

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

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

**Sioneer Stockton, LLC
Application No. 19-SM030**

June 18, 2019

Prepared By: *Matthew Parsons, Program Analyst*

SUMMARY

Applicant – Sioneer Stockton, LLC

Location – Stockton, San Joaquin County

Industry – Glass Recycling and Pozzolan Manufacturing

Project – Expansion of Existing Glass Recycling Facility (Recycled Resource Extraction)

Value of Qualified Property – \$15,370,837

Estimated Sales and Use Tax Exclusion Amount² – \$1,285,002

Estimated Quantifiable Net Benefits – \$618,859

Application Score³ –

Fiscal Benefits Points:	1301
<u>Environmental Benefits Points:</u>	<u>180</u>
Net Benefits Score:	1,482
<u>Additional Benefits Points:</u>	<u>90</u>
Total Score:	1,572

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

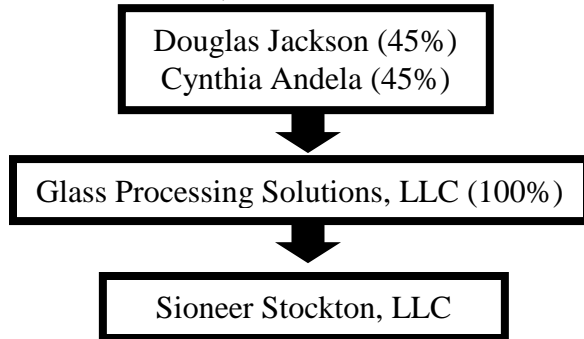
² This amount is calculated based on the average statewide sales tax rate of 8.36%.

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

THE APPLICANT

Sioneer Stockton, LLC (“Sioneer” or the “Applicant”), an Ohio limited liability company formed in 2017 and located in Stockton, is a glass recycler and pozzolan manufacturer. The technology Sioneer uses cleans and processes 100% of the glass it receives to be sold to numerous markets such as bottle and fiberglass manufacturing, pozzolan, silica flour, abrasives, filtration, specialty sands, and agriculture.

The major shareholders (10.0% or greater) of Sioneer Stockton, LLC are:



The corporate officers of Sioneer Stockton, LLC are:

Douglas Jackson, President & CEO
Wendy Wright, VP of Finance
Brett Wilhelm, Director of New Facilities

THE PROJECT

Sioneer is requesting a sales and use tax exclusion to expand its existing glass recycling facility located in Stockton (the “Project”). According to the Applicant, when glass is recycled at a material recovery facility, it is cleaned, sorted, and then transported to new glass manufacturers. This process leaves behind fines or other unsorted glass that is collected and then transported to a landfill for disposal. According to Sioneer, it will divert this waste material from the landfill and recycle the fines and other unsorted glass into pozzolan for use in portland cement. The fines and unsorted glass will undergo an initial grinding process, a sanitization treatment process, a drying process, and a final grind. The resulting material will be a fine glass powder, which will be transported to concrete manufacturers. According to the Applicant, the incorporation of pozzolan significantly improves the durability of concrete, thereby saving time, energy, materials, maintenance, and replacement costs over the life of the product.

The production of portland cement, which is the most commonly used cement in the world, releases approximately 0.88 tons of CO2 per ton of cement produced (EPA 2015), and is reported to be responsible for 5-8% of global anthropogenic carbon emissions annually. According to the Applicant, pozzolan as a replacement in portland cement can reduce greenhouse gas (GHG) emissions by an estimated 83%, pound-for-pound. Based on the projected production of 72,000 tons of Sioneer glass pozzolan per year, the net impact will be a GHG emission reduction of 60,048 tons of MTCO2e annually.

Sioneer received an income tax credit for the Project under the Greenhouse Gas Reduction Recycled Fiber, Plastic, and Glass Grant Program administered by CalRecycle in 2017 for

\$2,400,000. Sioneer also received a Tax-Exempt Revenue Bond through the California Pollution Control Financing Authority in the amount of \$16,650,000 in May of 2019.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Pulverizer Systems	\$ 1,982,917
Dryer and Non-Glass Removal System	1,631,987
Optical Sorting Equipment	2,305,093
Size Reduction and Screening Equipment	833,078
Alt-Infeed Screening Equipment	77,715
Wet Digestion, Grinding, and Drying Equipment	4,381,727
Air Conveying and Storage	1,067,996
Contingency Equipment	1,240,324
Construction Materials	<u>1,850,000</u>
Total	<u>\$15,370,837</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

According to the Applicant, construction and equipment purchases are expected to begin in June 2019. By the end of 2019, Sioneer expects to complete site preparation, building its facility, and equipment installation. Final occupancy will take place in March of 2020.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$15,370,837 and the total quantifiable net benefits are valued at \$618,859 for the Project. The Project received a Total Score of 1,572 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 180 points, which exceeds the 20-point threshold.

- A. Fiscal Benefits (1,301 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 \$1,672,361, resulting in a Fiscal Benefits score of 1,301 points for the Project.

Environmental Benefits (180 points). The Project will result in \$231,501 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 180. These benefits derive from the processing and recycling of glass which thereby diverts 63,600 tons from landfills, according to the Applicant.

B. 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 (20 of 75 points).** The Applicant represents that the Project will support a total of 13 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 20 points for the Project.
- 2. Construction Jobs (20 of 75 points).** The Applicant represents that the Project will support a total of 15 construction 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 Construction Jobs Score of 20 points for the Project.
- 3. Unemployment (50 of 50 points).** The Applicant's Project is located in San Joaquin County which has an average annual unemployment rate of 7.6%. 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

According to the Applicant, a tenant improvement set permit was approved by the City of Stockton in May of 2019. Additionally, the Project was granted a steambed alteration agreement permit in February of 2018, a water quality certification in January of 2018, an authority to construct permit in July of 2018, and various other required worksite permits issued by the United States Army Corps of Engineers from December 2018 to March of 2019.

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,⁴ the Applicant has paid CAEATFA an Application Fee of \$7,685.42 and will pay CAEATFA an Administrative Fee of up to \$61,483.35.

RECOMMENDATION

Staff recommends approval of Resolution No. 19-SM030 for Sioneer Stockton, LLC's purchase of Qualified Property in an amount not to exceed \$15,370,837, anticipated to result in an approximate sales and use tax exclusion value of \$1,285,002.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH SIONEER STOCKTON, LLC**

June 18, 2019

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Sioneer Stockton, 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 \$15,370,837 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.16
Resolution No. 19-SM030
Application No. 19-SM030

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.