

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
CONDUIT INDUSTRIAL DEVELOPMENT REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	A&W Investments LLC (Borrower) Capital Corrugated, Inc. (Project User)	Amount Requested:	Not to Exceed \$8,000,000
Applicant Description:	A&W Investments LLC, a California limited liability company requested IBank assistance to finance a portion of the cost of a qualified project which will be leased to Capital Corrugated, Inc. (Capital Corrugated), a California Corporation for use as a manufacturing facility. Capital Corrugated, is an S-Corporation formed on March 31, 1995, in Sacramento, California, as a packaging manufacturer of corrugated boxes and folding cartons.		
Type of Financing:	The Borrower requests issuance of up to \$8,000,000 in conduit tax-exempt and taxable variable rate industrial development revenue bonds (Bonds).		
Project Description:	The A & W Investments, LLC project (Project) is to finance the acquisition, construction and equipping of an approximately 108,000 square foot addition to an existing facility that will be leased to Capital Corrugated, to be used as manufacturing facility (Facility) to manufacture corrugated medium. The Facility will house the recently acquired printing press and support equipment financed with proceeds of a tax-exempt financing issued through IBank in December 2015.		
Project Site:	8333 24 th Avenue, Sacramento, CA 95826 (Sacramento County)		
Use of Proceeds:	The proceeds of the Bonds will be used to (1) finance the acquisition, construction and equipping of approximately 108,000 square foot addition to an existing structure, and (2) pay certain costs of issuance in connection with the issuance of the Bonds.		
Financing Structure:	IBank will issue up to \$8,000,000 in conduit tax-exempt and taxable variable rate industrial development bonds in a public offering backed with a letter of credit.		
Type of Issue:	Public Offering		
Tax Status:	Tax-exempt and Taxable		
Term:	Anticipated up to 20 years		
Credit Enhancement:	Comerica Bank Direct-Pay Letter of Credit		
Credit Rating:	Standard & Poor's Global Rating A-1/A-1		
Fees:	Application Fee \$1,500; Issuance Fee \$20,000 (Including STO Fee of \$6,000); Annual Fee \$500 per year		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-Exempt Par Amount	\$5,000,000	Land Acquisition	\$2,000,000
Taxable Par Amount	\$3,000,000	Construction	\$5,000,000
		Legal and Permits	\$800,000
		Cost of Issuance	\$142,750
		LOC Fee	\$17,500
		Contingency	\$39,750
TOTAL SOURCES	\$8,000,000	TOTAL USES	\$8,000,000
Financing Team:			
Bond Counsel:	Schiff Hardin LLP		
Underwriter:	Westhoff, Cone & Holmstedt		
Trustee:	Wilmington Trust, N.A.		
Consultant:	Progressive Capital		
Credit Enhancement:	Comerica Bank		

Public Benefits:	The Project, will enable Capital Corrugated, to create a more efficient process of manufacturing corrugated boxes, containers, trays and retail displays, and increase production volume. The Project is expected to create 16 new full time and 242 construction jobs.	
Date of Board Meeting: June 28, 2016	Resolution Number: 16-17	Prepared by: John Weir on June 6, 2016
Staff Recommendation: Staff recommends approval of Resolution No. 16-17 authorizing the issuance of Conduit Tax-exempt and Taxable Variable Rate Industrial Development Revenue Bonds, not to exceed \$8,000,000, for the benefit of A & W Investments, LLC.		

BACKGROUND AND HISTORY

A & W Investments, LLC (Borrower) is a California limited liability company established on September 9, 2003. The Borrower owns the real property upon which an approximately 108,000 square foot addition will be constructed. The Borrower and Capital Corrugated are under common control.

Capital Corrugated is a Sacramento based manufacturer of packing materials formed in 1995. The company specializes in custom food and beverage packaging, industrial product packaging, foam packaging and inserts, digital media packaging, big box store packaging, and retail displays. In addition, the company offers its clients design concepts and prototypes. The company's major clients include Delicato Vineyards (a winemaking and grape growing company in Manteca, CA), Rogers Family (a coffee roasting company) and Jelly Belly (candy maker). The company has been operating out its current 125,000 square foot location since 1999.

Prior IBank Bonds:

In December, 2015, IBank issued \$3,810,000 in Tax-exempt Fixed Rate Industrial Development Bonds (Capital Corrugated, Incorporated Project Series 2015) for the benefit of Capital Corrugated, Inc. to acquire and install a 2015 Manroland 900-Series high speed six color printing press. The financing was a private placement transaction with People's Capital Leasing Corp. A portion of the 2015 Bond proceeds has been used to acquire the printer and the remaining funds will be used to install the printer in the new Facilities.

The California Secretary of State website reports active status for both the Borrower and the Project User.

PROJECT DESCRIPTION

The Borrower intends to acquire, construct and equip an approximately 108,000 square foot addition to an existing structure located at 8333 24th Avenue, Sacramento, California 95826 (the "Addition"). The Addition will be leased to Capital Corrugated for use as a facility to manufacture corrugated materials used as containers, trays, and retail displays. Bond funds will also be used to pay certain costs of issuance of the Bonds and other related costs.

The Addition will be comprised of a concrete tilt-up structure that will house the high speed six color printing press and support equipment financed with the proceeds of the \$3,810,000 tax-exempt fixed rate bonds issued by IBank in December, 2015. When added to the existing plant, the new Facilities will nearly double existing manufacturing space to over 236,000 square feet. The Project is expected to be completed within four to six months. It is estimated that within two years of completion, the Project will have created 16 new full-time jobs with an average wage of \$23.20 per hour and 242 construction jobs.

As required by law, the capital expenditures for the Project, when added to the Borrower's capital expenditures for the high speed six color printing press and support equipment financed with the proceeds of the bonds issued by IBank in December 2015 in Sacramento County, do not exceed \$20,000,000.

The land on which the Facilities will be built is a 3.3 acre parcel purchased by the Borrower in 2014 and is adjacent to a five acre parcel it purchased in 1999. The estimated useful life of the Facilities is considered to be 45 years.

Photographs of the Project Site are included herein as Appendix A.

FINANCING STRUCTURE

**IBank Term Sheet
A & W Investments, LLC
Date: June 28, 2016**

Par Amount:	Not to exceed \$8,000,000; Tax-exempt and Taxable Bonds.
Type of Offering:	Public Offering
Underwriter:	Westhoff, Cone & Holmstedt
Credit Enhancement:	Comerica Bank Direct-Pay Letter of Credit
Expected Credit Rating:	Standard & Poor's Global Ratings: A-/A-1
Interest*:	Variable rate (Convertible to fixed rate) not to exceed 12%
Maturity:	Anticipated July 1, 2036
Expected Closing Date*:	July 28, 2016
Conduit Transaction:	The Bonds are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Bonds.

*Please note that Interest Rate and Closing Date are subject to change.

Financing Structure

The Bonds will be structured as a \$5,000,000 tax-exempt series and a \$3,000,000 taxable series. The proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement, secured by a Comerica Bank (Bank) Direct-Pay Letter of Credit. Under the Letter of Credit, the Trustee will be entitled to draw up to an amount sufficient to pay one hundred percent (100%) of the principal amount of the Bonds Outstanding on the date of the draw plus interest. The Borrower will reimburse the Bank for drawings made under the Letter of Credit.

The Bonds will bear interest at a variable interest rate as determined by the Remarketing Agent during each Weekly Interest Rate Period. During Weekly Interest Rate Period, interest on the Bonds will be calculated based on 365/366-day year for the actual number of days elapsed. The Borrower may, upon consent of the Bank, elect that interest shall be paid as a Term Interest Rate (non-variable interest rate) Period which may be any period of one year or more. During any Term Interest Rate Period, interest on the Bonds will be calculated based on a 360-day year and twelve 30-day months. If under any circumstances the Term Interest Rate could not be determined for any Term Interest Rate Period, the interest rate on the Bonds will convert to a Weekly Interest Rate. The first Interest Rate Period for both the tax-exempt and taxable series would be Weekly Interest Rate Period.

Interest Payment Date, (i) during a Weekly Interest Rate Period, will be the first day of January, April, July and October, commencing on October 1, 2016 and January 1 and July 1 during a Term Interest Rate Period. The maximum interest rate will be 12%.

Limited Obligations of IBank

The Bonds are payable solely from and secured solely by the pledge of the Borrower's payments under the transaction documents. Neither IBank; nor any of the members of its Board of Directors; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Bonds or subject to any personal liability or accountability by reason of the execution thereof. The Bonds are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION
SCORING/PUBLIC BENEFITS**

The Project is expected to receive a private activity bond allocation from the California Industrial Development Financing Advisory Commission (CIDFAC) for the purposes of federal tax law via Resolution No. 16-02-001 on June 21, 2016. The Project is expected to receive a scoring of points based on the evaluation criteria of CIDFAC. CIDFAC confirmed to IBank Staff that there is no minimum score required. The point criteria are summarized below:

EVALUATION SCORING		
Point Criteria	Maximum Points Allowed	Points Scored
Community Economic Need		
1. Unemployment Rate of Project Area	10	0
2. Poverty Rate of Project Area	5	5
3. Median Family Income of Project Area	5	5
Job Creation Ratio	35	10
Job Retention	10	0
Average Hourly Wage	10	10
Workforce and Economic Development		0
1. Welfare to Work Plan	5	
2. Workforce Training	5	0
3. Exports Outside California	5	0
Health Care Benefits	15	0
Payment of Retirement Benefits	5	0
Environmental Stewardship		
1. Land Use	3	0
2. Public Transit Corridor	4	0
3. Energy Efficiency and Renewable Energy	15	0
4. Manufacturer of Certified Environmentally Preferable Products	5	0
Leveraging	5	5
Total Points	147	35

DESCRIPTION OF PUBLIC BENEFITS

- **Poverty:** The poverty rate for this Project area is 43.20%, which is 263.41% of the Census 2010 statewide rate of 16.40%. Points are awarded in this category if the poverty rate is at least 110% or more of the statewide rate. The Project received five points in this subcategory.

- **Medium Family Income:** The Project is located in the City of Sacramento census tract 52.05, where the average median family income is \$26,662. The median family income for the State of California is \$70,187. This equates to a median family income for the Project that is 38% of the statewide average. Points are awarded if the Project is located in an area with a median family income of less than 80% of the statewide average. The Project received five points in this subcategory.
- **Job Creation:** The Borrower represents that it currently employs 118 direct, full-time employees at the Project site. The company represents that it anticipates hiring an additional 16 direct, full-time employees, which equates to a 12.71% increase, within two years of completion of the Project. Points are awarded in this category based on the borrower and/or user's representation that it will use its best efforts to increase the number of direct, full-time employees at the Project site within two years of Project completion. The Project received 10 points in this subcategory.
- **Average Hourly Wage:** The Borrower's weighted average hourly wage is \$23.20 while the MSA for Sacramento/Arden Arcade/Roseville area average 2015 manufacturing wage for the occupation of production was \$17.41. Therefore, the company's average hourly wage is 133.26% of the average manufacturing wage for the Sacramento/Arden Arcade/Roseville area. Points are awarded if the Borrower's average hourly wage is at least 105% of the nearest Metropolitan Statistical Area (MSA) average hourly wage. The Project received 10 points in this subcategory.
- **Leveraging:** The total Project cost is approximately \$8,000,000. The Borrower will borrow \$5,000,000 of the Project costs in the form of Tax-exempt IDBs, which will cover approximately 62.5% of the Project costs. The remaining 37.5% of Project costs will be covered by the taxable debt incurred. Points are awarded if the Borrower demonstrates the financing will include Taxable Debt and/or private funds greater than 10.0% of the total Project cost. The Project received 5 points in this subcategory.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	June 3, 2016
Publications:	<i>The Daily Recorder</i>
Date of TEFRA Hearing:	June 20, 2016
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. The Project is in the State of California. 2. The Borrower is capable of meeting its obligation incurred under the proposed loan agreement, and, in particular as to the repayment obligations. 3. Payments to be made by the Borrower to the IBank under the proposed loan agreement are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments on the Bonds. See Appendix B for Financial Statements. 4. The proposed financing is appropriate for the Project.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for IBank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES Certificate No.: 15-0002 <input type="checkbox"/> N/A Date: December 18, 2016
CDLAC/CIDFAC APPROVAL	
Date of Allocation Award:	June 21, 2016 See Appendix C for CIDFAC Resolution

RECOMMENDATION

Staff recommends approval of Resolution No. 16-17 authorizing the issuance of Conduit Tax-exempt and Taxable Variable Rate Industrial Development Revenue Bonds in an aggregate amount not to exceed \$8,000,000 for the benefit of the A & W Investments, LLC.

APPENDIX A: PROJECT PHOTOS

Interior View of New Facilities Under Construction

