

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

Request to Approve Project for Sales and Use Tax Exclusion (STE)¹

**GreenWaste Recovery, Inc.
Application No. 16-SM021**

Tuesday, November 15, 2016

Prepared By: *Ashley Bonnett, Analyst*

SUMMARY

Applicant – GreenWaste Recovery, Inc.

Location – San Jose, Santa Clara County

Industry – Mixed Recycling and Organics (Recycled Resource Extraction)

Project – New Municipal Solid Waste Processing System

Value of Qualified Property – \$4,458,683

Estimated Sales and Use Tax Exclusion Amount² – \$375,421

Estimated Net Benefits – \$544,904

Application Score³ –

Fiscal Benefits Points:	2,425
<u>Environmental Benefits Points:</u>	<u>26</u>
Net Benefits Score:	2,451
<u>Additional Benefits Points:</u>	<u>60</u>
Total Score:	2,511

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.
² This amount is calculated based on the average statewide sales tax rate of 8.42%.

THE APPLICANT

GreenWaste Recovery, Inc. (“GreenWaste” or the “Applicant”) is a privately owned California corporation that organized in 1991. GreenWaste specializes in the collection and processing of residential and commercial waste, yard trimmings, recyclables, food waste, and construction and demolition debris.

The major shareholders (10.0% or greater) of GreenWaste Recovery, Inc. are:
 Richard A. Cristina and Diane L. Cristina Trust, dated 12/20/1995 (19.792%)
 Murray B. Hall Revocable Trust, dated September 16, 1997 (17.292%)
 Frank Weigel Revocable Trust, dated July 27, 2010 (10.417%)
 Juan and Cindy Pena Revocable Trust, dated May 6, 2010 (10.417%)

The corporate officers of GreenWaste Recovery, Inc. are:
 Richard Cristina, President
 Murray Hall, Vice President
 Frank Weigel, Secretary and COO
 Dave Tilton, CFO
 Tracy Adams, CAO

THE PROJECT

GreenWaste plans to install a new municipal solid waste (“MSW”) processing system at its materials recovery facility located in San Jose (the “Project”). The Project will recover mixed recyclables, including aluminum cans, metals, steel cans, high-density polyethylene (“HDPE”) mix, old corrugated cardboard, HDPE color, HDPE natural, Polyethylene terephthalate (“PET”), film plastic, mixed rigid plastic, mixed glass, and scrap aluminum. The organic fraction recovered through this processing system will be sent to GreenWaste’s sister facility, Z-Best Composting Facility located in Gilroy, to be composted. The Applicant represents the Project is anticipated to increase recovery of organics and recyclables by approximately 7%–8% above current operations.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

MSW Processing System Equipment , Structure, Controls	\$2,140,205
Container Line Equipment, Structure, Controls	<u>2,318,478</u>
	<u>\$4,458,683</u>

Total

Note: The Qualified Property purchases reported in the Application and shown here in staff’s report are estimated costs. At the termination of the master regulatory agreement a finalized project equipment list will be prepared detailing the value of the Project equipment acquired and detailing the actual 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, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons.

TIMELINE

The Applicant anticipates ordering the processing equipment in December 2016 and installing in June or July of 2017, after which operations may begin.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$4,458,683 and the total net benefits are valued at \$544,904 for the Project. The Project received a Total Score of 2,511 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 26 points, which exceeds the 20 point threshold.

- A. **Fiscal Benefits (2,425 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes and other indirect fiscal benefits of the Applicant which amounts to \$910,539 resulting in a Fiscal Benefits score of 2,425 points for the Project.

- B. **Environmental Benefits (26 points)**. The Project will result in \$9,786 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 26 points for the Project. These benefits derive from the processing of mixed recyclables and organics for use in another product, which thereby diverts 120,120 tons from landfills, according to the Applicant.

- C. **Additional Benefits (60 points)**. Applicants may earn additional points for their Total Score. The applicant submitted information and received 60 additional points.
 1. **Permanent Jobs (40 of 75 points)**. The Applicant represents that the Project will support a total of 20 permanent jobs at its Facility. CAEATFA estimates that approximately one of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Permanent Jobs Score of 40 points for the Project.

 2. **Construction Jobs (20 of 75 points)**. The Applicant represents that the Project will support a total of six construction jobs at its Facility. CAEATFA

estimates that approximately one of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Construction Jobs Score of 20 points for the Project.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant represents the Project will operate under exiting permits.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with CAEATFA Regulations,⁴ the Applicant has paid CAEATFA an Application Fee of \$2,229.34 and will pay CAEATFA an Administrative Fee of up to \$17,834.73.

RECOMMENDATION

Staff recommends approval of Resolution No. 16-SM021 for GreenWaste Recovery, Inc.'s purchase of Qualified Property in an amount not to exceed \$4,458,683 anticipated to result in an approximate sales and use tax exclusion value of \$375,421.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH GREENWASTE RECOVERY, INC.**

November 15, 2016

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **GreenWaste Recovery, Inc.** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized to process Recycled Feedstock, or in an Advanced Manufacturing process or for the design, manufacture, production or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems (“Qualified Property”) as more particularly described in the staff summary and in the Applicant’s Application to the Authority (collectively, the “Project”); and

WHEREAS, the Applicant has requested the Authority to enter into the Agreement to acquire Project equipment with an estimated cost not to exceed \$4,458,683 over a period of three years; and

WHEREAS, the Applicant believes 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 Qualified Property pursuant to California Revenue and Taxation Code Section 6010.8; and

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

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

Section 1. The Project constitutes a “project” within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The requested master 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, Deputy 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 Executive Director shall deem appropriate, provided that the amount of the Qualified Property to be purchased may not be increased above the amount approved by the Authority.

Agenda Item – 4.A.2
Resolution No. 16-SM022
Application No. 16-SM021

Section 5. The proposed form of the Agreement between the Applicant and the Authority, as filed with the Authority prior to this meeting, is hereby approved. The Authorized Signatories are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Applicant the Agreement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as the Authorized Signatory executing the same may require or approve, and with particular information inserted therein in substantial conformance with the staff summary and in the Applicant's Application to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Agreement, the obligations of the Applicant may, under some circumstances, 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 in order to consummate the Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall assure CAEATFA that all Qualified Property listed in the semi-annual reports pursuant to the Agreement shall be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Agreement shall only apply to Qualified Property that the Applicant certifies will be installed, maintained and operated at facilities within the State of California.

Section 9. The adoption by the Authority of this Resolution for the Applicant shall not be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project or 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, as defined in CAEATFA Regulations Section 10035(a), is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty days if necessary.