

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

Board Meeting Date: Tuesday, December 9, 2025

Request to Approve Project for a Sales and Use Tax Exclusion¹

**City of Sunnyvale
Application No. 25-SM037**

Prepared By: *Joshua Moua, Program Analyst*

SUMMARY

Applicant: City of Sunnyvale

Location: Sunnyvale, Santa Clara County

Industry: Mixed Recycling

Project: Upgrade of an Existing Mixed Recycling Facility
(Recycled Resource Extraction)

Project Pool: General

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$25,136,330	\$2,131,561

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$2,725,984	1,279
Estimated Environmental Benefits	\$104,437	49
Additional Benefits	N/A	23
Total	\$2,830,421	1,351
Estimated Quantifiable Net Benefit	\$698,860	N/A

Competitive Criteria Score: 143

Staff Recommendation: Approval

¹ All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.48%.

³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval (California Code of Regulations Title 4, Division 13, Section 10033(c)(6)).

THE APPLICANT

City of Sunnyvale (the “Applicant”), formed in California as a government entity in 1912. The Applicant is headquartered in Sunnyvale, owning and operating Sunnyvale Materials Recovery and Transfer (“SMaRT”) Station, which receives Municipal Solid Waste (“MSW”) or garbage and recyclables.

The Applicant received a CalRecycle Grant in the amount of \$6,575,000 in May 2025.

The council members of the Applicant are:

- Ramana Chinnakotla, Director Environmental Services Department
- Larry Klein, Mayor of Sunnyvale
- Linda Sell, Vice Mayor
- Alysa Cisneros, Council Member
- Richard Mehlinger, Council Member
- Murali Srinivasan, Council Member
- Charlsie Chang, Council Member
- Eileen Le, Council Member

THE PROJECT

City of Sunnyvale requests a sales and use tax exclusion (“STE”) award to upgrade its existing mixed recycling facility located in Sunnyvale (the “Project”). According to the Applicant, the SMaRT Station is a regional facility that processes municipal solid waste and recyclables from Sunnyvale and Mountain View. The facility currently diverts about 50% of all incoming materials, recovering aluminum, metals, plastics, glass, paper, cardboard, and organics for further processing at certified recycling centers.

The Project proposes a system retrofit to transform the SMaRT Station into a high-diversion, automated processing facility. Outdated machinery will be replaced with advanced sorting and quality control technologies incorporating optical sensors, Artificial Intelligence (AI), an Eddy Current separator for aluminum recovery, and an inline electromagnet for the recovery of iron materials. These upgrades will enhance sorting accuracy, increase system efficiency, and expand the facility’s processing capacity. Overall facility diversion is expected to increase from 50% to 65% in addition to improving resource recovery and sustainability.



Figure 1: SMaRT Station

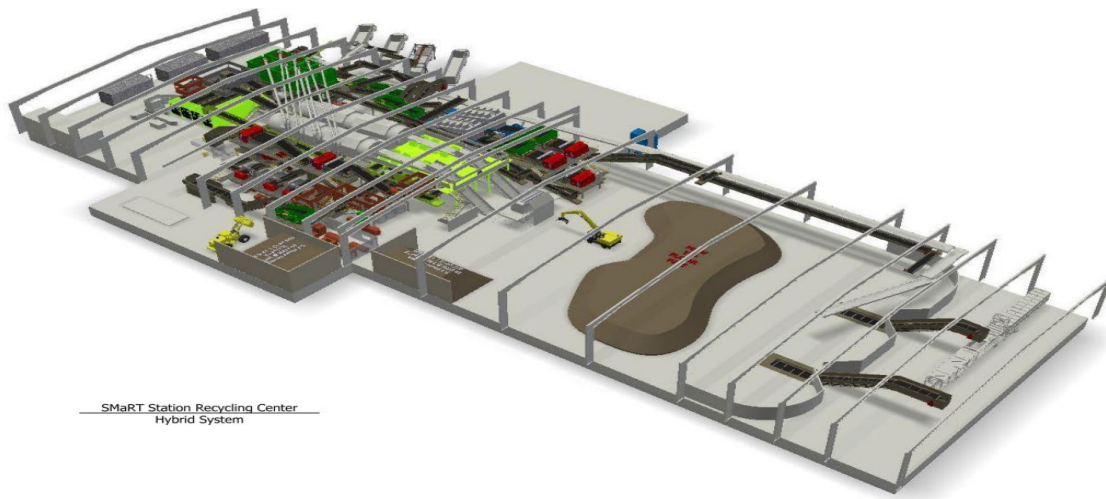


Figure 2: 3-D Layout of Upgraded System

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases	Cost
Sorting System	\$18,621,192
Baler Infeed Conveyor System	\$383,376
Electrical Switchgear for Sorting System	\$322,593
Glass Conveyor Loadout System	\$261,113
Loadout Conveyor (Municipal Solid Waste & Compostable Fiber)	\$683,374
Municipal Solid Waste Compactor Electrical Control	\$12,739
Quality Control Optical Sorters	\$780,439
Fiber Optical Sorter	\$893,317
Ferrous Quality Control & Ferrous Baler	\$410,154
Two Ram Recycling Baler	\$1,007,110
MSW Compactor	\$1,760,923
Total	\$25,136,330

Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. In accordance with the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components of the Project over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

Timeline

The facility is currently operational with upgrades and equipment installation planned for the first quarter of 2026. System commissioning is expected by September 2026. The facility is expected to pass the acceptance test, and equipment will be placed in service by November 2026, with the final acceptance report due by December 2026.

Status of Permits/Other Required Approvals

Permitting and fabrication activities have begun following the City's approval of the design package in October 2025, with all necessary permits anticipated to be obtained before the start of construction in April 2026.

COMPETITIVE CRITERIA SCORE

The Applicant received 143 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Application has a Recycled Resource Extraction Project, and, therefore, 100 points are awarded.
2. **Unemployment (0 of 50 points)**. The Applicant's Facility is located in Santa Clara County, which has an average annual unemployment rate of 4.1%.⁴ When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant zero points.
3. **Job Creation (-22 of 75 points)**. The Applicant anticipates the Project will support a total of 90 production-related jobs at its Facility. CAEATFA estimates that approximately nine of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned -22 points.⁵
4. **California Headquarters (15 of 15 points)**. The Applicant maintains its Corporate Headquarters in Sunnyvale, California, 15 points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant's Facility due to a fire, flood, storm, or earthquake identified in a state of

⁴ Unemployment rates are based on data available in October 2024.

⁵ Lost Jobs Points are calculated resulting in negative points when the number of jobs is reduced by the Applicant as a result of the sales and use tax exclusion (California Code of Regulations Title 4, Division 13, Section 10033(c)(5)(B)(ii)).

emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.

6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (50 of 50 points)**. The Applicant is not eligible to use any of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, 50 points are awarded.
7. **Emerging Strategic Industry (0 of 75 points)**. The Project's industry is not in an Emerging Strategic Industry, as defined by CAEATFA, therefore, zero points are awarded.

PROJECT EVALUATION

Project Benefits

The Project received a Total Score of 1,351 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 49 points, which exceeds the 20-point threshold.

1. **Fiscal Benefits (1,279 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$2,725,984, resulting in a Fiscal Benefits score of 1,279.
2. **Environmental Benefits (49 points)**. The Project is anticipated to result in \$104,437 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 49 points. These benefits derive from the processing of mixed recyclables, which divert waste from landfills.
3. **Additional Benefits (23 points)**. Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 23 Additional Benefits points.
 - A. **Production Jobs (-22 of 75 points)**. The Applicant anticipates the Project will support a total of 90 production-related jobs at its Facility. CAEATFA estimates that approximately nine of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned -22 points.
 - B. **Construction Jobs (20 of 75 points)**. The Applicant anticipates the Project will support a total of 20 construction jobs at its Facility. CAEATFA estimates that approximately two of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned two points.

- C. Unemployment (0 of 50 points).** The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 4.1%. When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant zero points.
- D. Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental, & vision benefits, pension plans, retirement contributions, dependent care and assistance reimbursement, transportation subsidies, and paid leave to its employees, earning the Applicant 25 points.

LEGAL STATUS QUESTIONNAIRE

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with STE Program regulations,⁶ the Applicant paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$100,545.32 should the Applicant be approved for an award.

RECOMMENDATION

Staff recommends the approval of Resolution No. 25-SM037-01 for City of Sunnyvale's purchase of qualifying tangible personal property in an amount not to exceed \$25,136,330 anticipated to result in an approximate STE value of \$2,131,561. The initial term of the Regulatory Agreement will be for a period of three years, until December 9, 2028, and the full term shall be for a period of 10 years, until December 9, 2035, for providing annual compliance reports.

⁶ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A REGULATORY
AGREEMENT WITH CITY OF SUNNYVALE**

December 9, 2025

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **City of Sunnyvale** (the “Applicant”) for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$25,136,330 over a period of three (3) years; and

WHEREAS, the Applicant asserts that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Authorized Signatories deem appropriate, provided that the

amount of the qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including, without limitation, the execution and delivery of any and all documents and certificates they may deem necessary or advisable to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.