

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

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

**FoodService Partners, LLC
Application No. 17-SM017**

Tuesday, March 21, 2017

Prepared By: *Ellen Hildebrand, Analyst*

SUMMARY

Applicant – FoodService Partners, LLC

Location – Richmond, Contra Costa County

Industry – Advanced Food Production

Project – Advanced Food Production Center (Advanced Manufacturing)

Value of Qualified Property – \$8,500,000

Estimated Sales and Use Tax Exclusion Amount² – \$715,700

Application Score³ –

Fiscal Benefits Points:	8,615
<u>Environmental Benefits Points:</u>	<u>80</u>
Net Benefits Score:	8,695
<u>Additional Benefits Points:</u>	<u>155</u>
Total Score:	8,850

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%.
³ Point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

FoodService Partners, Inc. (“FoodService Partners” or the “Applicant”) is a Maryland Corporation that operates high production food facilities specializing in healthcare meals. FoodService Partners currently prepares over 55,000 meals per day nationwide for healthcare, long term care, schools, hospitality, supermarket, and convenient store markets. These meals are designed and prepared by experts in the culinary sciences, dieticians, and chefs to meet the nutritional needs of clients. FoodService Partners currently operates a 40,000 square foot facility in South San Francisco, and plans to expand business activities to a new facility in Richmond.

The major shareholders (10.0% or greater) of FoodService Partners are:
FSPH, Inc. (100%)

The corporate officers of FoodService Partners are:
Angelo Bizzarro, CEO and Chairman
Bob Dunn, President

THE PROJECT

FoodService Partners is requesting a sales and use tax exclusion to build a 103,000 square foot state of the art food production facility in Richmond, California (the “Project”). The facility will utilize advanced cooking technologies such as dehydration, drying, sous vide, and high pressure pasteurization to create healthy, fresh prepackaged food products for customers such as area hospitals and care facilities. Specialized computer equipment and software will operate the equipment at a high level of precision to ensure precise cooking food safety.

FoodService Partners designed the facility sustainably, and plans to pursue Green Business Certification by Contra Costa County, as it has done in its current San Francisco facility from San Mateo County. The Applicant plans for the Project to initially utilize ~42% local food, with a goal of 100% local and sustainable food sourcing by 2025. FoodService Partners represents that this will both increase the quality of the food and reduce greenhouse gas emissions because the food is not being shipped long distances. Furthermore, FoodService Partners will reduce emissions by utilizing cooking techniques with efficient heating sources. The facility’s production processes are streamlined using the Kanban organizational system to ensure low waste and food safety. Additionally, the company strives to minimize use of glass, plastic, non-compostable, and non-recyclable materials in its packaging.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Refrigeration, Freezers, and Storage	\$ 1,694,805
High Pressure Pasteurization Equipment	2,850,000
Washing Equipment and Sinks	264,467
Cooking Equipment	1,013,942
Conveyor, Vacuum, and Other Miscellaneous Equipment	1,104,786
Food Testing Equipment	72,000
Tenant Improvements to Facility	<u>1,500,000</u>
Total	<u>\$8,500,000</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 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

Project equipment purchases began in February 2017, with construction beginning in March 2017. The facility is expected to begin operations in August 2017.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$8,500,000 and the total net benefits are valued at \$5,450,233 for the Project. The Project received a Total Score of 8,850 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 80 points, which exceeds the 20 point threshold.

- A. Fiscal Benefits (8,615 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 \$6,165,933 resulting in a Fiscal Benefits score of 8,615 points for the Project.

B. Environmental Benefits (80 points). The Project will result in an Environmental Benefits Score of 80 points. The Applicant received points in the following categories:

1. **Environmental Sustainability Plan (20 of 20 points).** The Applicant will implement an environmental sustainability for its Project that it represents will result in energy, water, and materials conservation and reduction of waste.
2. **Energy Consumption (15 of 30 points).** The Applicant represents that its manufacturing process will result in a 15 percent reduction in energy consumption relative to the industry standard manufacturing process.
3. **Water Use (15 of 30 points).** The Applicant represents that its manufacturing process will result in a 15 percent reduction in water use relative to the industry standard manufacturing process.
4. **Solid Waste (15 of 30 points).** The Applicant represents that its manufacturing process will result in a 15 percent reduction in solid waste produced relative to the industry standard manufacturing process.
5. **Air Pollutants (15 of 30 points).** The Applicant represents that its manufacturing process will result in a 15 percent reduction in air pollutants produced relative to the industry standard manufacturing process.

C. Additional Benefits (155 points). Applicants may earn additional points for their Total Score. The applicant submitted information and received 155 additional points.

1. **Permanent Jobs (60 of 75 points).** The Applicant represents that the Project will support a total of 225 permanent jobs at its Facility. CAEATFA estimates that approximately 14 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 60 points for the Project.
2. **Construction Jobs (20 of 75 points).** The Applicant represents that the Project will support a total of 15 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.
3. **Research and Development Facilities (25 points).** The Applicant has verified that it has a facility located in California that performs research and development functions related to the advanced food production process that is the subject of this Application.

4. **Workforce Partnerships (25 points)**. The Applicant has a partnership with RichmondWORKS for the purpose of providing “Academy of Food” food safety and nutrition training to future prospective employees of Richmond food-related businesses. Additionally, the Applicant has collaborated with the RichmondWORKS office to hire employees for the new facility.
5. **Industry Cluster (40 points)**. The industry associated with this Application has been identified by the Richmond General Plan as an industry cluster of the region of the Project’s location.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

FoodService Partners plans to submit demolition, site, and foundation permits within the next week, and does not anticipate any permitting issues. The Applicant also plans to submit a Building Permit to the City of Richmond, and has been offered quick plan review of 10 days due to the City of Richmond’s support of the Project.

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 \$4,250 and will pay CAEATFA an Administrative Fee of up to \$34,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 17-SM017 for FoodService Partners, LLC’s purchase of Qualified Property in an amount not to exceed \$8,500,000 anticipated to result in an approximate sales and use tax exclusion value of \$715,700.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH FOODSERVICE PARTNERS, LLC**

March 21, 2017

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **FoodService Partners, LLC** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized to process Recycled Feedstock, 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 \$8,500,000 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. 17-SM017
Application No. 17-SM017

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.