

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

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

**Tahoe Asphalt, Inc.
Application No. 18-SM009**

Tuesday, May 15, 2018

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – Tahoe Asphalt, Inc.

Location – South Lake Tahoe, El Dorado County

Industry – Asphalt Recycling

Project – Upgrade of Existing Asphalt Recycling Facility (Recycled Resource Extraction)

Value of Qualified Property – \$511,000

Estimated Sales and Use Tax Exclusion Amount² – \$42,720

Estimated Quantifiable Net Benefits – \$46,459

Application Score–

Fiscal Benefits Points:	2,006
<u>Environmental Benefits Points:</u>	<u>82</u>
Net Benefits Score:	2,088
<u>Additional Benefits Points:</u>	<u>40</u>
Total Score:	2,128

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%.

THE APPLICANT

Tahoe Asphalt, Inc. (“Tahoe Asphalt” or the “Applicant”), a California corporation that was established in 1964, produces asphalt and aggregate road base for private and public institutions. Tahoe Asphalt’s products are often used to build bike trails, driveways, roadways, and parking lots.

The major shareholders (10.0% or greater) of Tahoe Asphalt, Inc. are:

Michael Plumer (100%)

The corporate officers of Tahoe Asphalt, Inc. are:

Michael Plumer, President and Chief
Financial Officer
Tammy Plumer, Secretary

THE PROJECT

Tahoe Asphalt is requesting a sales and use tax exclusion of \$511,000 to upgrade its existing asphalt recycling facility located in South Lake Tahoe (the “Project”). According to Tahoe Asphalt, its facility operates seasonally from May to October, and is the only business permitted to accept construction debris in the Tahoe Basin. The Applicant represents that its Class II aggregate base (Cls II AB) consists two-thirds of recycled asphalt, and its recycled asphalt pavement (RAP) is 100% recycled asphalt, which meets Caltrans’s specifications for aggregate base and subbase. By replacing its antiquated equipment with a new portable crushing and screening plant, Tahoe asphalt will be able to produce 30,000 tons of Cls II AB and 10,000 tons of RAP per season. The Applicant represents that the Project will conserve natural resources by using recycled materials, rather than newly mined rocks to produce the aggregate base, and will reduce the carbon footprint created by trucks that haul virgin materials to and from the basin.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Portable Crushing and Screening Plant	\$445,000
Portable Radial Stacking Conveyors	50,000
Self-cleaning Overband Magnet	<u>16,000</u>
Total	<u>\$511,000</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

The Applicant represents the Project is ready for shipment, and expects operations to begin May 2018.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$511,000 and the total quantifiable net benefits are valued at \$46,459 for the Project. The Project received a Total Score of 2,128 points, which exceeds the required 1,000 point threshold, and a total Environmental Benefits Score of 82 points, which exceeds the 20 point threshold.

- A. Fiscal Benefits (2,006 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 \$85,695 resulting in a Fiscal Benefits score of 2,006 points for the Project.
- B. Environmental Benefits (82 points).** The Project will result in \$3,484 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 82 points for the Project. These benefits derive from the processing of asphalt for use in another product, which thereby diverts approximately 20,000 tons from landfills annually, according to the Applicant.
- C. Additional Benefits (40 points).** Applicants may earn additional points for their Total Score. The Applicant submitted information and received 40 additional points.
 - 1. Permanent Jobs (40 of 75 points).** The Applicant represents that the Project will support approximately two 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.
 - 2. Construction Jobs (0 of 75 points).** The Applicant represents that the Project will support zero construction jobs at its Facility. Zero points were awarded because the marginal increase in jobs does not meet the required threshold.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, its business is an ongoing operation and has acquired all permits necessary for the Project from El Dorado County.

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,³ the Applicant has paid CAEATFA an Application Fee of \$255.50 and will pay CAEATFA an Administrative Fee of \$15,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 18-SM009 for Tahoe Asphalt Inc.'s purchase of Qualified Property in an amount not to exceed \$511,000 anticipated to result in an approximate sales and use tax exclusion value of \$42,720.

³ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH TAHOE ASPHALT, INC.**

May 15, 2018

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Tahoe Asphalt, 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 \$511,000 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.

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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.