

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 15, 2010
Consideration and Approval of an Issuance Date Extension
For Qualified Energy Conservation Bonds (QECB) Projects and a Qualified Residential Rental
Program (ORRP) Project
(Agenda Item No. 5)

I. ACTION

Approve a bond issuance date extension for the following projects: Salinas Street Garage/Permit Center and Waste Water Treatment Plant (ARRA-056), City of Salinas Municipal Buildings Energy Consumption Reduction Project (ARRA-074), Farms to Fuel Project (ARRA-064), and Movietown Plaza Apartments (10-048).

II. BACKGROUND

Salinas Street Garage/Permit Center and Waste Water Treatment Plant Project (ARRA-056), and Salinas Municipal Buildings Energy Consumption Reduction Project (ARRA-074)

The Salinas Street Garage/Permit Center, and Waste Water Treatment Plant Project, and the City of Salinas Municipal Buildings Energy Consumption Reduction Project (“the Projects”) received allocation awards through the City of Salinas on September 22, 2010 and November 17, 2010 respectively. The current bond issuance deadlines are December 21, 2010 and February 15, 2011 respectively.

The City of Salinas (“the City”) is requesting a 90 day extension of the issuance deadline. This would allow the City to issue the Project’s CDLAC Qualified Energy Conservation Bond (QECB) Allocation and a local-level QECB allocation as a single bond issuance in March 2011. This single and larger bond issue would reduce the City’s issuance costs and the workload on its staff. Along with many other California cities, Salinas has been struggling with budget and personnel cuts, forcing it to be as efficient as possible.

Allowing an extension to the issuance date to March 15, 2011 will ensure the completion of the bond issuance for the Projects. If the issuance date is not extended, the Projects will face undue cost challenges and the City may lose the jobs generated by both Projects.

Farms to Fuel Project (ARRA-064)

The Farms to Fuel Project (“Project”) received an allocation award through the California Municipal Finance Authority on September 22, 2010. The end-user is a partnership between the Sonoma County Water Agency (Agency) and BioStar Systems. The current bond issuance deadline is December 21, 2010.

At the time of application, provisions in the California Public Utility Commission’s Self Generation Incentive Program (SGIP) allowed for the installation of only one 1.4 MW fuel cell with an eligible incentive of up to \$5.4 million. Accordingly, the project described in the application included one fuel cell. However, in October, accompanied by the President of the Sonoma County Board of Supervisors, the water agency met with and appealed to CPUC President Michael Peevey requesting the ability to combine the agency’s total electrical demand (+/- 5.6 MW) behind a single meter. The water agency also requested the approval of additional fuel cells required to produce that electricity along with the added SGIP incentive of \$21.6 million.

In addition to the financial incentives, other benefits of the new configuration include the water agency’s ability to use electricity generated from renewable carbon free energy for 100% of its electrical demand and also reuse the heat recovered during electrical generation. A configuration of this type is up to 70% more energy efficient than the original scope of the Farms to Fuel Project.

Allowing an extension to the issuance date to March 15, 2011 will help to ensure the completion of the Project and the issuance of bonds. If the issuance date is not extended, the Project will lose its allocation and the County of Sonoma will lose the opportunity to generate this efficient renewable energy.

Please note, the Applicant is currently determining whether or not a change to the Project location is necessary to accommodate the additional fuel cell units. If a change of location is determined to be necessary, the Applicant will be required to return to the Committee for an approval of such a change.

Movietown Plaza Apartments Project (10-048)

The Movietown Plaza Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority on July 28, 2010. The Project’s current issuance deadline is December 15, 2010.

The Project is currently experiencing delays with its lender’s appraisal. Allowing an extension to the issuance date to March 15, 2011 will ensure the completion of the loan processing and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its allocation and the city of West Hollywood will lose 76 new units of affordable senior housing.

III. DISCUSSION:

The CDLAC Regulations state that if an Allocation was awarded during an Open Allocation Round, the Committee may extend the Project’s expiration date up to the next regularly scheduled meeting at which time the Committee may elect to grant an additional extension up to ninety (90) days. All of the Projects noted above are otherwise in full compliance and eligible for an extension under the CDLAC Regulations.

IV. RECOMMENDATION:

Staff recommends the approval of the following issuance date extensions:

ARRA-056 Salinas Street Garage/Permit Center, Waste Water Treatment Plant Project	March 15, 2011
ARRA-074 Salinas Municipal Buildings Energy Consumption Reduction Project	March 15, 2011
ARRA-064 Sonoma Farms to Fuel Project	March 15, 2011
10-048 Movietown Apartments	March 15, 2011

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