

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

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

**Nate’s Fine Foods LLC  
Application No. 18-SM033**

**Tuesday, November 13, 2018**

Prepared By: *Xee Moua, Program Analyst*

**SUMMARY**

**Applicant** – Nate’s Fine Foods LLC

**Location** – Roseville, Placer County

**Industry** – Advanced Food Production

**Project** – Upgrade and Expansion of a Precooked Grain and Pasta Production Facility  
(Advanced Manufacturing)

**Value of Qualified Property** – \$5,886,000

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$492,070

**Application Score –**

Fiscal Benefits Points:	2,668
<u>Environmental Benefits Points:</u>	<u>35</u>
<b>Net Benefits Score:</b>	<b>2,703</b>
<u>Additional Benefits Points:</u>	<u>110</u>
<b>Total Score:</b>	<b>2,813</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 8.36%.

**THE APPLICANT**

Nate’s Fine Foods LLC (“Nate’s” or the “Applicant”), a Delaware limited liability Company founded in 2012, is a producer of fully cooked pastas and grains for customers in the food service, industrial, and retail industries located in Roseville. Some of Nate’s customers include Ikea, Ruby Tuesday, Trader Joe’s, Tyson Foods, Taylor Farms, and the Los Angeles Unified School District.

The major shareholders (10.0% or greater) of Nate’s are:

- JAAB Pasta USA LLC (95%)
- George Roberts (5%)

The corporate officers of Nate’s are:

- Nathan Barker, Founder and Chief Operating Officer
- George Roberts, Member

**THE PROJECT**

Nate’s is requesting a sales and use tax exclusion to upgrade and expand its existing precooked grain and pasta production facility located in Roseville (the “Project”). The Applicant represents it will install four additional production lines that will process batches of pastas and grains, a centralized electronic control workstation, a custom industrial freezer and refrigeration system, and new meal kit assembly and food steaming lines. In addition, the Applicant will acquire additional forklifts, incorporate R&D equipment, and upgrade its logistical and computer equipment for the Project. The Applicant states that on average it will operate six to seven days a week at 15 to 17 hours per day split between two shifts.

Nate’s represents that the production lines start with pasta or grains and then boils, blanches, pasteurizes, flash freezes and packages the fully cooked frozen product. According to Nate’s, its production relies significantly on a new automatic micro-processing centralized control station (formerly a multitude of manual control knobs) to ensure the highest quality of food products as it digitally controls functions related to water temperature and conveyor belt speeds. The Applicant states that once all additional production lines are installed, it would be able to produce over 60 million pounds of pastas and grains per year compared to its current capacity of 12 to 13 million pounds per year. Nate’s also represents that by using modified atmosphere packaging and an individually quick frozen technique, the production lines will be capable of processing customized batches at almost any order volume as opposed to the average industry competitor that often require customized orders to be between 50,000 to 60,000 pounds.

According to Nate’s, its current cool storage system prevents it from pulling and storing products in an efficient manner. However, the new industrial refrigeration and freezer system will provide a significant amount of racks and vertical storage which enables employees to pull, move and store products faster and more efficiently, thus reducing its energy consumption by 40-50% because of reduced “open freezer door” time. Nate’s represents that the system will also reduce labor time and fuel used for forklifts as logistic employees will spend far less time pulling, moving and relocating items within its new storage system.



*Figure 1: Primary pasta mover in production line*

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Automated Pasta and Grain Production Lines	\$3,240,000
Tenant Improvements	830,000
Automatic Equipment and Controls for Production Line	145,000
Meal Kits Assembly Line Equipment	135,000
Food Steaming Line Equipment	90,000
Industrial Freezer/Refrigeration System	835,000
Food Processing Repair/Spare Parts and Tools	145,000
Research and Development Equipment	95,000
Forklifts and Logistics Equipment	235,000
Computers and Software Equipment	136,000
<b>Total</b>	<b><u>\$5,886,000</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**

According to the Applicant, the Project will occur in two phases. Currently, the Applicant is procuring Qualified Property with plans to test the equipment in January 2019 and begin production in February 2019. The second phase will be the addition of the last two production lines, which is expected to take place in late 2020 or early 2021.

## **PROJECT EVALUATION**

### **NET BENEFITS**

The Project received a Total Score of 2,813 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 (2,668 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 \$1,312,727 resulting in a Fiscal Benefits score of 2,668 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 (30 of 30 points)**. The Applicant represents that the Project will result in a 33 percent reduction in energy consumption compared to the Applicant's previous manufacturing process.
  
  - 2. **Air Pollutants (5 of 30 points)**. The Applicant represents that the Project will result in a five percent reduction in air pollutants produced relative to the Applicant's previous manufacturing process.
  
- C. **Additional Benefits (110 points)**. Applicants may earn additional points for their Total Score. The Applicant submitted information and received 110 additional points.
  - 1. **Production Jobs (55 of 75 points)**. The Applicant represents that the Project will support a total of 66 production-related jobs at its Facility. CAEATFA estimates that approximately four 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 (30 of 75 points)**. The Applicant represents that the Project will support a total of 13 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 30 points for the Project.

3. **Research and Development Facilities (25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to the production process of precooked pasta and grains that is the subject of this Application.

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

The Applicant states it has secured all necessary permits such as building, installation, and operating permits with the city of Roseville and Placer 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,<sup>3</sup> the Applicant has paid CAEATFA an Application Fee of \$2,943 and will pay CAEATFA an Administrative Fee of up to \$23,544.

### **RECOMMENDATION**

Staff recommends approval of Resolution No. 18-SM033 for Nate's Fine Foods LLC's purchase of Qualified Property in an amount not to exceed \$5,886,000 anticipated to result in an approximate sales and use tax exclusion value of \$492,070.

---

<sup>3</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER  
REGULATORY AGREEMENT WITH NATE’S FINE FOODS LLC**

November 13, 2018

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Nate’s Fine Foods 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 \$5,886,000 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.C.5**  
**Resolution No. 18-SM033**  
**Application No. 18-SM033**

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.