

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 19, 2018**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN**  
**EXEMPT FACILITY PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** California Pollution Control Financing Authority

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**Allocation Amount Requested:** \$4,000,000  
Supplemental to 18-011 allocation July 18, 2018 for \$34,000,000

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**Project Information:**  
**Name:** Viridis Fuels, LLC (Supplemental)  
**Project Address:** 2500 Engineer Road  
**Project City, County, Zip Code:** Oakland, Alameda 94607

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**Project Sponsor Information:**  
**Name:** Viridis Fuels, LLC  
**Address:** 6114 La Salle Avenue, #641  
Oakland, CA 94611  
**Principals:** Kathy Neal  
**Contact:** Kathy Neal  
**Phone:** (510) 842-5919

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**Project User Information:**  
**Name:** Same as Project Sponsor  
**Address:** 2500 Engineer Road, Oakland,  
94607  
**Contact:** Same as Project Sponsor  
**Phone:** Same as Project Sponsor

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Westhoff, Cone & Holmstedt  
**Credit Enhancement Provider:** N/A  
**Private Placement Purchaser:** N/A  
**TEFRA Hearing Date:** July 31, 2018

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**Project Sponsor's Principal Activity:**  
According to the Applicant, the principal activity is the collection of restaurant waste oil and processing it into Biodiesel for use and resale.

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**First Tier Business (Yes/No):** Yes

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**Regulatory Mandate (Yes/No):** No

**Details of Transaction:**

**Sources of Funds:**

Tax-Exempt Bond Proceeds	\$	38,000,000
Other Sources	\$	11,103,373
Total Sources	\$	49,103,373

**Uses of Funds:**

Site Preparation and Improvements	\$	7,410,868
New Equipment Purchase & Installation	\$	18,800,000
Engineering/Architecture	\$	872,452
Utilities Connection	\$	1,151,570
Cost of Issuance (incl. discount)	\$	1,417,550
Interest During Construction	\$	6,080,000
Bond Insurance, Contingency	\$	4,918,375
Bond Rounding Factor	\$	1,790,735
Lease Payments to EBMUD	\$	2,711,823
Working Capital	\$	150,000
Reserve Fund	\$	3,800,000
Total Uses	\$	49,103,373

**Description of Proposed Project:**

According to the Applicant, the Facility will be one of a very few biodiesel plants in the US located in a disadvantaged and urban area, West Oakland, which sits in a federally-designated HUB Zone having a median household income below state average. The Project will create new jobs without extensive front-end skills requirements in the developing green sector. A "Hire West Oakland First" policy will work with West Oakland job training and local job placement programs. The Applicant estimates that the Project will create approximately 28 new jobs at Project completion and approximately 20 jobs during construction.

**Environmental Impact:**

- 1.) Air Quality: One of the major reasons for producing biodiesel is to reduce greenhouse gas emissions and to mitigate the effects of global warming produced by fossil fuels. Viridis biodiesel will displace an equivalent amount of conventional diesel on a BTU basis. This will reduce not only green house gas (GHG) emissions but will also reduce other air pollutants normally emitted with diesel engine exhaust. Studies have shown that there has been 78.5% reduction in carbon dioxide emissions as compared to petroleum diesel with the use of biodiesel. It is an efficient fuel that shows 100% reduction in sulfur dioxide, 40 - 60% reduction in soot particles, and 10 - 15% reduction in carbon monoxide.
- 2.) Water Quality: N/A
- 3.) Energy Efficiency: Biodiesel production uses 79% less water and its consumption of energy is 70 - 90% less than petroleum diesel.
- 4.) Recycling of Commodities: Viridis Fuels (Viridis) will use waste grease and oil as the primary feedstock to produce biodiesel fuel. Brown grease, also known as "trap grease," is an energyrich resource abundant in waste streams from restaurants. If left in wastewater, this grease collects inside the wastewater collection system and results in anaerobic conditions (the absence of oxygen), increased corrosion, and pipe blockages that can lead to wastewater overflows. Restaurants are required to install grease traps in their drains to prevent fats and oils from entering sewer pipes. When disposed of in landfills, waste grease is likely to undergo anaerobic decay prior to landfill capping, resulting in the atmospheric release of methane, a GHG. Biodiesel production gives rise to 96% less hazardous solid wastes.
- 5.) Safety and Compliance: Biodiesel is non-flammable, and therefore not as dangerous as petroleum products for storage and transportation. The flash point of a fuel is defined as the lowest temperature at which the vapor above a combustible liquid can be made to ignite in air. Biodiesel's flash point is over 200° Fahrenheit, well above petroleum based diesel fuel's flash point of around 125° Fahrenheit. Therefore, biodiesel and blends of biodiesel with petroleum diesel are safer to store, handle, and use than conventional diesel fuel.
- 6.) Consumer Cost Savings and Efficiencies: Greater energy independence from the receipt of crude glycerin by EBMUD and increased methane generation will result in lower energy costs that are ultimately borne by ratepayers. Local availability of high-quality biofuel will eliminate the need to transport biofuel products from remote locations, thus reducing transportation costs which would ultimately be borne by consumers.

**Analyst Comments:**

Letters of support have been received from City of Oakland and County of Alameda Board of Supervisors. Supplemental request is to cover additional project costs. Specifically, the development costs are higher than originally anticipated.

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**Legal Questionnaire:**

No information was disclosed that raised any question regarding the financial viability or legal integrity of the Project Sponsor.

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**Recommendation:**

Staff recommends that the Committee approve \$4,000,000 in tax exempt bond allocation.

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**July 18, 2018**  
**Staff Report**  
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**Project Financing Information:**

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Westhoff, Cone & Holmstedt  
**Credit Enhancement Provider:** N/A  
**Private Placement Purchaser:** N/A  
**TEFRA Hearing Date:** May 10, 2018

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**Project Sponsor's Principal Activity:**

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**First Tier Business (Yes/No):** Yes

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**Regulatory Mandate (Yes/No):** No

**Details of Transaction:**

**Sources of Funds:**

Tax-Exempt Bond Proceeds	\$	34,000,000
Other Sources	\$	12,658,150
Total Sources	\$	46,658,150

**Uses of Funds:**

Site Preparation and Improvements	\$	7,410,868
New Equipment Purchase & Installation	\$	21,200,000
Engineering/Architecture	\$	2,372,452
Utilities Connection	\$	1,151,570
Cost of Issuance (incl. discount)	\$	1,318,150
Interest During Construction	\$	4,080,000
Bond Insurance, Contingency	\$	5,725,110
Reserve Fund	\$	3,400,000
Total Uses	\$	46,658,150

**Description of Proposed Project:**

According to the Applicant, the Facility will be one of a very few biodiesel plants in the US located in a disadvantaged and urban area, West Oakland, which sits in a federally-designated HUB Zone has a median household income below state average. The Project will create new jobs without extensive front-end skills requirements in the developing green sector. A "Hire West Oakland First" policy will work with West Oakland job training and local job placement programs. The Applicant estimates that the Project will create approximately 28 new jobs at Project completion and approximately 20 jobs during construction.

**Environmental Impact:**

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**Local Government Support:**

Letters of support have been received from City of Oakland and County of Alameda Board of Supervisors.

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**Legal Questionnaire:**

No information was disclosed that raised any question regarding the financial viability or legal integrity of the Project Sponsor.

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**Recommendation:**

Staff recommends that the Committee approve \$34,000,000 in tax exempt bond allocation.