

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA RECYCLE UNDERUTILIZED SITES (CALREUSE)
ASSESSMENT PROGRAM**

Meeting Date: August 26, 2009

*Request for Approval of Funding Allocations to
Strategic Partners for the Assessment Program*

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Summary. Staff is requesting the Authority’s approval of a resolution to allocate funds to the Strategic Partners for the California Recycle Underutilized Sites (CALReUSE) Assessment Program (“Program”) in the amounts listed below for the purpose of funding loans under the Program.

The proposed allocations will be for a six-month period and will carry the Strategic Partners through the end of the contract period, which is February 28, 2010.

| Strategic Partner | Identified Need | 6-Month Allocation Recommendation Amounts Not to Exceed¹ |
|---------------------------------|------------------------|--|
| CCLR (statewide) | \$3,015,396 | \$1,656,944 |
| Emeryville Redevelopment Agency | -- | 125,000 |
| City of Oakland | 475,000 | 300,000 |
| City of Berkeley | -- | 0 |
| San Diego Redevelopment Agency | <u>400,000</u> | <u>256,707</u> |
| Totals: | \$3,890,396 | \$2,338,651 |

Background. The Strategic Partners operate under contracts with CPCFA, but do not receive any payment from CPCFA to administer the program. The existing two-year contracts were extended for an additional one-year term and will expire on February 28, 2010. Historically, the Authority allocated funding to each Strategic Partner for a one-year term.² In February 2009, the CPCFA board approved allocations for a 6-month period. This modified time period enables CPCFA to shift funds to Strategic Partners that have the most viable pipelines for the next 6 months.

The allocations will be available for the Strategic Partners to issue and enter into new loan agreements. These recommended allocations will accommodate the Strategic Partners’ existing commitments – including loans that are in the process of being executed and current commitment letters to successful applicants – as well as a few new viable projects. The allocations, however,

¹ Recommended allocations were determined by an analysis of available Program funds as of June 30, 2009. Fund availability may be modified subsequent to any additional loan activity by the Strategic Partners during the months of July and August.

² The Executive Director may extend a Strategic Partner’s allocation for an additional 6-month or one-year term, and any increased allocation requests are brought to the CPCFA Board for approval.

do not address all of the Strategic Partners’ identified needs, which far exceed the Program’s current funding level of \$5 million.

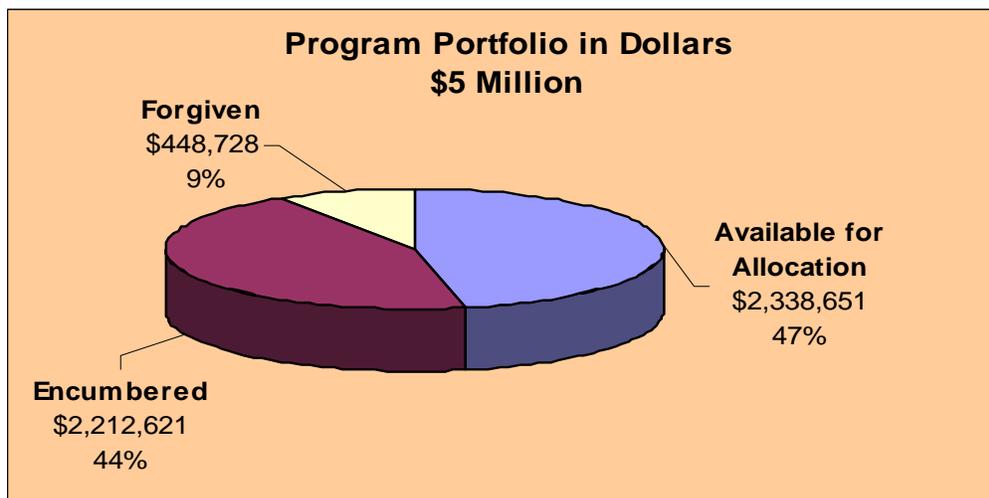
Over the coming months, CALReUSE staff will be conducting an analysis of the Program’s long-term viability to identify: 1) whether CPCFA will be able to continue to operate the CALReUSE Assessment Program, and 2) if so, at what level of financial investment. The analysis will include a review of the Program’s funding level; the viability and anticipated frequency of revolving previously loaned funds; and the funding amount earned through interest from individual loans and invested Program funds. This analysis is necessary to assess whether CPCFA will be able to continue to operate the program, and thus whether staff should issue a Request for Proposals (RFP) for new contracts under the Program.

Allocation Analysis. To develop the recommended allocations amounts staff considered the following criteria:

1. **Availability of Program funds.** In 2008 the Program’s funding was capped at \$5 million. This was a reduction from the original CPCFA intention of allocation up to \$10 million. This decrease in funding was necessary to address the Authority’s overall budget issues. The recommended allocations are within the \$5 million currently available under the Program.
2. **Need for funds.** Recommended allocation amounts are prioritized based on the Strategic Partner’s need for funds and the likelihood of the Strategic Partner utilizing the funds over the next six months.

The analysis included a review of the Program’s overall funding level and loan portfolio; a survey of the Strategic Partner’s existing commitments; the Strategic Partners’ pipelines (potential applicants and their anticipated timeframe for needing funds); and the likelihood of the Strategic Partner utilizing the funds over the next six months.

Loan Portfolio Performance. As of June 30, 2009, of the \$5 million of budgeted funds for the Program, \$2,212,621 (44.3%) is currently encumbered in 19 existing loans; \$448,727 (9%) has been forgiven over the life of the Program; and \$2,338,651 (46.7%) is available for the current allocation for Strategic Partners to use over the next six months.



As noted above and illustrated in Attachment A, from 2004 through June 30, 2009 Strategic Partners have administered 37 loans totaling \$3,903,109. Seven of these loans (9% of the \$5 million overall Program funds and 11% of the \$3.9 million loaned to date) have been forgiven; 11 (\$1,147,498) have been paid back in full and is being revolved; and \$2,212,621 is currently encumbered in 19 active loans.

Strategic Partners Anticipated Pipelines. Several of the Strategic Partners have experienced an increased interest and demand on the Program, this is due to a number of factors. Modifications to the Regulations increased the maximum loan amounts from \$125,000 to \$300,000 for brownfield sites in general and \$500,000 for potential housing sites. There is an increase in public awareness of the program due to the development of the Remediation Program and some Strategic Partners (Oakland and CCLR) becoming “one-stop shops” through their administration of both the Assessment and Remediation Programs. Additionally, the recent economic downturn has led numerous developers to explore alternatives to traditional bank construction loans.

The *Center for Creative Land Recycling* is currently working with 6 applicants who have received commitment letters for loan proceeds. An additional 13 potential applicants across the State are anticipated to request a total amount of approximately \$2.76 million. The statewide Strategic Partner currently receives approximately 10-15 inquiries a month specific to the Assessment Program.

Emeryville has been a successful partner throughout the life of the Program with a proven track record. While it does not have a specific pipeline at this time, staff has had discussions with potential applicants over the last several months.

Oakland is currently working with 3 existing borrowers to increase their loan amounts for a total of \$150,000 and an additional 4 potential applicants that may request approximately \$475,000. The city has requested an additional \$475,000 for sites/applicants in the future.

The *City of San Diego* is currently working with potential applicants and reviewing sites for an additional 8 projects, and has requested to retain their previous funding allocation of \$400,000.

The *City of Berkeley* does not have a specific pipeline at this time.

Recommendation. Staff recommends that the Authority approve staff’s request to fund Strategic Partner allocations not to exceed the amounts listed above for a six-month period.

A RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING
AUTHORITY AUTHORIZING THE ALLOCATION OF FUNDING TO THE STRATEGIC
PARTNERS FOR MAKING LOANS UNDER
THE CALIFORNIA RECYCLE UNDERUTILIZED SITES
ASSESSMENT PROGRAM

August 26, 2009

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) was created under the provisions of the California Pollution Control Financing Act as contained in Section 44500, et seq., of the Health and Safety Code; and

WHEREAS, the Authority is vested with all powers necessary to carry out the powers and responsibilities of the California Pollution Control Financing Act pursuant to Health and Safety Code Section 44517; and

WHEREAS, the Center for Creative Land Recycling, Emeryville Redevelopment Agency, City of Oakland, San Diego Redevelopment Agency, and City of Berkeley are current Strategic Partners under the CALReUSE Assessment Program; and

WHEREAS, the Strategic Partners require funding allocation to administer the Program and continue to make CALReUSE loans accessible to borrowers across the State;

NOW, THEREFORE BE IT RESOLVED, that the Authority has allocated funding not to exceed the following amounts to each Strategic Partner for funding loans under the Program:

| | |
|---|---------------------------|
| Emeryville Redevelopment Agency | \$ 125,000 |
| City of Oakland | \$ 300,000 |
| San Diego Redevelopment Agency | \$ 256,707 |
| City of Berkeley | \$ 0 |
| Center for Creative Land Recycling (CCLR) | \$1,656,944 |
| Total | <u>\$2,338,651</u> |

Section 1. The Authority authorizes a total allocation not to exceed \$2,338,651 to the Strategic Partners for funding loans under the Program for a term of six months beginning on September 1, 2009.

Section 2. The Strategic Partners shall at all times make available their portion of the 25% Match as required by Section 8090(z) of Title 4, Division 11, Article 9 of the California Code of Regulations and as set forth in the contracts.

Section 3. This resolution shall take effect immediately upon its approval.

ATTACHMENT A

CALReUSE Assessment Program
Program Loan Activity by Strategic Partner through June 30, 2009

| Strategic Partner | Borrowers | Original Loan Amount | Loan Issuance Date | Loan Expiration Date | Total Amount Borrowed to date | Outstanding Principal Balance | Loan Status/Comments |
|--|--|----------------------|--------------------|----------------------|-------------------------------|-------------------------------|----------------------|
| CERF/CCLR (2003-2006) | Alabama Street Housing Association | \$125,000.00 | 3/1/2004 | 3/1/2007 | \$14,150.84 | \$0.00 | Loan paid in full. |
| | Castlewell Properties, Inc. | \$5,740.00 | 10/3/2005 | 10/3/2008 | \$5,740.00 | \$0.00 | Loan forgiven |
| | First Community Housing, Inc. | \$125,000.00 | 11/8/2004 | 11/8/2007 | \$57,773.91 | \$0.00 | Loan paid in full. |
| | Mid-Peninsula Housing Coalition | \$34,000.00 | 3/8/2004 | 3/8/2006 | \$13,603.48 | \$0.00 | Loan forgiven |
| CCLR (2007 to present) | South County Housing | \$125,000.00 | 4/12/2004 | 4/12/2006 | \$54,889.60 | \$0.00 | Loan paid in full. |
| | Thomas & Barbara Brenkwitz | \$82,705.00 | 2/10/2004 | 8/1/2006 | \$81,885.16 | \$0.00 | Loan paid in full. |
| | Urban Pacific Builders, LLC | \$125,000.00 | 3/1/2004 | 3/1/2007 | \$44,684.20 | \$0.00 | Loan paid in full. |
| | World of Good Taste, Inc. | \$85,000.00 | 9/29/2003 | 10/1/2008 | \$76,403.57 | \$0.00 | Loan forgiven |
| | General Environmental Management, Inc. | \$106,250.00 | 5/5/2006 | 5/5/2009 | \$87,407.34 | \$0.00 | Loan fogiven |
| | Dewey-Koar, LLC | \$125,000.00 | 5/18/2006 | 5/18/2009 | \$125,000.00 | \$0.00 | Loan paid in full. |
| | Transition Properties, LP | \$98,723.00 | 4/5/2006 | 4/5/2010 | \$97,684.53 | \$97,684.53 | |
| | COMM22 LLC | \$125,000.00 | 6/16/2006 | 6/16/2010 | \$125,000.00 | \$125,000.00 | |
| | Mercy Housing California | \$62,000.00 | 3/5/2007 | 3/5/2010 | \$35,020.50 | \$0.00 | Loan forgiven |
| | Bridge Housing Ventures, Inc. | \$125,000.00 | 6/18/2007 | 1/30/2010 | \$125,000.00 | \$125,000.00 | |
| | Sky Terrace Investors LLC | \$125,000.00 | 10/31/2007 | 10/31/2010 | \$113,058.79 | \$0.00 | Loan paid in full. |
| | Burbank Housing Development Corp. Resources for Community Dev. -- | \$81,800.00 | 10/31/2007 | 10/31/2010 | \$29,953.00 | \$29,953.00 | |
| | * Martinez | \$100,000.00 | 3/21/2008 | 4/15/2011 | \$60,147.00 | \$60,147.00 | |
| | Environmental Investments, LLC | \$174,237.00 | 6/13/2008 | 6/15/2011 | \$0.00 | \$0.00 | |
| | Revita WDI, LLC | \$127,000.00 | 8/20/2008 | 8/20/2011 | \$127,000.00 | \$127,000.00 | |
| | Ekloff, Inc. | \$300,000.00 | 8/28/2008 | 8/28/2011 | \$154,651.04 | \$154,651.04 | |
| New Railroad Sqaure LLC | \$160,000.00 | 10/22/2008 | 10/22/2011 | \$135,249.33 | \$135,249.33 | | |
| Golden Pacific Partners Resources for Community Dev. -- Santa Rosa | \$100,000.00 | 10/24/2008 | 10/24/2011 | \$56,241.79 | \$56,241.71 | | |
| | \$30,000.00 | 2/5/2009 | 2/5/2012 | \$28,576.26 | \$28,576.26 | | |
| Legacy Partners Residential, LLC | \$181,300.00 | 4/2/2009 | 4/2/2012 | \$0.00 | \$0.00 | | |

ATTACHMENT A

| | | | | | | | |
|---------------------------------------|---|----------------|------------|------------|-----------------------|--------------|------------------------------|
| | CIC Arvin Apartments | \$24,405.00 | 6/11/2009 | 6/11/2010 | \$0.00 | \$0.00 | |
| Strategic Partner Total | 25 Loans | \$2,753,160.00 | | | \$1,649,120.34 | \$939,502.87 | |
| City of Emeryville | Bayrock Residential, LLC | \$125,000.00 | 2/19/2005 | 7/1/2007 | \$93,750.00 | \$0.00 | Loan paid in full. |
| | Oliver & Company | \$42,000.00 | 7/3/2003 | 2/1/2005 | \$31,253.58 | \$0.00 | Loan paid in full. |
| | Resources for Community Development | \$22,793.00 | 7/30/2003 | 7/30/2006 | \$17,094.74 | \$0.00 | Loan paid in full. |
| | Emery Station Triangle II, LLC | \$125,000.00 | 12/26/2007 | 1/1/2011 | \$125,000.00 | \$125,000.00 | |
| Strategic Partner Total | 4 Loans | \$314,793.00 | | | \$267,098.32 | \$125,000.00 | |
| City of Oakland | San Pablo Auto Body | \$125,000.00 | 7/26/2004 | 10/31/2008 | \$124,303.07 | \$0.00 | Loan forgiven |
| | Thomas McCoy & Morris Wright | \$125,000.00 | 5/19/2003 | 9/15/2008 | \$121,250.89 | \$121,250.89 | Administering loan extension |
| | Tomorrow Development Co., Inc. | \$125,000.00 | 12/23/2004 | 3/18/2008 | \$60,949.00 | \$60,949.00 | Administering loan extension |
| | City of Oakland Redevelopment Agency | \$125,000.00 | 6/5/2002 | 9/30/2006 | \$85,927.61 | \$0.00 | Loan paid in full. |
| | Debra Esposito Petro/Estate of John Espo. | \$75,000.00 | 7/15/2008 | 7/15/2011 | \$42,837.55 | \$42,837.55 | |
| Strategic Partner Total | 5 loans | \$575,000.00 | | | \$435,268.12 | \$225,037.44 | |
| San Diego Redevelopment Agency | Community HousingWorks | \$45,156.00 | 1/8/2009 | 1/8/2012 | \$41,593.10 | \$41,593.10 | |
| | SHEA Mercado, LLC | \$90,000.00 | 12/11/2008 | 12/11/2011 | \$70,780.00 | \$70,780.00 | |
| Strategic Partner Total | 2 loans | \$135,156.00 | | | \$112,373.10 | \$112,373.10 | |
| City of Bakersfield | No loans | | | | | | |
| City of Berkeley | Rawson Blum & Leon, Inc. | \$125,000.00 | 6/1/2007 | 6/1/2010 | \$106,250.00 | \$0.00 | Loan forgiven. |
| Strategic Partner Total | 1 loan | \$125,000.00 | | | \$106,250.00 | \$0.00 | |
| Program Total: | 37 loans | | | | \$3,903,109.00 | | |