

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

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

**Siva Power, Inc.  
Application No. 18-SM006**

**Tuesday, April 17, 2018**

Prepared By: *Melanie Holman, Program Analyst*

**SUMMARY**

**Applicant** – Siva Power, Inc.

**Location** – Santa Clara, Santa Clara County

**Industry** – Solar Photovoltaic (PV) Manufacturing

**Project** – Upgrade and Expansion of Solar PV Manufacturing Facility (Alternative Source)

**Value of Qualified Property** – \$6,746,508

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$564,008

**Estimated Quantifiable Net Benefits** – \$504,612

**Application Score<sup>3</sup>** –

Fiscal Benefits Points:	1,293
<u>Environmental Benefits Points:</u>	<u>602</u>
<b>Net Benefits Score:</b>	<b>1,895</b>
<u>Additional Benefits Points:</u>	<u>99</u>
<b>Total Score:</b>	<b>1,993</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 8.36%.

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

## **THE APPLICANT**

Siva Power, Inc. (“Siva” or the “Applicant”), a California corporation, originated as Solexant in 2006 and became Siva Power, Inc. in 2014. Siva is developing an advanced technology to manufacture solar PV modules for commercial, residential, and utility-scale projects.

The major shareholders (10.0% or greater) of Siva Power, Inc. are:

Newfoundland NFP B Ltd (19.67%)  
Red House Capital LLC (25.34%)

The corporate officers of Siva Power, Inc. are:

Bruce Sohn, Chief Executive Officer  
Markus Beck, Chief Technology Officer  
Chris McDonald, Chief Operating Officer  
BJ Stanbery, Chief Science Officer  
Brad Mattson, Chairman  
Robert Wendt, VP of Process & Equipment  
Brent Chambers, VP of Technology  
Rays Zheng, Head of Finance

## **THE PROJECT**

Siva Power, Inc. is requesting a sales and use tax exclusion to upgrade its existing solar PV development facility located in Santa Clara (the “Project”). Siva has represented that it is developing copper, indium, gallium, and selenium (“CIGS”) thin film technologies, in order to manufacture highly efficient and low cost solar modules capable of producing electricity at a levelized cost that is lower than any existing solar or conventional energy source. According to the Applicant, the energy payback time for a Siva module will be less than half that of traditional silicon technologies.

The Applicant also represents that it uses a unique manufacturing process that shortens the typical production time of two weeks down to two hours because of the monolithically integrated nature of the technology. The process consumes less than half the energy and less than one-tenth the water compared to the industry standard, according to Siva.

## **ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Selenium Sources	\$ 775,000
New Metal Sources	600,000
Pilot Line Transparent Conductive Oxide Deposition 7° Vertical Glass Coater	213,584
Pilot Line Atomic Layer Deposition System	110,350
Optical Pyrometers	45,000
Large Area Pilot Line Interconnection System	1,991,068
Large Area Pilot line Key IP Deposition System	1,973,000

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Material Handling and Automation	304,809
Bloo Deposition Process Chambers	310,000
Small Area X-Ray Fluorescence	147,650
Large Area X-Ray Fluorescence	250,000
NPC Laminator	26,047
<b>Total</b>	<b><u>\$6,746,508</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 represents that facility has been leased since September 2015 and has been in use as a research facility. Siva plans to install the new equipment as it arrives. According to the Applicant, Qualified Property purchases have already begun, and all equipment is expected to be purchased in 2018.

## **PROJECT EVALUATION**

### **NET BENEFITS**

The total cost of the Qualified Property purchases is anticipated to be \$6,746,508 and the total quantifiable net benefits are valued at \$504,612 for the Project. The Project received a Total Score of 1,993 points, which exceeds the required 1,000 point threshold, and a total Environmental Benefits Score of 602 points, which exceeds the 20 point threshold.

- A. Fiscal Benefits (1,293 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 \$729,070 resulting in a Fiscal Benefits score of 1,293 points for the Project.
- B. Environmental Benefits (602 points).** The Project will result in \$339,550 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 602 points for the Project. These benefits derive from the capacity of solar PV modules to generate electricity from alternative sources, thereby reducing the need for traditionally generated electricity.

**C. Additional Benefits (99 points).** Applicants may earn additional points for their Total Score. The Applicant submitted information and received 99 additional points.

- 1. Permanent Jobs (55 of 75 points).** The Applicant represents that the Project will support a total of 57 permanent jobs at its Facility. CAEATFA estimates that approximately five 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 55 points for the Project.
- 2. Construction Jobs (20 of 75 points).** The Applicant represents that the Project will support a total of five 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. Non-CA Environmental Benefits (24 of 40 points).** The Applicant's total value of out-of-state non-greenhouse gas pollution benefits are valued at \$26,854.13 resulting in a Non-CA Environmental Benefits Score of 24 points for the Project.

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

Siva represents that it has obtained all permits required for the planned work.

## **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 \$3,373.25 and will pay CAEATFA an Administrative Fee up to \$26,986.03.

## **RECOMMENDATION**

Staff recommends approval of Resolution No. 18-SM006 for Siva Power, Inc.'s purchase of Qualified Property in an amount not to exceed \$6,746,508 anticipated to result in an approximate sales and use tax exclusion value of \$564,008.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER  
REGULATORY AGREEMENT WITH SIVA POWER, INC.**

April 17, 2018

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Siva Power, Inc.** (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 \$6,746,508 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.

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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.