

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: Crystal Alvarez

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$2,947,637

Project Information:

Project Name: Ingomar Packing Company Project
Project Address: 9950 S. Ingomar Grade
Project City, County, Zip Code: Los Banos, Merced 93635

Qualified Business Information:

Name: Sun Edison, LLC (MEMC Holdings Corporation)
Principals: Carlos Domenech Zornoza, Kevin Lapidus, Brian Jacolick,
Pancho Perez, Kevin Cunningham, Kurt Breunning and
Carole Jacolick

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: George K. Baum & Company
Public Sale: Investor letters provided
TEFRA Hearing: April 13, 2010
Adoption of Recovery Zone Designation Date: January 12, 2010

Description of Proposed Project:

The Project involves the installation of solar panels on the roof-top of the distribution center. Ingomar Packing Company 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: No permanent jobs
Jobs-to-bond ratio: 0
Estimated total development cost: \$4,912,729

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: 18 out of 100

Recommendation:

Staff recommends that the Committee approve \$2,947,637 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 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 | \$ | 2,947,637 |
| Other sources | \$ | 1,965,092 |
| Total Sources | \$ | 4,912,729 |

- **Uses of Funds:**

| | | |
|--|----|-----------|
| Used Equipment Purchase & Installation | \$ | 4,074,795 |
| Legal, Permits, etc. | \$ | 636,877 |
| Interest during construction | \$ | 201,057 |
| Total Uses | \$ | 4,912,729 |

JOB CREATION:

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

| | Jobs Created |
|----------------------|--------------|
| Management | 0 |
| Skilled/Semi-Skilled | 0 |
| Unskilled | 0 |
| Total | 0 |

- *Total Jobs/Allocation Ratio:*
- *Although the project did not receive points for the creation of new permanent jobs, other public benefits such as community economic needs and employee benefits support an award of allocation.*

COMMENTS:

The Applicant intends to issue the bonds without credit enhancement and with no credit rating. While there is an 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 \$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 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 | 5 |
| 2. Poverty Rate of Project Area | 5 | 3 |
| 3. Special Designation Area | 5 | 0 |
| 4. Median Family Income of Project Area | 5 | 5 |
| Job Creation Ratio () | 25 | 0 |
| Welfare to Work Program Participation | 5 | 0 |
| Employee Benefits | 5 | 5 |
| Average Hourly Wage | 5 | 0 |
| Land Use | 6 | 0 |
| Transit Corridor | 7 | 0 |
| Energy Efficiency | 7 | 0 |
| Leveraging | 15 | 0 |
| Total Points | 100 | 18 |