

## MINUTES

**California Pollution Control Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
January 15, 2013**

### **1. CALL TO ORDER & ROLL CALL**

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:30 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
Pedro Reyes for Ana J. Matosantos, Director of Finance  
(Alan Gordon for John Chiang, State Controller, arrived at 10:32 a.m.)

Staff Present: Michael Paparian, Executive Director  
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

### **2. MINUTES**

Ms. Redway asked if there were any questions or comments concerning the December 11, 2012, meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Mr. Reyes moved approval of the minutes; upon a second, the minutes were approved by a 2-0 vote.

### **3. EXECUTIVE DIRECTOR'S REPORT**

Mr. Paparian welcomed three new staff members to CPCFA. Akemi Meyers has been hired as an Office Technician. Ms. Meyers is not new to this building; she recently worked as the assistant to the Tribal Advisor at the Native American Heritage Commission. Akemi is a recent graduate of UC Davis with a degree in Sociology with an emphasis in Law and Society.

Andrea Escobar has been hired as an Analyst in the Bond Program. In recent months Ms. Escobar assisted the California Capital Access Program (CalCAP) as an unpaid intern. Andrea is a recent graduate of UC Davis with a major in Psychology and a minor in Spanish.

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Emily Cheng has been hired as an analyst in CalCAP. Ms. Cheng assisted in the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) as an unpaid intern. Emily is a recent graduate from Ohio State with a double major in English and Communications.

At 10:32 a.m., Ms. Redway announced that Alan Gordon, representing the State Controller, was now present.

Bond Program staff successfully closed the Carlsbad desalination bonds on December 24, 2012. The project site is already being prepared for construction. Completing the deal by the end of the year took quite a bit of work on the part of many people. This included Orrick, Herrington & Sutcliffe as the bond counsel, the Attorney General's Office as issuer's counsel, Nixon Peabody as CPCFA's outside counsel, the Treasurer's Office legal counsel and the Public Finance Division (PFD), as well as the financial advisor to the PFD, KNN. Mr. Paparian thanked the management team, the analysts and the administrative staff for completing all the extraordinary work necessary to get this deal done.

Mr. Paparian reported that with the closing of the Poseidon Carlsbad deal, CPCFA managed to use most of the 2009 carry-forward allocation before it expired at the end of 2012. Staff is now working on using the 2010 carry-forward allocation. The desalination project used almost \$190 million of the \$500 million from the 2010 allocation that was set aside for water projects. There is also another \$500 million set aside for solid waste and recycling projects. That leaves a total of about \$865 million in 2010 allocation for water, wastewater and waste and recycling projects.

In CalCAP, staff is expecting the final approval to launch its Collateral Support Program (CSP) and Loan Participation Program (LPP) soon. U. S. Treasury is scheduled to give Mr. Paparian a status update, and he will notify the Board once he receives the go ahead to launch the programs.

Mr. Paparian summarized CalCAP's activities in 2011 and 2012. In 2011, CalCAP surpassed prior loan enrollment volumes by enrolling over 1,500 loans. In 2012, CalCAP continued to grow rapidly enrolling over 2,300 loans, a 50% increase from the prior year. The growth occurred in both the federally funded program and the Air Resources Board (ARB) truck program.

CalCAP is in the last year of its contract with the ARB and, given the current pace of funding in the truck loan program, it could run out of funds by mid-2013. Staff has been meeting with the ARB to discuss whether it would like to continue the program. The ARB is looking into whether there are sources of funds to support the program through the end of the 2013 contract or possibly continuing beyond 2013.

Mr. Gordon suggested to Mr. Paparian that when the numbers for such a huge increase in the 2012 loans are put together that some kind of publicity be done to show how government helps many small and medium sized businesses create jobs and economic activity.

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Mr. Paparian stated that that was a good idea and that he would check with the State Treasurer's Communications Office and see if something could be put together.

Mr. Reyes commended staff for all the hard work that was done in 2012.

Mr. Paparian continued, reporting that staff recently released Annual Reports for the California Recycle Underutilized Sites (CALReUSE) Program and the Sustainable Communities Grant and Loan (SCGL) Program. The SCGL Program ended last year. Staff is planning to have a board agenda item soon to present a final review of the SCGL Program.

Mr. Paparian asked Jason Bradley, the CALReUSE manager, to give a brief overview of the CALReUSE Annual Report.

Mr. Bradley stated that the CALReUSE Program was designed to encourage and assist in the development of brownfield sites. Brownfield sites are areas of land with contamination or perceived contamination. Developers are often hesitant to invest funds in these sites because the ultimate cost to clean up the contaminated land is unknown.

In an effort to promote brownfield development, the Authority established two programs. In 2002, the CALReUSE Assessment Program was created. It provided low cost forgivable loans to finance brownfield assessments. In essence, it helped developers know "how dirty the dirt was" and whether to proceed with the project. In 2007, the CALReUSE Prop 1C Remediation Program was created. It provided grants and loans to clean up the contaminated land.

Collectively, seventy-three projects were awarded brownfield financial assistance totaling over \$59 million. The projects are far reaching throughout California from as far north as Humboldt County to as far south as San Diego County.

The Assessment Program provided forgivable loans for forty-three projects throughout California. Seventeen of those loans have been repaid. Thirteen loans represent completed development projects ranging from affordable housing units to commercial space.

Currently, there are still seven loans active and eighteen loans have been forgiven. One of the forgiven loans, the Berrellesa Palms Project in Martinez, was repaid in December 2012. It will ultimately provide affordable senior housing. Staff is currently performing a program evaluation and will report back to the Board with its recommendations.

The Remediation Program provided grants and loans to finance the cleanup of brownfields. The program awarded \$55 million to over thirty projects. Twenty-one projects have completed the cleanup phase; fifteen of these projects have also completed the development phase, and nine projects are currently in the cleanup phase.

To date, the Remediation Program has assisted in the creation of 1,469 housing units throughout California. Upon completion of all projects, the program will have assisted in creating approximately 6,139 housing units. These are not just market rate housing units but

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affordable, senior, and transitional housing projects. Some of the projects include retail space and community services such as childcare and job training services.

Recently Mr. Bradley was in San Jose for the grand opening of the Fourth Street Project. The project consists of one hundred affordable housing units. Thirty-five of these were designated for people with disabilities.

The building received the Leadership in Energy and Environmental Design (LEED) Platinum award from the U. S. Green Building Council (USGBC). There are only a handful of LEED Platinum projects in California. The project exceeds California's Title 24 energy efficiency standards by 28%. Ninety-five percent of the construction waste was diverted from the landfill.

Mr. Bradley commented that he was in south central Los Angeles last year. While he was there, he solicited feedback from the tenants in the building. All they could say was thank you for helping bring this project to fruition.

The CALReUSE Program is not only improving the environment and revitalizing neighborhoods, it is making a difference in the lives of Californians.

Mr. Gordon inquired as to how much money was left in the CALReUSE budget.

Mr. Bradley replied that all the funds have been awarded for the Remediation Program.

Mr. Paparian stated that \$60 million was awarded from Prop 1C for the Remediation Program: \$55 million was for actual grants and loans, and \$5 million was allocated for the California Department of Housing and Community Development (HCD) and CPCFA overhead. All \$55 million has been awarded to date. There will be an accounting of any unused funds.

In the Assessment Program, between loans outstanding and funds with the trustee, there is approximately \$4.7 million. Staff will be coming before the Board at some future date to determine what should be done with the future of the Assessment Program.

Mr. Gordon stated that when Gray Davis was Governor of California, he set aside \$100 million for the California Environmental Protection Agency (Cal/EPA) to be used for a remediation program on brownfields. At that time, it was determined that the best use of those funds was to purchase an umbrella environmental insurance program.

Mr. Gordon further stated that one of the biggest impediments to brownfields cleanup has been the unknown liability going forward. Rather than actually paying for the cleanup, the biggest bang for the buck would be to buy the insurance policy. That would allow properties to get cleaned up without fear of long-term liability on the developer.

Mr. Gordon suggested that if there is only \$5-10 million left in unused funds, perhaps a request for proposal (RFP) to the insurance industry to find out what an umbrella brownfields liability policy might cost that could, potentially, be used on future projects.

Mr. Bradley thanked Mr. Gordon for his insight.

Ms. Redway asked if there were any further comments from the Board or the public. There were none.

**4. BUSINESS ITEMS**

- A.** Mr. Reyes moved approval of item 4.A. - Consideration and approval of amendments to the regulations for CalCAP. CalCAP is the subject of legislation [SB 1116 (Leno), Ch. 274 of Statutes of 2012] that increases the number of days a lender has to submit an application to CalCAP for enrollment from 10 days to 15 days. In response to SB 1116 passing, staff proposed changes to the regulations to reflect the statute.

Staff requested approval to file emergency regulations amending the existing CalCAP regulations to change the 10 business day limit to 15 business days for submission of an enrollment to CalCAP and the notification to the lender of approval of a completed application.

SB 1116 also decreases the minimum contribution from the lender and the borrower to enroll a loan in CalCAP from 2% to 1%. Lenders are able to determine an amount between 2-3.5% of the enrolled loan amount for themselves and the borrower for a contribution to the Loss Reserve Account for each enrollment. The amendment to the statute allows the lender to choose a premium between 1-3.5% of the enrolled amount of the loan, effective January 1, 2013. No regulatory action was needed to incorporate this change to the statute.

There was a second.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

- B.** Mr. Reyes moved approval of item 4.B. - Resolution of CPCFA delegating certain powers and authorizing certain actions related to bond financings to the Executive Director and Deputy Executive Director of CPCFA for certain routine matters with respect to the Authority's Bond Program.

This recommended resolution differed from the prior delegation resolution by extending the terms of the delegation authority from one year to two years and added some minor wording changes.

There was a second.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

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- C.1.** Mr. Gordon moved approval of item 4.C.1. - Request to approve an initial resolution reflecting official intent to issue solid waste revenue bonds in the amount of \$15,000,000 for Menlo Energy, LLC and/or its affiliates to finance construction of a biodiesel refinery in Contra Costa County. The project will provide waste diversion, air quality, and water quality benefits.

There was a second.

Mr. Gordon asked the representatives present to introduce themselves. Mario Wong, CPCFA Analyst, Ms. Yasmin Seyal of Menlo Capital Group, and Todd Smith of Southwest Securities did so.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

### **5. PUBLIC COMMENT**

Ms. Redway asked if there were any comments from the public. There were none.

### **6. ADJOURNMENT**

There being no further business, public comments, or concerns, the meeting adjourned at 10:53 a.m.

**Respectfully submitted,**

Michael Paparian  
Executive Director