name: Mesquite Lake Resource Recovery Facility Project
Project Address: 3559 Highway 111
Project City, County, Zip Code: Unincorporated area near Brawley, Imperial, 92251-9573

Qualified Business Information:
Name: GreenHunter Mesquite Lake, LLC
Principals: Gary C. Evans, Jonathan D. Hoopes, Morgan F. Johnston and David S. Krueger

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement: Not Applicable
Private Placement Purchaser: Cove Partners, LLC
Public Sale: Investor letters provided
TEFRA Hearing: March 16, 2010
Adoption of Recovery Zone Designation Date: January 26, 2010

Description of Proposed Project:
The rehabilitation of an existing facility to generate renewable electric power from area biomass and its supply to Imperial Irrigation District ("IID") under a long-term power purchase agreement executed by IID and the qualified business.
Principal production: Generation of electricity
Number of jobs created: 35
Jobs-to-bond ratio: 1/\$855,143
Estimated total development cost: \$29,930,000

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: 26 out of 100

Recommendation:
Staff recommends that the Committee approve \$29,930,000 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 \$100,000, 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.

DETAILS OF PROJECT FINANCING:

- *Sources of Funds:*

Tax-Exempt Bond Proceeds	\$	29,930,000
Taxable Bond Proceeds	\$	0
Project Sponsor Equity	\$	0
Other Sources	\$	0
Total Sources	\$	29,930,000

- *Uses of Funds:*

Rehabilitation of Existing Building(s)	\$	6,845,000
Site Preparation	\$	500,000
Utilities Connection	\$	2,500,000
Acquisition and Installa. Of Used Equip.	\$	7,200,000
Acquisition and Installa. Of New Equip.	\$	7,450,000
Engineering/Architect	\$	1,000,000
Legal, Permits, etc.	\$	200,000
Bond Issuance Expenses (incl. discount)	\$	550,000
Interest During Construction	\$	1,050,000
Reserve Funds	\$	1,870,000
Contingency	\$	765,000
Total Uses	\$	29,930,000

JOB CREATION:

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

	Jobs Created
Management	4
Skilled/Semi-Skilled	31
Unskilled	0
Total	35

- *Total Jobs/Allocation Ratio:* 1 job per \$855,143 in allocation.
- Although the project did not receive points for the creation of new permanent jobs, other public benefits such as community economic need, employee benefits, average hourly wage, and the reuse of vacant or abandoned land with developed infrastructure.

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 an 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 \$100,000, 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 names 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	10
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 \$855,143 in allocation.)	25	0
Welfare to Work Program Participation	5	0
Employee Benefits	5	5
Average Hourly Wage	5	5
Land Use	6	6
Transit Corridor	7	0
Energy Efficiency	7	0
Leveraging	15	0
Total Points	100	26