

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

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

**Eurostampa California, LLC
Application No. 18-SM019**

Tuesday, August 21, 2018

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – Eurostampa California, LLC

Location – Napa, Napa County

Industry – Advanced Packaging Label Production

Project – Relocation, Expansion, and Upgrade of an Advanced Packaging Label Production Facility (Advanced Manufacturing)

Value of Qualified Property – \$2,852,000

Estimated Sales and Use Tax Exclusion Amount² – \$238,427

Application Score –

Fiscal Benefits Points:	1,820
<u>Environmental Benefits Points:</u>	<u>35</u>
Net Benefits Score:	1,855

<u>Additional Benefits Points:</u>	<u>90</u>
Total Score:	1,945

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

Eurostampa California, LLC (“Eurostampa” or the “Applicant”), an Ohio limited liability company founded in 2014, is a wholly owned subsidiary of Eurostampa North America, Inc. Eurostampa is a family owned printing business established by the Cillario family based in Cueno, Italy that prints and supplies premium packaging labels for wine, spirits, food, and cosmetic industries.

The major shareholders (10.0% or greater) of Eurostampa North America, Inc. are:
Eurostampa Holding S.p.A. (100%)

The corporate officers of Eurostampa California, LLC are:
Gian Franco Cillario, President, Chief Executive Officer, and Manager
Garry Lanham, Chief Financial Officer
Brendan Kinzie, General Manager

THE PROJECT

Eurostampa is requesting a sales and use tax exclusion to relocate, expand, and upgrade its packaging label printing operation located in Napa (the “Project”). According to Eurostampa, it has outgrown its existing facility and will be relocating within Napa to stay in proximity of its wine industry clients. The Applicant represents that it will utilize an advanced Swiss printing press, the Gallus RCS 430 Press, to keep its printing process sustainable. For example, according to the Applicant, its computer controlled system can precisely control actions such as printing registration, embossing, color balance, and multi-part web lamination to help reduce paper, ink, adhesive, foil and liner usage, whereas current industry standard processes are primarily manual, involve minimal IT equipment, and scrap over 40% of raw materials. Eurostampa explains that its process will minimize environmental impacts by using 100% post-consumer waste materials for end products and UV ink instead of traditional water-based ink. Moreover, the Applicant states that its new process will recycle paper waste, as well as ink waste by turning it into a new black ink formula.

Figure 1: Gallus RCS Printing Press



ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Gallus RCS 430 Printing Press	\$2,192,000
Martin Automatic Splicer	220,000
Prati Jupiter Rewinder	150,000
Kocher and Bech Matrix Removal Label Shapers	140,000
Big Foot Hot Stamp Unit	<u>150,000</u>
Total	<u>\$2,852,000</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

Eurostampa represents it is currently making building improvements and will be installing Qualified Property in August 2018. According to the Applicant, testing will take place subsequent to installing Qualified Property to ensure proper equipment performance before operations begin October 1, 2018.

PROJECT EVALUATION

NET BENEFITS

The Project received a Total Score of 1,945 points, which exceeds the required 1,000 point threshold, and a total Environmental Benefits Score of 35 points, which exceeds the 20 point threshold.

- A. Fiscal Benefits (1,820 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 \$433,975 resulting in a Fiscal Benefits score of 1,820 points for the Project.

- B. Environmental Benefits (35 points).** The Project will result in an Environmental Benefits Score of 35. The Applicant received points in the following categories:

1. **Energy Consumption (20 of 30 points)**. The Applicant represents that the Project will result in a 20 percent reduction in energy consumption compared to the Applicant’s previous manufacturing process.
 2. **Solid Waste (15 of 30 points)**. The Applicant represents that the Project will result in a 15 percent reduction in solid waste produced relative to the Applicant’s previous manufacturing process
- C. **Additional Benefits (90 points)**. Applicants may earn additional points for their Total Score. The Applicant submitted information and received 90 additional points.
1. **Production Jobs (45 of 75 points)**. The Applicant represents that the Project will support a total of 48 production-related jobs at its Facility. CAEATFA estimates that approximately two 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 45 points for the Project.
 2. **Construction Jobs (20 of 75 points)**. The Applicant represents that the Project will support a total of 10 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. **Industry Cluster (25 points)**. The industry associated with this Application has been identified by Napa Valley as an industry cluster related to wine in the region of the Project’s location.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, all pertinent permits have been secured as of July 2018. This includes a Napa Sanitation Industrial User permit and building, racking, and zero waste permits.

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 \$1,426 and will pay CAEATFA an Administrative Fee of \$15,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 18-SM019 for Eurostampa California, LLC's purchase of Qualified Property in an amount not to exceed \$2,852,000 anticipated to result in an approximate sales and use tax exclusion value of \$238,427.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH EUROSTAMPA CALIFORNIA LLC**

August 21, 2018

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Eurostampa California, 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 \$2,852,000 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. 18-SM019
Application No. 18-SM019

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.