

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: \$32,024,000
Tax-exempt debt: \$24,701,000

Project Information:

Project Name: Photovoltaic Panel Manufacturing and Solar Energy Facilities Project
Project Address 1: 4242 Forcum Avenue
Project City, County, Zip Code: McClellan Business Park, Sacramento 95652
Located in A Special Designation area for Local Agency Military Base Recovery Area (LAMBRA).
Project Address 2: West 6th Street and West U Street
Project City, County, Zip Code: Rio Linda, Sacramento 95673

Qualified Business Information:

Name: Solar Power, Inc.
Principals: Stephen C. Kircher, Jeffrey G. Winzeler and Alan M. Lefko

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Piper Jaffray & Co.
Public Sale: Letter of Interest provided
TEFRA Hearing: April 13, 2010
Adoption of Recovery Zone Designation Date: December 18, 2009

Description of Proposed Project:

The project involves the installation of two facilities in Sacramento County, a solar energy facility and photovoltaic panel manufacturing facility. The solar energy facility is approximately 91 acres and supports 13 megawatt (AC) of photovoltaic solar energy, this site will create 5 permanent jobs. The photovoltaic panel manufacturing facility will be 100,000 square feet and produce 50 megawatts of modules annually, creating 100 permanent jobs.

Principal production: Manufacture Solar Panels and Produce Solar Energy
Number of jobs created: 105
Jobs-to-bond ratio: 1/\$190476
Estimated total development cost: \$87,154,000

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: 40.50 out of 100

Recommendation:

Staff recommends that the Committee approve \$20,000,000 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 business days prior to issuance, the applicant shall report to CDLAC staff information on all bond purchase commitments.

- **Sources of Funds:**

Tax-Exempt Bond Proceeds	\$	32,024,000
Sacramento Co. ARRA Allocation	\$	24,701,000
Other Sources	\$	30,429,000
Total Sources	\$	87,154,000

- **Uses of Funds:**

Construction and Rehabilitation of Buildings	\$	8,200,000
New Equipment Purchase & Installation	\$	65,159,526
Legal, Permits, etc.	\$	894,203
Bond Issuance Expenses	\$	1,070,541
Other Costs	\$	11,829,730
Total Uses	\$	87,154,000

JOB CREATION:

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

	Jobs Created
Management	2
Skilled/Semi-Skilled	103
Unskilled	0
Total	105

- **Total Jobs/Allocation Ratio:** 1 job per \$190,476 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 \$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	0
2. Poverty Rate of Project Area	5	0
3. Special Designation Area	5	2.5
4. Median Family Income of Project Area	5	2.5
Job Creation Ratio (1 job per \$190,476 in allocation)	25	0
Welfare to Work Program Participation	5	5
Employee Benefits	5	5
Average Hourly Wage	5	5
Land Use	6	0
Transit Corridor	7	3.5
Energy Efficiency	7	7
Leveraging	15	10
Total Points	100	40.5