

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

Request to Approve Project for SB 71 Sales and Use Tax Exclusion (STE)¹

**CleanWorld
Application No. 13-SM001**

January 15, 2013

Prepared By: *Alejandro Ruiz*

SUMMARY

Applicant – CleanWorld

Location – Davis (Yolo County)

Industry – Biomass Processing and Fuel Production

Project – New Biomass and Fuel Production Facility

Value of Qualified Property – \$5,851,298

Estimated Sales and Use Tax Exclusion Amount² – \$489,754

Estimated Net Benefits – \$122,923

Application Score –

Fiscal Benefits Points:	1033
<u>Environmental Benefits Points:</u>	<u>218</u>
Net Benefits Score:	1,251

<u>Additional Benefits Points:</u>	<u>0</u>
Total Score:	1,251

Staff Recommendation – Approval

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

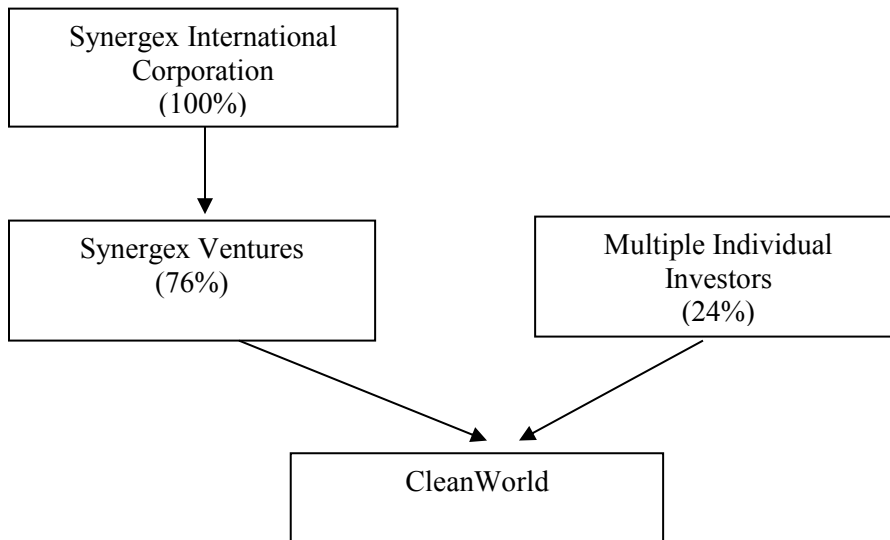
² This amount is calculated based on the average statewide sales tax rate of 8.37%.

THE APPLICANT

CleanWorld (“CW” or “Applicant”) was established in 2009 in California and is headquartered in Sacramento, California. The project will divert organic materials away from area landfills and use an anaerobic digestion process to convert organic material into biogas to produce electricity and heat (the “Project”).

In addition to the current project under consideration, the Applicant has a different project that was previously approved by the CAEATFA Board on October 16, 2012. The first project is larger than the current project proposal, however, both projects utilize the same biogas capture and production technology.

Chain of ownership of CleanWorld is as follows:



CW is 76% owned by Synergex International Corporation and the remaining 24% of the company is owned by multiple individual investors.

The major shareholders (10.0% or greater) of the Synergex Ventures are:

- Michele Wong
- Bill Mooney
- Ken Lidster

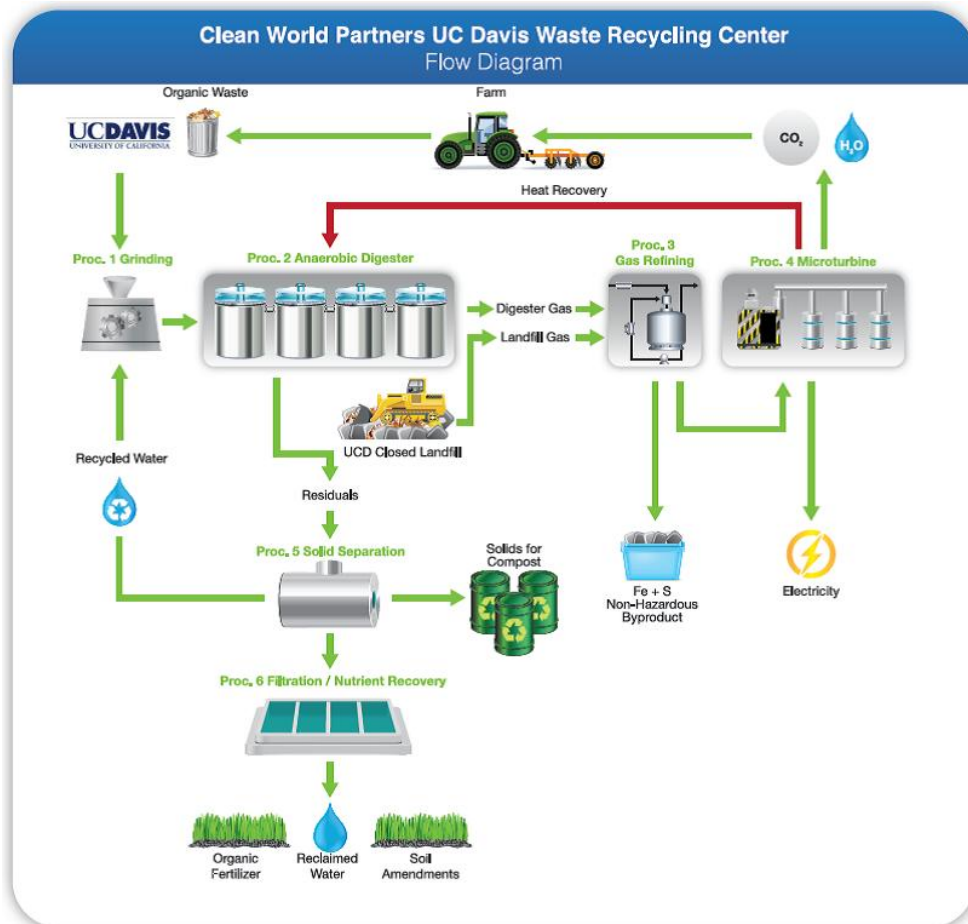
The corporate officers of Synergex International Corporation are:

- Michele Wong, Chief Executive Officer
- Bill Mooney, Executive Vice President
- Phillip Ranger, Chief Financial Officer
- Terry Carlone, Chief Administrative Officer
- Roger Andrews, Chief Technology Officer
- Roseanne Brill, Vice President of Product Development

THE PROJECT

The Applicant, in partnership with the University of California, Davis, will construct, install, and operate a renewable energy anaerobic digester (READ) in the west campus area of UC Davis. The READ facility will convert agricultural waste, animal manure and bedding, food waste from campus commons, and the organic component of municipal solid waste generated on campus into organic soil amendment products and biogas that will generate heat and electricity.

The READ facility will be able to handle up to 50 tons per day of organic waste, diverting a significant amount of waste that would otherwise flow from campus food and agricultural waste to local landfills. The Project will consist of a few processes. First, organic material is received and then prepared for the anaerobic digester by a bio separator, which removes non-organic materials and grinds the organic waste into slurry. Next, the slurry is converted by the anaerobic digester into biogas. The biogas is then refined before being used to produce electricity with a 0.8 MW microturbine – the microturbine that produces electricity does not qualify for the SB 71 sales and use tax exclusion.



ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Anaerobic Digester System	\$1,795,898
Tanks and Supporting Equipment	1,853,736
Process Skids (Heating and Material Transfer)	799,120
Site Mechanical Components	424,729
Preprocessing and Material Input Modules	684,449
Control and monitoring systems	293,366
Total	<u>\$5,851,298</u>

Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the conveyance/reconveyance agreement a finalized project equipment list will be prepared detailing the value of the Project equipment conveyed and reconveyed and detailing the actual tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variations 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 from 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

CleanWorld will begin site construction in February 2013 and operating the READ facility by June 2013.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$5,851,298 and the total net benefits are valued at \$122,923 for the Project. The Project received a Total Score of 1,251 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 218 points, which exceeds the 100 point threshold.

- A. Fiscal Benefits (1033 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 \$506,088 resulting in a Fiscal Benefits score of 1033 points for the Project.

- B. Environmental Benefits (218 points).** The Project will result in \$106,588 of total pollution benefits over the life of the Facility resulting in an Environmental Benefits

Score of 218 points for the Project. These benefits derive from (a) the production of biomass fuel, which offsets the need for fossil fuel derived sources of energy and (b) a reduction of methane emissions from material that would otherwise be sent to a landfill.

C. **Additional Benefits (0 of 200 points)**. Applicants may earn up to 200 additional points for their Total Score. The applicant submitted information and received no additional points.

1. **Permanent Jobs (0 of 40 points)**. The Applicant's Project will support a total of eight 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. Zero points were awarded because the marginal increase in jobs does not meet the required threshold.
2. **Construction Jobs (0 of 20 points)**. The Applicant's Project will support a total of 16 construction jobs at its Facility. CAEATFA estimates that approximately two jobs will be attributable to a marginal increase in jobs created due to the approved STE. Zero points were awarded because the marginal increase in jobs does not meet the required threshold.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

UC Davis, as the lead agency, must make a land use determination in addition to acquiring an air use permit from the Yolo-Solano Air Quality Management District (Y-SAQMD) and a composting operating permit from the Yolo County Local Enforcement Agency (LEA). CleanWorld and UC Davis conducted a pre-application meeting with the Y-SAQMD to review the air analysis and anticipate that the air permit will be approved by February 2013. The READ facility will apply to the LEA for a permit as a Research Composting Operation in April 2013, 30-60 days before the first waste streams are brought to the Project site.

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,³ the Applicant has paid CAEATFA an Application Fee of \$2,925.65 and will pay CAEATFA an Administrative Fee up to \$23,405.19

RECOMMENDATION

Staff recommends approval of Resolution No. 13-SM001 for CleanWorld's purchase of Qualified Property in an amount not to exceed \$5,851,298 anticipated to result in an approximate sales and use tax exclusion value of \$489,754.

³ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
TITLE CONVEYANCE AGREEMENT WITH CLEANWORLD**

January 15, 2013

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **CleanWorld** (the “Applicant”), for financial assistance in the form of a conveyance/reconveyance of title agreement (the “Agreement”) regarding tangible personal property 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 transferring title of Project equipment with an estimated cost not to exceed \$5,851,298 over a period of 3 years; and

WHEREAS, the Agreement will provide that the Applicant will, prior to any use of the Qualified Property, transfer title at no cost to the Authority from time to time as purchases of Qualified Property are made and the Authority will then transfer title back to the Applicant without having taken possession of the Qualified Property; 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(g)(2).

Section 2. The requested conveyance agreement constitutes “financial assistance” within the meaning of Public Resources Code Section 26003(e)(2).

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

Agenda Item – 4.B.1
Resolution No. 13-SM001
Application No. 13-SM001

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.

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 conveyance 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.