

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

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

**Sierra Institute for Community and Environment
Application No. 18-SM007**

Tuesday, March 20, 2018

Prepared By: *Melanie Holman, Program Analyst*

SUMMARY

Applicant – Sierra Institute for Community and Environment

Location – Quincy, Plumas County

Industry – Biomass Processing and Fuel Production

Project –New Biomass Processing and Fuel Production Facility (Alternative Energy)

Value of Qualified Property – \$516,286

Estimated Sales and Use Tax Exclusion Amount² – \$43,162

Estimated Quantifiable Net Benefits – *(\$6,874)*

Application Score³ –

Fiscal Benefits Points:	726
<u>Environmental Benefits Points:</u>	<u>114</u>
Net Benefits Score:	841
<u>Additional Benefits Points:</u>	<u>165</u>
Total Score:	1,006

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 8.36%.
³ Point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

Sierra Institute for Community and Environment (“Sierra” or the “Applicant”), is a non-profit organization formed in 1993. The Applicant is currently based in Taylorsville, California. The Applicant organization was established to promote healthy and sustainable forests and watersheds.

The Board Members of Sierra Institute for Community and Environment are:

- Dr. Jonathan Kusel, Executive Director
- Martha Davis, Board President
- John Nickerson, Board Vice President
- Suzanne Plopper, Board Treasurer
- Logan McCoy, Board Secretary
- Terry Collins, Board Member
- Gerry Gray, Board Member
- Gary Nakamura, Board Member
- Ken Roby, Board Member
- Suzie Wharton, Board Member
- Beth Rose Middleton Manning, Board Member
- Zaheer Tajani, Board Member

THE PROJECT

Sierra Institute for Community and Environment is requesting a sales and use tax exclusion to build a new syngas production facility located in Quincy (the “Project”). The Qualified Property purchased as part of this Project will enable the Applicant to facilitate a gasification production process whereby waste from nearby forests is converted into syngas. The production of syngas using sustainably harvested wood chips (biomass) as fuel will eventually provide clean energy and heat to Plumas County’s Health and Human Services Center. Additionally, the Applicant represents that the Project will aid in the removal and consumption of dead trees in the Plumas County area, where forests have been afflicted by pine beetle infestation.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Biomass Fuel Storage and Conveyance	\$129,207
Plant Building and Structural Elements	53,890
Hydronic Equipment	23,139
Metal Piping	10,326
Close-Coupled Biomass Gasification System	283,361
Insulation	1,000
Other Mechanical	5,364

Control Wiring	8,800
Sink, Drains, Trim, Supply Lines	<u>1,200</u>
Total	<u>\$516,286</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

The Applicant represents that ground-breaking and site preparation began in August 2017. Qualified Property purchases and installation have begun with start-up and commissioning expected to begin in Spring 2018.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$516,286 and the total quantifiable net benefits are valued at **-\$6,874** for the Project. Although the cumulative fiscal and environmental benefits fall short of the estimated STE amount, resulting in a negative net benefit, the Project received additional employment related benefits that are not quantifiable in fiscal terms, and which increase the Total Score above the qualifying threshold.⁴ The Project received a Total Score of 1,006 points, which exceeds the required 1,000 point threshold, and a total Environmental Benefits Score of 114 points, which exceeds the 20 point threshold.

- A. Fiscal Benefits (726 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 \$31,347 resulting in a Fiscal Benefits score of 726 points for the Project.

- B. Environmental Benefits (114 points).** The Project will result in \$4,940 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 114 points for the Project. These benefits derive from converting biomass to syngas, which offsets the need for use of fossil fuel.

- C. Additional Benefits (165 points).** Applicants may earn additional points for their Total Score. The Applicant submitted information and received 165 additional points.

⁴ California Code of Regulations Title 4, Division 13, Section 10033(c)(6)

1. **Permanent Jobs (40 of 75 points)**. The Applicant represents that the Project will support a total of one permanent job at its Facility. CAEATFA estimates that this job 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 (75 of 75 points)**. The Applicant represents that the Project will support a total of seven 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 75 points for the Project.
3. **Unemployment (50 of 50 points)**. The Applicant's Project is located in Plumas County which has an average annual unemployment rate of 9.2%. This is above 110% of the statewide average annual unemployment rate which was 5.1% in 2017, 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 represents that it has received a required building permit and an Authority to Construct and Permit to Operate.

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,⁵ the Applicant has paid CAEATFA an Application Fee of \$258.14 and will pay CAEATFA an Administrative Fee of \$15,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 18-SM007 for Sierra Institute for Community and Environment’s purchase of Qualified Property in an amount not to exceed \$516,286 anticipated to result in an approximate sales and use tax exclusion value of \$43,162.

⁵ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH SIERRA INSTITUTE FOR COMMUNITY AND
ENVIRONMENT**

March 20, 2018

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Sierra Institute for Community and Environment** (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 \$516,286 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. 18-SM007
Application No. 18-SM007

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.