

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

2021 Sales and Use Tax Exclusion Program Applications

Tuesday, August 17, 2021

Prepared by: Xee Moua, Program Analyst

SUMMARY OF AWARDS

As of May 18, 2021, the CAEATFA Board has fully awarded the Sales and Use Tax Exclusion (STE) Program's annual allocation of \$100 million in STE for the 2021 calendar year. Below is a breakdown of the allocation of each pool of STE.

Table 1: \$20M Set-Aside for Projects Under \$2M		
March Applicants	QP Amount	Estimated STE*
Garaventa Enterprises, Inc.	\$11,600,000.00	\$986,000
EDCO Disposal Corporation	\$14,659,474.00	\$1,246,055
Recology Sonoma Marin	\$15,266,032.00	\$1,297,613
Blue Line Transfer, Inc.	\$5,500,000.00	\$467,500
ENV-TWO, LLC	\$7,983,153.00	\$678,568
ENV-FOUR, LLC	\$8,216,553.00	\$698,407
ENV-THREE, LLC	\$8,784,628.00	\$746,693
Aemetis Biogas, LLC	\$13,561,890.00	\$1,152,761
MSBG Partners, LLC	\$11,252,500.00	\$956,463
QuantumScape Corporation	\$19,999,333.00	\$1,699,943
Rocket Lab USA, Inc.	\$6,443,921.00	\$547,733
Lam Research Corporation	\$22,900,000.00	\$1,946,500
Applied Materials, Inc.	\$23,225,000.00	\$1,974,125
Green Impact Manufacturing, LLC	\$16,008,067.00	\$1,360,686
Fortress North America, LLC ¹	\$0	\$0
Paradigm Packaging West, LLC	\$23,528,330.00	\$1,999,908
Circulus Holdings, PBLLC	\$17,747,169.00	\$1,508,509
MP Materials Corp.	\$23,527,500.00	\$1,999,838
Award From Small-Project Set-Aside	\$3,523,819.65	\$299,525
Award from General Pool of STE	\$20,003,680.35	\$1,700,313
CertainTeed, LLC	\$22,300,00.00	\$1,895,500.00
Award From Small-Project Set-Aside	\$5,094,248.00	\$433,011
Award from General Pool of STE	\$17,205,752.00	\$1,462,489
Total	\$235,294,117.65	\$20,000,000
Remaining from \$20M Small-Project Set-Aside	\$0	\$0

¹ Fortress North America, LLC, did not move forward with entering into a Regulatory Agreement with CAEATFA. This restored \$433,011 in STE back to the small-project set-aside.

Table 2: General Pool of STE		
March Applicant	QP Amount	Estimated STE*
Partial Award from 2020		
Lockheed Martin Corporation	\$69,644,003.40	\$5,919,740
Small-Project Split Award		
MP Materials Corp.	\$20,003,680.35	\$1,700,313
General Pool 2021 Applications		
Rialto Bioenergy Facility, LLC	\$38,259,725.00	\$3,252,077
Ameresco Forward RNG LLC	\$26,374,850.00	\$2,241,862
Ameresco Keller Canyon RNG LLC	\$27,722,495.00	\$2,356,412
Ameresco Chiquita RNC LLC	\$27,722,495.00	\$2,356,412
HZI Lancaster LLC	\$27,231,400.00	\$2,314,669
Applied Medical Resources Corporation	\$117,647,058.82	\$10,000,000
Cepheid	\$117,647,058.82	\$10,000,000
Tesoro Refining & Marketing Company, LLC	\$117,647,058.82	\$10,000,000
Pacesetter, Inc.	\$34,950,000.00	\$2,970,750
Chowchilla RNG Energy, LLC	\$29,698,976.00	\$2,524,413
Dexcom, Inc.	\$69,450,000.00	\$5,903,250
May Applicants	QP Amount	Estimated STE*
Small-Project Split Award		
CertainTeed, LLC	\$17,205,752.00	\$1,462,489
General Pool 2021 Applications		
RNG Moovers, LLC	\$29,475,049.00	\$2,505,379.00
Enovix Corporation	\$49,075,888.00	\$4,171,450
Award from General Pool of STE	\$35,916,201.84	\$3,052,877
Award from 2022 up to \$2 million in STE	\$13,159,686.16	\$1,118,573
Total	\$806,595,804.05	\$68,560,643
Remaining in General Pool	\$0	0

Table 3: \$15M for Larger Projects		
March Applicant	QP Amount	Estimated STE*
Tesoro Refining & Marketing Company, LLC	\$9,576,895.18	\$814,036
Applied Medical Resources Corporation	\$32,900,830.18	\$2,796,571
Cepheid	\$92,102,941.18	\$7,828,750
Total	\$134,580,666.54	\$11,439,357

Table 4: Total Remaining to Award in 2021, All Approved Applications		
	QP Amount	Estimated STE*
Total Available to Award	\$1,176,470,588.24	\$100,000,000
Small-Project Awards	-\$235,294,117.65	-\$20,000,000
General Pool Awards	-\$806,595,804.05	-\$68,560,643
Large-Project Awards	-\$134,580,666.54	-\$11,439,357
Total Remaining	\$0	\$0

* Estimated STE amounts may not total correctly due to rounding.

COMPETITIVE PROCESS AND ALLOCATION OF STE POOLS

During the March 2021 Board meeting, the CAEATFA Board approved 29 Applications, leaving an estimated STE value of \$7,020,745 in the STE Program’s general pool to award Applicants on the waiting list.² The 29 Applications considered in March resulted in an oversubscription of the \$20 million in STE set-aside for small projects requesting \$2 million or less in STE and a competitive process for that particular pool. The general pool of STE was not oversubscribed based on the complete Applications received by the deadline for consideration, therefore, all Applications under that pool were brought before the Board in order of receipt. Subsequently, one of the Applicants approved in March 2021 did not move forward with entering into a Regulatory Agreement with CAEATFA. This restored \$433,011 in STE³ back to the small-project set-aside.

After the March 2021 Board meeting, CAEATFA had eight Applications in the queue for the remaining 2021 STE. Based on the amount of STE available in both the small-project set-aside and the general pool, the two complete Applications received by the December 2020 deadline were considered in order of receipt at the May 2021 Board meeting,⁴ with one of the Applicants receiving the remaining STE from the small-project set-aside.

The two Applications received by the January 2021 deadline were ranked pursuant to the regulatory provision that states when Applications received by the deadline for a particular Board meeting represent STEs in excess of the statutory cap for that calendar year, the order in which CAEATFA is required to consider the Applications will be based on a ranking of Competitive Criteria.⁵ The Application with the greater point-score was the third and final Application considered at the May 2021 Board meeting, and the lower scoring Application was placed on the waiting list.⁶ Additionally, when the amount requested in the last Application exceeds the STE available in the calendar year, the CAEATFA Board will award the remaining STE request using STE from calendar year 2022, up to \$2 million. As such, the last Application was approved for the remaining \$3,052,877 in STE from the 2021 general pool and \$1,118,573 in STE from 2022 calendar year STE allocation, for a total of \$4,171,450 in STE.

Table 5, below, lists the two Applications submitted by the January 2021 Application deadline, ranked based on Competitive Criteria.

² This amount is calculated based on the average statewide sales tax rate of 8.5%.

³ California Code of Regulations Title 4, Division 13, Section 10032(a)(4)

⁴ A third December Applicant withdrew its Application a week before the Board meeting.

⁵ California Code of Regulations Title 4, Division 13, Section 10032(a)(8)

⁶ California Code of Regulations Title 4, Division 13, Section 10032(a)(8)(A)

Table 5: Applications Submitted by January 2021 Deadline, by Competitive Criteria

Applicant	Project Type	County	Estimated STE	Environmental Benefits	Unemployment	Job Creation	CA HQ	Disaster Relief	Eligibility for Partial Exemption	Total Score
Enovix Corporation	Advanced Manufacturing	Fremont	\$4,171,450	0	0	30	15	0	0	45
Best Express Foods, Inc.	Advanced Manufacturing	San Joaquin	\$654,916	0	15	-19	15	0	0	11

BACKGROUND

Statute currently limits CAEATFA to awarding \$100 million in STE each calendar year.⁷ Program regulations require that Applications are capped at \$10 million in STE per Applicant, per calendar year;⁸ that \$20 million in STE is available to award only to Applications requesting \$2 million or less in STE through September each year;⁹ and that for Applicants wishing to exceed the \$10 million per-Applicant STE cap, \$15 million in STE is available to award in addition to the \$10 million STE cap at the first Board meeting of the calendar year.¹⁰

Generally, complete Applications will be reviewed in the order in which they are received, as determined by the time and date stamp of the electronic submission of the Application.¹¹

In the event that the Applications received by CAEATFA requesting \$2 million or less in STE by the deadline for a particular Board meeting represent STE in excess of the \$20 million set-aside for that calendar year, the Applications submitted for that particular Board meeting will be reviewed and presented to the CAEATFA Board in the order in which they are ranked based on their Competitive Criteria scores.¹² Additionally, Applications requesting more than \$10 million in STE will be reviewed and presented to the CAEATFA Board for approval in the order in which they are ranked based on their Competitive Criteria scores.¹³

COMPETITIVE CRITERIA

Environmental Benefits (100 Points). Applications with environmental benefits points greater than zero as calculated pursuant to the method for calculating points for environmental benefits for Advanced Transportation, Alternative Source, and Recycled Resource Extraction Applications (i.e. has environmental benefits that can be monetized and scored pursuant to the Program's regulations)¹⁴ receive 100 points.

Unemployment (Up to 50 Points). Applications can receive up to 50 points based on how much greater the local unemployment rate is in comparison to the annual average statewide unemployed

⁷ Public Resources Code Section 26011.8(h)

⁸ California Code of Regulations Title 4, Division 13, Section 10032(a)(5)

⁹ California Code of Regulations Title 4, Division 13, Section 10032(a)(4)

¹⁰ California Code of Regulations Title 4, Division 13, Section 10032(a)(5)(B)

¹¹ California Code of Regulations Title 4, Division 13, Section 10032(a)(7)

¹² California Code of Regulations Title 4, Division 13, Section 10032(a)(4)

¹³ California Code of Regulations Title 4, Division 13, Section 10032(a)(5)(B)

¹⁴ California Code of Regulations Title 4, Division 13, Section 10033(c)(4)

rate pursuant to the following formula: $\text{Points} = ((\text{local rate}/\text{state rate}) * 100) - 100$. For example, if the annual average statewide unemployment rate is 5.23%, and the local unemployment rate for the project is 7.5%, the project would earn 43 points as follows: $((7.5\%/5.23\%) * 100) - 100 = 43$ points.¹⁵

Job Creation (up to 75 Points). Applications can also receive up to 75 points based on the amount of the sales tax exclusion per job created as a result of the estimated marginal increase in equipment purchased from the STE.

Points for Job Creation
1 Job ≤ \$50,000 in STE = 75 points
\$50,000 in STE < 1 Job ≤ \$100,000 in STE = 60 points
\$100,000 in STE < 1 Job ≤ \$150,000 in STE = 55 points
\$150,000 in STE < 1 Job ≤ \$200,000 in STE = 45 points
\$200,000 in STE < 1 Job ≤ \$300,000 in STE = 40 points
\$300,000 in STE < 1 Job ≤ \$400,000 in STE = 35 points
\$400,000 in STE < 1 Job ≤ \$750,000 in STE = 30 points
\$750,000 in STE < 1 Job ≤ \$1,500,000 in STE = 20 points
1 Job > \$1,500,000 in STE, or 0 jobs created = 0 points

For example, if an Application requests \$7,000,000 in STE and the Project is anticipated to create 10 jobs as a result of the STE, 1 job created is worth \$700,000 in STE, and, therefore, 30 points would be awarded.¹⁶

Natural Disaster Relief (50 Points). An Applicant will receive 50 points if it can demonstrate the Project is to relocate or rebuild the Applicant's Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application.¹⁷

California Headquarters (15 Points). Applicants with Corporate Headquarters located in California receive 15 points.¹⁸

Eligibility for Statewide Partial Exemption for Manufacturing and Research & Development (50 Points). Applicants that are not eligible to use any of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code (administered through the California Department of Tax and Fee Administration) received 50 points.¹⁹

2021 APPLICATION WAITLIST

The Applications listed in the table below are currently on the waitlist for consideration in calendar year 2021. To the extent that additional STE become available during the 2021 calendar year,

¹⁵ California Code of Regulations Title 4, Division 13, Section 10033(c)(5)(A)

¹⁶ California Code of Regulations Title 4, Division 13, Section 10033(c)(5)(B)

¹⁷ California Code of Regulations Title 4, Division 13, Section 10032(a)(8)(B)(i)(d)

¹⁸ California Code of Regulations Title 4, Division 13, Section 10032(a)(8)(B)(i)(e)

¹⁹ California Code of Regulations Title 4, Division 13, Section 10032(a)(8)(B)(i)(f)

Applications on the waitlist will be reviewed and presented to the CAEATFA Board for approval in the order in which they are ranked based on Competitive Criteria. The waitlist expires at the end of the calendar year, and if an Applicant wishes to be considered for an 2022 STE allocation, it must submit a new Application when CAEATFA begins accepting Applications for 2022.

Eligibility and Application information, including Qualified Property amounts, for Applications submitted after January 15, 2021, have not yet been verified by staff.

Table 6: 2021 Application Waitlist			
Applicant	Qualified Property Amount	Estimated STE	Date Submitted
Best Express Foods, Inc.	\$7,704,895	\$654,916	1/12/2021
CalWave Power Technologies, Inc.	\$1,381,860	\$117,458	1/16/2021
Boschma Biogas LLC	\$2,987,609	\$253,947	3/19/2021
De Groot South Biogas LLC	\$4,819,206	\$409,633	3/19/2021
CalBioGas Hilmar LLC	\$27,034,385	\$2,297,923	3/19/2021
Poso Creek Biogas LLC	\$3,128,436	\$265,917	3/19/2021
Rocking Horse Biogas LLC	\$6,306,636	\$536,064	3/19/2021
QuantumScape Battery, Inc.	\$107,285,000	\$9,119,225	4/16/2021
Instil Bio, Inc.	\$106,194,775	\$9,026,556	4/23/2021
Hadco Metal Trading Co., LLC	\$7,000,000	\$595,000	5/21/2021
Lam Research Corporation	\$94,747,059.	\$8,053,500	5/21/2021
CASS, Inc.	\$35,000,000	\$2,975,000	5/21/2021
Applied Materials, Inc.	\$94,422,059	\$8,025,875	5/21/2021
Abbott Cardiovascular Systems, Inc.	\$45,000,000	\$3,825,000	5/21/2021
Quidel Corporation	\$117,647,058	\$10,000,000	5/21/2021
Total	\$660,340,178	\$56,128,915	

ONGOING AND UPCOMING PROGRAM ACTIVITIES

This was the first year CAEATFA reviewed Applications under the modified regulations approved in early November 2020 through the emergency rulemaking process, including implementation of the \$20 million in STE small-project set-aside and \$15 million in STE for larger projects. CAEATFA staff is currently assessing the benefits and challenges of the modifications and plans to provide the CAEATFA Board its proposed recommendations to further improve and streamline the STE Program administration in the future. Staff will seek to readopt the emergency regulations while proceeding with the regular rulemaking process.

As part of the Governor’s January 2021 budget proposal for equitable recovery for California businesses and jobs, a one-time appropriation of an additional \$100 million in STE was budgeted for the STE Program. However, the proposal was not included in the enacted budget.

CAEATFA is collaborating with the California Governor's Office of Business and Economic Development (GO-Biz) to reach businesses of all sizes and varying industries. Go-Biz’s business assistance efforts has allowed the STE Program to connect with many different innovative

Agenda Item – 3

companies looking to build or expand in the state. Moreover, since the onset of the COVID-19 pandemic, the State Treasurer’s Office has partnered with a number of local government agencies and organizations to co-host webinars on resources available to California businesses, many of which CAEATFA has participated in.

CAEATFA encourages stakeholders and any other parties interested in the STE Program to subscribe to its listserv to receive STE program notifications.