

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 12, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN
EXEMPT FACILITY PROJECT

Prepared by: Richard Fischer

Applicant: California Pollution Control Financing Authority

Allocation Amount Requested: \$9,305,000

Project Information:

Name: North Fork Community Power
Project Address: 57839 Road 225
Project City, County, Zip Code: North Fork, Madera 93643

Project Sponsor Information:

Name: North Fork Community Power, LLC
Address: 57839 Road 225
North Fork, CA 93643
Principals: Dan Rosenberg, Sandy Chaille, Wade Wheeler, Mirek Skoron,
Gregory Stangl, Marek Zdanowicz, Ankur Jain, Charlie &
Alexis Glavin and Zachary Scott
Contact: Dan Rosenberg, President
Phone: (559) 677-7353

Project User Information:

Project Financing Information:

Bond Counsel: McGuire Woods LLP
Underwriter: Westhoff, Cone & Holmstedt
Credit Enhancement Provider: N/A
Bond Rating: Unrated
Bond Purchaser: Lapis Advisers, LP
TEFRA Hearing Date & Adoption Date: February 8, 2018

Project Sponsor's Principal Activity:

According to the Applicant, they are actively participating in waste collection, recycling and disposal throughout California.

First Tier Business (Yes/No): Yes

Regulatory Mandate (Yes/No): No

Comments :

Details of Transaction:

Sources of Funds:

| | | |
|--------------------------------------|-----------|-------------------|
| Tax-Exempt Bond Proceeds | \$ | 9,305,000 |
| Taxable Bond Proceeds | \$ | 4,900,000 |
| EPIC Grant from CA Energy Commission | \$ | 4,965,420 |
| Other Sources | \$ | 1,421,480 |
| Total Sources | \$ | 20,591,900 |

Uses of Funds:

| | | |
|--|-----------|-------------------|
| Site Acquisition Preparation | \$ | 893,928 |
| Utilities Connection | \$ | 990,405 |
| New Equipment Purchase & Installation | \$ | 10,153,987 |
| Engineering/Architecture | \$ | 2,033,220 |
| Bond Issuance Expenses | \$ | 896,656 |
| Interest During Construction (24 months) | \$ | 3,051,850 |
| Working Capital | \$ | 523,884 |
| Consulting Services | \$ | 891,906 |
| Contingency | \$ | 1,156,064 |
| Total Uses | \$ | 20,591,900 |

Description of Proposed Project:

North Fork Community Power, LLC ("NFCP") was formed to develop, build, own and operate a forestry residue fueled community scale biomass power plant (the "Project" or the "Facility"). The Project is currently under construction. The purpose of the CPCFA funding is to provide funds to complete construction and start operation of the Facility. Bond proceeds, together with grant proceeds and equity, will purchase two 1-Megawatt gasifiers and associated equipment and two power generation sets as well as the PG&E interconnection. The Project has been the beneficiary of a California Energy Commission (CEC) EPIC grant of \$4.9 million and a Federal New Market Tax Credit (which provided approx. \$0.8 million of additional funding to the Project). The Project is a single location in North Fork on the site of an abandoned saw mill and former 10 MW conventional power plant from the 1990s. An approximately 10-acre site is being contributed to NFCP in kind by the North Fork Community Development Council ("CDC"), a related party and one of the major shareholders. This contribution is being made as part of the in-kind match requirement for the CEC grant. However, this contribution may not occur until completion of the subdivision of the much larger mill site owned by the CDC. In accordance with the California Map Act, such subdivision may not take place until site improvements for the Facility have been completed. In the meantime, NFCP holds a valid long-term lease at \$1 per year with an option to purchase the property at \$1.

Environmental Impact:

- 1) Air Quality:
Protects key watersheds - A majority of California's in-state water resources flow from forested landscapes. As long as the clean air quality from healthy forest ecosystems exist in these upland watersheds, sustainable quantities of high-quality water for both domestic and agricultural uses will continue to flow.
- 2) Water Quality:
The construction of new landfill cells at the landfill facilities included in the Project will ensure protection of groundwater due to state-of-the-art liners and systems for mitigating infiltration and runoff of water seeping through the refuse.

- 3) Energy Efficiency:
The Project addresses and mitigates the tree mortality crisis in California. By creating an economic outlet to support forest health and remove diseased trees, the Project will have a significant impact on curbing the damage to and death of trees caused by bark beetles. The NFCP Forest Bioenergy Facility is one of the first forest-sourced biomass gasification plants in California. The Facility will utilize sustainably harvested materials from fuel reduction activities on forest lands. Use of these materials will support fuels reduction work by creating a profitable market for them while also providing renewable energy.
- 4) Recycling of Commodities:
None indicated.
- 5) Safety and Compliance:
The Project will comply with all regulations pertaining to safe removal of diseased trees as well as safe operation of the Facility.
- 6) Consumer Costs Savings and Efficiencies:
None indicated.

Local Government Support:

The Project received Letters of Support from the Board of Supervisors of the County of Madera and the North Fork Community Development Council.

Legal Questionnaire:

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

Recommendation:

Staff recommends that the Committee approve \$9,305,000 in tax exempt bond allocation on a carryforward basis.