

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

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

**WIE-AGRON Bioenergy, LLC  
Application No. 17-SM064**

**Tuesday, December 19, 2017**

Prepared By: *Xee Moua, Program Analyst*

**SUMMARY**

**Applicant** – WIE-AGRON Bioenergy, LLC

**Location** – Watsonville, Santa Cruz County

**Industry** – Biodiesel Production

**Project** – Purchase of an Existing Biodiesel Fuel Operation (Alternative Source)

**Value of Qualified Property** – \$3,500,000

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$294,700

**Estimated Net Benefits** – \$731,885

**Application Score<sup>3</sup>** –

Fiscal Benefits Points:	3,087
<u>Environmental Benefits Points:</u>	<u>397</u>
<b>Net Benefits Score:</b>	<b>3,483</b>
 <u>Additional Benefits Points:</u>	 <u>49</u>
<b>Total Score:</b>	<b>3,532</b>

**Staff Recommendation** – Approval

---

---

<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%.

<sup>3</sup> Point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

**THE APPLICANT**

WIE-AGRON Bioenergy, LLC (“WIE-AGRON” or the “Applicant”), an Iowa limited liability company formed in 2017, is a wholly owned subsidiary of Western Iowa Energy, LLC, which has been making biodiesel fuel for 13 years.

The corporate officers of WIE-AGRON Bioenergy, LLC are:

Bradley Wilson, President and General Manager  
Mike Altmanshofer, Vice President of Operations  
William Horan, Chairman  
Denny Mauser, Vice Chairman  
Brent Halling, Board Member  
Grant Kimberly, Board Member  
John Geake, Board Member  
Warren Bush, Board Member  
Kevin Ross, Secretary

**THE PROJECT**

WIE-AGRON is requesting a sales and use tax exclusion to purchase equipment and assets from AGRON Bioenergy, LLC (“AGRON”) (formerly North Star Biofuels, LLC) in order to produce biodiesel at facility owned by CMEL Properties LLC (“CMEL”) in Watsonville (the “Project”). AGRON was approved for a sales and use tax exclusion on June 19, 2012 to purchase up to \$4.1 million in Qualified Property to build a new biodiesel production facility. AGRON completed the project in 2013, and operated the facility until October 31, 2017. AGRON’s Master Regulatory Agreement with CAEATFA expired on June 19, 2017. WIE-AGRON plans to recommence operations at the facility with a production capacity of over 40,000 gallons per day.

According to WIE-AGRON, the Project will mix animal tallow, vegetables oils and other low-carbon feedstocks with methanol and a catalyst in order to produce biodiesel. The Applicant represents the Project will use distinct processes that rapidly yields ultra-pure biofuels with competitive prices and unconventional traits such as cold-weather performance characteristics. Additionally, the Applicant represents the manufacturing process will have no air or water emissions.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Main Process Unit	\$ 691,804
Heating and Cooling Systems	348,744
Glycerin Recovery System	373,074
Distillation Equipment	715,734

**Agenda Item - 4.A.1**  
**Resolution No. 17-SM064**  
**Application No. 17-SM064**

Storage Tanks	839,418
Automation and Wiring for Plant	243,309
Loading/Unloading Equipment	121,655
Lab Equipment	121,655
Nitrogen Generator	24,331
Methanol Water Removal System	20,276
<b>Total</b>	<b><u>\$3,500,000</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**

As of October 2017, WIE-AGRON is leasing a facility owned by CMEL and has purchased installed manufacturing equipment and assets from AGRON. The Applicant expects to be in business by the end of December 2017.

## **PROJECT EVALUATION**

### **NET BENEFITS**

The total cost of the Qualified Property purchases is anticipated to be \$3,500,000 and the total net benefits are valued at \$731,885 for the Project. The Project received a Total Score of 3,532 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 397 points, which exceeds the 20 point threshold.

- A. Fiscal Benefits (3,087 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 \$909,611 resulting in a Fiscal Benefits score of 3,087 points for the Project.
- B. Environmental Benefits 397 points).** The Project will result in \$116,974 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 397 points for the Project. These benefits derive from the production of biodiesel, which offsets the need for use of fossil fuel.
- C. Additional Benefits (49 points).** Applicants may earn additional points for their Total Score. The applicant submitted information and received 49 additional points.

1. **Permanent Jobs (40 of 75 points).** The Applicant represents that the Project will support a total of 18 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 (0 of 75 points).** The Applicant represents that the Project will support no construction jobs at its Facility. Zero points were awarded.
3. **Unemployment (9 of 50 points).** The Applicant's Project is located in Santa Cruz County which has an average annual unemployment rate of 8%. 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 9 points for this Project.

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

The Applicant has filed for an Air Permit with Monterey Bay Unified Air Quality Management District and a Spill Prevention Control and Countermeasure Plan (SPCC), both of which the Applicant anticipates will be obtained by December 2017.

#### **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>4</sup> the Applicant has paid CAEATFA an Application Fee of \$1750 and will pay CAEATFA an Administrative Fee of \$15,000.

#### **RECOMMENDATION**

Staff recommends approval of Resolution No. 17-SM064 for WIE-AGRON Bioenergy, LLC's purchase of Qualified Property in an amount not to exceed \$3,500,000 anticipated to result in an approximate sales and use tax exclusion value of \$294,700.

---

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER  
REGULATORY AGREEMENT WITH WIE-AGRON BIOENERGY, LLC**

December 19, 2017

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **WIE-AGRON Bioenergy, 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 \$3,500,000 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.1**  
**Resolution No. 17-SM064**  
**Application No. 17-SM064**

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.