

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**
Meeting Date: December 15, 2010

Executive Summary
*Discussion and Consideration of Applications for the SB 71 Sales and Use Tax Exclusion
Program (STE)¹*

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Summary.

CAEATFA received 15 Applications by the November 17th deadline, 14 of which are being brought to the Board for consideration at its December meeting.² Staff is recommending approval of these 14 Projects – as described in Agenda Items 4.B.1 – 4.B.14 – which have a combined value of \$142,775,199 in anticipated Qualified Property purchases, anticipated to result in approximately \$12,992,544 of sales and use tax exclusion over the next three years.³ Attachment A provides a brief summary of these 14 Applications.

Overview of Projects.

Based on the net benefits methodology embodied in the Program Regulations and on representation from these initial Applicants, staff estimates that approximately \$13 million in STE will assist in creating environmental benefits valued at approximately \$4 million and fiscal benefits valued at approximately \$30 million. This results in approximately \$34 million in total benefits and a net benefit value of \$21.4 million.

Together these projects are anticipated to create 1,112 jobs (747 permanent jobs and 366 temporary construction or installation jobs). CAEATFA staff calculates that approximately 125 of these jobs (84 permanent jobs and 41 construction jobs) are attributed to the Program, based on the estimation methodology embodied in the Regulations.⁴ Attachment B provides a summary of the evaluation process under the Program.

The value of the Projects ranges from approximately \$766,000 to \$42.5 million, with corresponding anticipated STE amounts ranging from \$70,000 to \$3.8 million. The median size Project is \$5 million with an anticipated STE amount of \$450,000.

¹ All capitalized terms not defined in this document are defined in the Program's Regulations.

² One of these Applications was not complete as submitted; CAEATFA staff requires additional time to review the accompanying materials submitted by the Applicant after the deadline. The Staff intends to bring this Application to the Board for its consideration in January.

³ This is an estimated amount calculated by using the average statewide tax rate of 9.1%.

⁴ This is because the Program specifically evaluates the fiscal and environmental results that stem directly from the STE, with only the marginal additional production (and resulting fiscal and environmental benefits) associated with the STE included for purposes of evaluating Applicants. The marginal additional production associated with an Application is estimated based on the percent reduction on costs that an Applicant experiences as a result of receiving the STE.

Agenda Item – 4.B.

Initial Projects Span a Range of Industries Covered by SB 71.

These initial Projects include several landfill gas production Facilities and one wastewater treatment biogas production Facility; an electric vehicle manufacturer; several solar photovoltaic (solar panels) manufacturers; a lithium and battery material mining and manufacturing company; and a research and development project for solar fuel generator systems (see Figure 1).

Project Locations Span the State.

These Projects are located across the State (see Figure 2). It is expected that these Projects will provide significant economic benefits to the State and local jurisdictions in the form of corporate, personal income, sales and property tax revenues, increased employment, and additional economic activity created by the manufacturing Facilities and purchases from related suppliers. It's important to note that while the location of the Facilities helps to identify where much of the economic and fiscal activity will take place (e.g., new jobs created, property tax payments), it does not by itself provide CAEATFA with sufficient information to determine the fiscal impact of the Program on individual local communities. The impact on individual local communities will also depend on where the Qualified Property will actually be purchased. Approved Applicants will provide that information to CAEATFA after they purchase the Qualified Property.

Figure 1: Project by Industry	
Type of Project	Frequency
Landfill Gas Capture and Production	6
Solar Photovoltaic Manufacturing	4
Wastewater Treatment Biogas Capture and production Facility	1
Electric Vehicle Manufacturing	1
Research and Development of Solar Fuel Generator Systems	1
Lithium and Battery Material Manufacturing	1
Total	<u>14</u>

Figure 2: Initial Projects by County						
County	Number	Percentage of Total Projects (%)	Amount of Qualified Purchases	Projected STE Amount	Net Benefit Value	Number of Jobs
Orange	1	7	\$ 8,945,858	\$ 814,073	\$ 5,589,780	94
San Diego	1	7	6,236,024	567,478	61,939	25
Alameda	1	7	1,828,204	166,367	233,306	11
Butte	1	7	1,085,554	98,785	158,870	11
Imperial	1	7	42,484,174	3,866,060	6,244,717	212
San Joaquin	2	14	3,951,082	359,548	474,573	23
Los Angeles	2	14	23,366,500	2,126,352	1,429,194	171
Santa Clara	2	14	48,845,000	4,444,895	3,923,500	416
Monterey	3	21	6,032,803	548,986	3,272,473	149
<u>TOTAL:</u>	<u>14</u>	<u>100%</u>	<u>\$142,775,199</u>	<u>\$12,992,544</u>	<u>\$21,388,352</u>	<u>1,112</u>

Finding of Public Interest.

For the first time, CAEATFA staff is recommending approval of an Application (Agenda Item 4.B.12) that does not meet the Program's standard point threshold or net benefit test; however, Staff strongly believe the Project is in the public interest and advances the purposes of the Program. This Applicant, the California Institute for Technology, has submitted a research and development project for solar fuel generators, which does not have quantifiable economic or environmental benefits at this time – and does not meet the threshold point requirements – yet has great potential for the future of the State's Alternative Energy industry. Where a Project receives a total score of less than 1,000 points, a pollution benefit score less than 100 points, or both, the Executive Director may recommend it to the Authority for approval upon a statement articulating specific reasons why the approval is in the public interest and advances the Program. A more detailed discussion of the Project can be found in Agenda Item 4.B.12.

The Program was designed to provide flexibility to adjust the overall point threshold⁵ or to recommend to the Authority individual Projects for approval if they fall below the 1,000 point and 100 point thresholds.⁶ While CAEATFA included numerous potential Project scenarios in developing the regulations, this provision was included to allow CAEATFA to more appropriately evaluate unique and innovative Projects which may not have been anticipated in the evaluation criteria established in the Regulations.

Recommendation. Staff recommends the Authority approve the Projects as described in Agenda items 4.B.1 – 4.B.14 .

⁵ Section 10033(C)(7)

⁶ Section 10033(C)(6)

ATTACHMENT A

Agenda Item	Applicant	Location of Facility	Industry/Use of Proceeds	Qualified Property Amount	STE Amount (Anticipated)	Estimated Environmental Benefit Value	Estimated Fiscal Benefit Value	Estimated Net Benefit Value	Total Jobs	Total Jobs Due To SB 71
4.B.1	Quantum Fuel Systems Technologies Worldwide, Inc.	Irvine (Orange County)	Solar Photovoltaic Manufacturing	\$8,945,858	\$814,073	\$502,282	\$5,895,571	\$5,589,780	94	11
4.B.2	Green Vehicles, Inc.	Salinas (Monterey County)	Electric Vehicle Manufacturing	\$3,708,050	\$337,433	\$65,608	\$3,018,494	\$2,746,669	126	14
4.B.3	Soliant Energy, Inc.	Monrovia (Los Angeles County)	Solar Photovoltaic Manufacturing	\$9,966,500	\$906,952	\$1,142,989	\$1,709,894	\$1,945,932	38	5
4.B.4	Ameresco Butte County LLC	Paradise (Butte County)	Landfill Gas Capture and Production	\$1,085,554	\$98,785	\$71,701	\$185,955	\$158,870	11.6	1
4.B.5	Ameresco Crazy Horse LLC	Salinas (Monterey County)	Landfill Gas Capture and Production	\$1,558,460	\$141,820	\$103,093	\$432,228	\$393,501	11.6	1
4.B.6	Ameresco Forward LLC	Manteca (San Joaquin County)	Landfill Gas Capture and Production	\$2,227,596	\$202,711	\$37,823	\$277,169	\$112,281	11.45	1
4.B.7	Ameresco Johnson Canyon LLC	Gonzales (Monterey County)	Landfill Gas Capture and Production	\$766,293	\$69,733	\$33,124	\$168,912	\$132,303	11.6	1
4.B.8	Ameresco San Joaquin LLC	Linden (San Joaquin County)	Landfill Gas Capture and Production	\$1,723,486	\$156,837	\$99,894	\$419,234	\$362,292	11.6	1
4.B.9	Ameresco Vasco Road LLC	Livermore (Alameda County)	Landfill Gas Capture and Production	\$1,828,204	\$166,367	\$66,258	\$333,415	\$233,306	11.45	1
4.B.10	BioFuels Point Loma, LLC	San Diego (San Diego County)	Biogas Capture and Production	\$6,236,024	\$567,478	\$120,126	\$509,292	\$61,939	25	3
4.B.11	Alta Devices, Inc.	Sunnyvale (Santa Clara County)	Solar Photovoltaic Manufacturing	\$40,845,000	\$3,716,895	\$561,404	\$5,025,666	\$1,870,175	322	37
4.B.12	California Institute of Technology	Pasadena (Los Angeles County)	Research & Development of Solar Fuel Generators	\$13,400,000	\$1,219,400	\$0	\$702,662	(\$516,738)	133	15
4.B.13	SunPower Corporation	Milpitas (Santa Clara County)	Solar Photovoltaic Manufacturing	\$8,000,000	\$728,000	\$903,595	\$1,877,730	\$2,053,325	94	11
4.B.14	Simbol Mining Corporation	Calipatria, Niland, Brawley (Imperial County)	Lithium and Battery Material Manufacturing	\$42,484,174	\$3,866,060	\$558,363	\$9,552,414	\$6,244,717	212	23
			Total:	<u>\$142,775,199</u>	<u>\$12,992,544</u>	<u>\$4,266,544</u>	<u>\$30,108,636</u>	<u>\$21,388,352</u>	<u>1,113</u>	<u>125</u>

ATTACHMENT B

Application Evaluation and Next Steps

Application Review Process

Eligibility Criteria.

To qualify, an Applicant must show that the property to be purchased subject to the STE will be used to design, manufacture, produce or assemble an Advanced Transportation Technology or Alternative Source product, component or system *at least 75 percent of the time it is being used.*

Evaluation Criteria.

Applications were evaluated based on criteria in the Regulations. These evaluation criteria are designed to measure and quantify the fiscal and environmental benefits of the Project and to compare the result to the cost of the STE.

CAEATFA Staff evaluates the fiscal and environmental results that stem directly from the STE. Only the marginal additional production (and resulting fiscal and environmental benefits) associated with the STE are included for purposes of evaluating Applications. The marginal additional production resulting directly from the STE is determined based on an estimated increase in equipment purchases resulting from the STE. That is, because the STE in effect lowers the cost of purchasing capital equipment, Applicants are assumed to purchase more such equipment than would be the case in the absence of the STE.

The resulting increase in output associated with the additional equipment purchases is subsequently calculated, and the fiscal and environmental effects associated with just this additional output is used for purposes of scoring the Application.

Fiscal and environmental benefits associated with the (marginal) additional production of Advanced Transportation or Alternative Source products, components, or systems are calculated according to the methodology embodied in the Regulations. The value of these benefits (in dollars) is compared to the value of the STE in order to calculate the Applicant's score.

Scoring.

Applicants receive scores in the areas of fiscal benefits and environmental benefits which translate into a numerical score. In addition, Applicants may receive up to 200 points for optional supplemental information related to the economic and environmental benefits of the Project if the Applicant provides such data. Applications that receive a total score greater than or equal to 1,000 points and a total pollution benefit score (i.e., environmental benefits) greater than or equal to 100 will be recommended to the Board for approval.

Supplemental Scoring Factors.

The Regulations allow Applicants to submit additional information which may be used for purposes of augmenting Applicant scores from the net benefits test. During this initial round of Applications, staff included only a partial range of "supplemental points" in the score-jobs,

unemployment and out of State environmental benefits—if Applicants clearly surpassed the established point threshold based on the net benefits test alone.

Legal Documents under the Program.

CAEATFA will be executing a Master Regulatory/Conveyance Agreement with each approved Applicant within 30 days of the Board's approval of an Application. The procedures and templates of legal documents were posted to the CAEATFA website and provided to Applicants on November 5, 2010.