

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

*Request to Approve Project for Sales and Use Tax Exclusion (STE)<sup>1</sup>*

**SJV Biodiesel, LLC  
Application No. 17-SM022**

**Tuesday, May 16, 2017**

Prepared By: *Ashley Bonnett, Analyst*

**SUMMARY**

**Applicant** – SJV Biodiesel, LLC

**Location** – Pixley, Tulare

**Industry** – Biodiesel Production

**Project** – New Biodiesel Production Facility

**Value of Qualified Property** – \$6,680,600

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$562,507

**Estimated Net Benefits** – \$2,436,136

**Application Score –**

Fiscal Benefits Points:	4,820
<u>Environmental Benefits Points:</u>	<u>511</u>
<b>Net Benefits Score:</b>	<b>5,331</b>
<u>Additional Benefits Points:</u>	<u>100</u>
<b>Total Score:</b>	<b>5,431</b>

**Staff Recommendation** – Approval

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

**THE APPLICANT**

SJV Biodiesel, LLC (“SJV Biodiesel” or the “Applicant”) is a California Limited Liability Company formed in 2016 to build a Flex Feed Biodiesel plant in Pixley, California.

The major shareholders (10.0% or greater) of SJV Biodiesel, LLC are:  
Flyers Sustainable, LLC (50%)  
Pixley Finance, LLC (50%)

Flyers Sustainable, LLC is owned by:  
Walt Dwelle  
Tom Dwelle  
David Dwelle  
Steve Dwelle

Pixley Finance, LLC is owned by:  
The Lundsgaard 2011 Irrevocable Trust

The sole corporate officer of SJV Biodiesel, LLC is:  
Lyle Schlyer, President

**THE PROJECT**

SJV Biodiesel is requesting a sales and use tax exclusion for the purchase of equipment to build a new biodiesel plant located in Pixley, California (the “Project”). According to the Applicant, traditional biodiesel production processes use a strong chemical base to catalyze the conversion of glycerides into biodiesel, which works well when processing low free fatty acid (“FFA”) feedstock, such as soybean oil; however this process is costly and inefficient at processing waste feedstock, which typically contain FFA, but have a lower carbon score than biodiesel made from soybean oil. The Applicant represents the Project will employ commercially proven technology to avoid the need for chemical catalysts, allowing the facility to effectively use high FFA feedstock that traditional biodiesel facilities cannot process.

The Project will be co-located with Calgren Renewable Fuels’ ethanol processing plant, which will provide inedible oil extracted from the ethanol production process. The Project will blend high FFA feedstock such as brown grease, soap stock, and trap grease with the oil extracted from the ethanol process to produce biodiesel. The Applicant represents that the Project’s production process will be simpler, reduce operating costs, improve yield, and enhance biodiesel quality compared to traditional biodiesel production facilities.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Concrete	\$ 240,000
Buildings and Fire Suppression	360,000
Biodiesel Loadout Skid	90,000
Piping, Valves & Fittings	480,000
Electrical Wiring, Trays & Accessories	312,000
Insulation & Heat Tracing	192,000
Instruments & Input/Output Panels	120,000
Motor Control Center	300,000
Lab Furniture and Equipment	240,000
Biodiesel Prefiltration Process Equipment	719,600
Fat Splitting Process Equipment	412,000
Biodiesel Production Process equipment	1,200,000
Water Removal Equipment	550,000
Biodiesel Cleaning Equipment	565,000
Utilities (Boiler and Chiller)	600,000
Spare Parts	<u>300,000</u>
<b>Total</b>	<b><u>\$6,680,600</u></b>

*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 plans to begin construction in Q2 of 2017, and anticipates construction to last up to one year.

**PROJECT EVALUATION**

**NET BENEFITS**

The total cost of the Qualified Property purchases is anticipated to be \$6,680,600 and the total net benefits are valued at \$2,436,136 for the Project. The Project received a Total Score of 5,431 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 511 points, which exceeds the 20 point threshold.

- A. Fiscal Benefits (4,820 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 \$2,711,381 resulting in a Fiscal Benefits score of 4,820 points for the Project.
- B. Environmental Benefits (511 points).** The Project will result in \$287,262 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 511 points for the Project. These benefits derive from the production of biodiesel, which offsets the need for use of fossil fuel.
- C. Additional Benefits (100 points).** Applicants may earn additional points for their Total Score. The applicant submitted information and received 100 additional points.
- 1. Permanent Jobs (20 of 75 points).** The Applicant represents that the 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 resulting in a Permanent Jobs Score of 20 points for the Project.
  - 2. Construction Jobs (30 of 75 points).** The Applicant represents that the Project will support a total of 12 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 30 points for the Project.
  - 3. Unemployment (50 of 50 points).** The Applicant’s Project is located in Tulare County which has an average annual unemployment rate of 13%. This is above 110% of the statewide average annual unemployment rate which was 7.5% in 2014, the dataset used in the application. This results in an Unemployment Score of 50 points for this Project.

## **STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

The Applicant has obtained CEQA authorization and a Notice of Exemption from Tulare County Resources Management Agency. The Applicant represents it has submitted an application for an Authority to Construct (air permit) from the San Joaquin Valley Regional Air Quality Control District which is anticipated within the next 30 days.

## **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,<sup>3</sup> the Applicant has paid CAEATFA an Application Fee of \$3,340.30 and will pay CAEATFA an Administrative Fee of up to \$26,722.40

**RECOMMENDATION**

Staff recommends approval of Resolution No. 17-SM022 for SJV Biodiesel, LLC's purchase of Qualified Property in an amount not to exceed \$6,680,600 anticipated to result in an approximate sales and use tax exclusion value of \$562,507.

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<sup>3</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER  
REGULATORY AGREEMENT WITH SJV BIODIESEL, LLC**

May 16, 2017

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **SJV Biodiesel, LLC** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized 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 \$6,680,600 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.1**  
**Resolution No. 17-SM022**  
**Application No. 17-SM022**

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.