

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

*Request to Approve a Time Extension of the
15% Purchase Requirement Timeframe and the
Initial Term of the Regulatory Agreement¹ of STE Award*

**South Bayside Waste Management Authority
Application No. 19-SM032**

Tuesday, December 15, 2020

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – South Bayside Waste Management Authority (AKA RethinkWaste)

Location – San Carlos, San Mateo County

Industry – Organics and Municipal Solid Waste

Project – New Organics and Municipal Solid Waste Processing Facility (Alternative Source)

Total Amount Qualified Property Approved– \$11,260,000

Estimated Sales and Use Tax Exclusion Amount at Approval² – \$941,336

Amount of Time Requested –

- Two years, until January 16, 2023, for the 15% purchase requirement timeframe (three years and six months from the date of initial CAEATFA Board approval)
- One year and six months, until January 16, 2024, for the Initial Term of the Regulatory Agreement (four years and six months from the date of initial CAEATFA Board approval)

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Sales and Use Tax Exclusion Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate at the time of approval, which was 8.36%.

REQUEST

On July 16, 2019, the CAEATFA Board approved a sales and use tax exclusion (“STE”) for South Bayside Waste Management Authority (“SBWMA”) for the purchase of up to \$11,260,000 in Qualified Property to build a new municipal solid waste (MSW) and organics processing facility located in San Carlos (the “Project”). The Regulatory Agreement (“Agreement”) provided SBWMA with 18 months from the date of Board approval to purchase or execute purchase orders for at least 15% of the total Qualified Property amount approved. The Board can extend the 15% purchase requirement timeframe upon a finding of extraordinary circumstances and that an extension is in the public interest and advances the purposes of the Sales and Use Tax Exclusion Program (“Program”). Furthermore, the initial term of the Agreement provided SBWMA with three years from the date of Board approval to utilize its STE award. The initial term of the Agreement can be extended by the Board upon a finding that an extension is in the public interest and advances the purposes of the Program.

As of November 2020, SBWMA has used the STE to purchase \$1,048,747 of Qualified Property (9% of the total Qualified Property amount approved). SBWMA is requesting to extend the 15% purchase requirement timeframe by two years, and is requesting to extend the three-year initial term by one year and six months, to accommodate Project delays due to the COVID-19 pandemic.

SBWMA states that the Project was designed with two major phases in mind: a pilot phase and a full deployment phase. SBWMA explains that, with the outbreak of the coronavirus and implementation of shelter-in-place orders, it has not been able to complete the activities associated with the pilot phase, including collecting and processing enough waste to establish plant efficiency, and gathering supporting data needed to make informed engineering decisions to scale operations. In the pilot phase, SBWMA sought to process 50 tons per day (tpd) of MSW and 60 tpd of commercial food waste, and was able to exceed that target when it reached over 100 tpd of food waste in February 2020. Subsequently, upon quarantine orders and restaurant closures, SBWMA’s food waste processing declined to an estimated 40 tpd in April 2020, bringing its overall waste processing down to approximately 65 tpd. In an effort to continue Project plans, SBWMA has reached out to multiple waste management jurisdictions to obtain alternate sources of MSW organic fines to use as feedstock to enable data collection, and has moved forward with equipment purchases. However, as of mid-November 2020, San Mateo County has reverted back to more restrictive COVID-19 pandemic guidelines as the number of coronavirus cases increase in the county.

THE APPLICANT

SBWMA is a joint powers authority of 12 public agencies (Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, County of San Mateo, and West Bay Sanitary District) in San Mateo County.

SBWMA was established in 1982 and incorporated in its current form in 1999 to provide for the joint ownership, financing, administration, and operation of regional solid waste management facilities, and for the joint planning, adoption, financing, administration, management, review, monitoring, enforcement, and reporting of solid waste, recyclable material, and plant material

collection activities. SBWMA owns and manages a 16-acre facility called the Shoreway Environmental Center that receives all of the recyclables, organics, and garbage collected in the area. The Shoreway facility includes a transfer station, materials recovery facility, collection fleet parking and maintenance facility, and administration building.

The Board Members of SBWMA are:

Bill Widmer, Mayor (Town of Atherton)

Davina Hurt, Mayor (City of Belmont)

Michael Brownrigg, Council Member (City of Burlingame)

Ruben Abrica, Council Member (City of East Palo Alto)

Catherine Mahanpour, Mayor (City of Foster City)

Jay Benton, Board Chair and Council Member (Town of Hillsborough)

Catherine Carlton, Council Member (City of Menlo Park)

Alicia Aguirre, Board Vice Chair and Council Member (City of Redwood City)

Adam Rak, Council Member (City of San Carlos)

Rick Bonilla, Council Member (City of San Mateo)

Carole Groom, President of the Board of Supervisors (County of San Mateo)

Fran Dehn, President (West Bay Sanitary District)

THE PROJECT

SBWMA was granted an STE to build a new MSW and organics processing facility located in San Carlos. According to the SBWMA the main system components for the Project include a bag opener, an organics extrusion press, organics polishing system, and load out system. The SBWMA represents the Project will consist of two phases: a pilot phase and a full-scale phase. In the pilot phase, SBWMA states it will process and convert approximately 50 tpd of MSW and 60 tpd of commercial food waste into 75 tons of clean slurry product. SBWMA represents that at full scale, it will increase the volume of MSW it processes to 700 tpd to produce approximately 200 tons of clean slurry product. SBWMA states that the clean slurry product will be provided to two local wastewater treatment plants, East Bay Municipal Utility District, and Silicon Valley Clean Water, which will create biogas through anaerobic digestion to generate renewable electricity or produce fuel-grade bio CNG for use in the collection vehicles.

15% PURCHASE REQUIREMENT TIMEFRAME AND INITIAL TERM EXTENSIONS

SBWMA has requested that the 15% purchase requirement timeframe be extended from January 16, 2021, to January 16, 2023, and the initial term of the Agreement be extended from July 16, 2022, to January 16, 2024, in order to accommodate Project delays due to the COVID-19 pandemic.

Staff Evaluation

In making its recommendation, Staff recognizes that the occurrence and long-term effects of the COVID-19 pandemic could not have been predicted. Staff has also considered that despite SBWMA's limited ability to complete the contemplated tasks within the pilot phase of the Project, SBWMA has continued Project efforts by installing initial Qualified Property and pivoting to pre-pilot operations aimed at system optimization and early data collection in the

preparation of restaurants fully reopening. SBWMA explains that the requested time is critical and will permit SBWMA to process an adequate amount of waste tonnages for proper data collection within six months of shelter-in-place orders being lifted. Moreover, the requested time will enable SBWMA to shift commercialization plans if the pandemic orders are prolonged.

Based on this information, Staff believes these are extraordinary circumstances, and that extending the 15% purchase requirement timeframe and initial term of the Agreement will allow for the Project to be completed, and is, therefore, in the public interest and advances the purposes of the Program.

LEGAL QUESTIONNAIRE

Staff reviewed SBWMA’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 SBWMA.

CAEATFA FEES

In accordance with the STE Program regulations,³ SBWMA has paid an additional fee of \$2,000.

RECOMMENDATION

Staff recommends that the Board approve SBWMA’s request to extend the 15% purchase requirement timeframe by two years to January 16, 2023, and the initial term of the Agreement by one year and six months to January 16, 2024.

Attachments

- Attachment A: South Bayside Waste Management Authority’s letter requesting waiver (November 16, 2020)
- Attachment B: South Bayside Waste Management Authority’s staff summary at the time of approval

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

**RESOLUTION APPROVING AN EXTENSION OF SOUTH BAYSIDE
WASTE MANAGEMENT AUTHORITY’S 15% PURCHASE REQUIREMENT
TIMEFRAME AND INITIAL TERM UNDER THE REGULATORY AGREEMENT**

December 15, 2020

WHEREAS, on July 16, 2019, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, approved a Sales Tax Exclusion (“STE”) in the amount of \$11,260,000 of Qualified Property for **South Bayside Waste Management Authority** (the “Applicant”); and

WHEREAS, within 18 months of approval by the Authority, the Applicant must purchase or execute purchase orders for at least 15% of the total amount of Qualified Property listed in the approval resolution (STE Program regulations Section 10035(b)(1)); and

WHEREAS, within three years of approval by the Authority, the Applicant must make all purchases of the total amount of Qualified Property amount listed in the approval resolution (STE Program regulations Section 10035(b)(1)); and

WHEREAS, upon a finding of extraordinary circumstances and that it is in the public interest and advances the purposes of the Program, the Authority may waive the requirement that the Applicant must purchase or execute purchase orders for at least 15% of the total amount of Qualified Property within 18 months of Application approval (STE Program regulations Section 10035(b)(1)(A)); and

WHEREAS, upon a finding that it is in the public interest and advances the purposes of the Program, the Authority may waive the requirement that all purchases of Qualified Property be made within three years of Application approval (STE Program regulations Section 10035(b)(1)(B)); and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase or execute purchase orders for at least 15% of the Qualified Property amount within 18 months, due to unexpected delays in the Project timeline, extending the term by two years to January 16, 2023; and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property within three years, due to unexpected delays in the Project timeline, extending the term by one year and six months to January 16, 2024; and

WHEREAS, the Applicant has demonstrated extraordinary circumstances as to why it cannot meet the 18-month 15% purchase requirement timeframe; and

WHEREAS, granting the waivers will allow the Project to proceed and the state to receive the anticipated environmental and economic benefits that justified the initial approval of the Project in accordance with the law, thereby advancing both the public interest and the purposes of the Program.

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Authority finds these are extraordinary circumstances and that it is in the public interest and advances the purposes of the Program to extend the deadline to meet the 15% purchase requirement to January 16, 2023.

Section 2. The Authority finds that it is in the public interest and advances the purposes of the Program to extend the initial term of the Regulatory Agreement to January 16, 2024.

Section 3. This resolution shall take effect immediately upon its passage.

Attachment A: South Bayside Waste Management Authority’s Letter Requesting Waiver
(November 16, 2020)



November 16, 2020

Xee Moau
CAEATFA
915 Capitol Mall Room 538
Sacramento, CA 95814

Subject: Action Request: CAEATFA Time Extension

Dear Xee:

South Bay Waste Management Authority (SBWMA) requests that the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) extend SBWMA’s due date for purchasing 15% of total Qualified Property from January 16, 2021 to January 16, 2023. Given that the current three-year Agreement full deadline is July 16, 2022, SBWMA also proposes to extend this date to January 16, 2024, which would allow SBWMA to complete all proposed pilot-scale activities, gather meaningful data, and purchase and install all equipment for the planned commercial-scale deployment.

SBWMA does not make these requests lightly, but in direct response to a significant and persistent decrease in the availability of commercial food waste resulting from restaurant closures due to COVID-19. This reduction in available commercial food waste has unavoidably delayed the time at which SBWMA can begin producing the 75 tons per day (TPD) of organic slurry associated with successful deployment of the pilot system.

Total Qualified Property on the proposed project is valued at \$11,260,000. 15% of this number equates to \$1,689,000. To date, SBWMA has purchased \$1,048,746.89 of Qualified Property, an amount equal to 9% of the total Qualified Property. Thus, SBWMA has met approximately 62% of the spending requirement currently due on January 16, 2021 and demonstrated its commitment to completing the proposed project.

Project Background and Rationale:

The project is a multi-phase construction effort: Phase 1—O2E Pilot and Phase 2—Full O2E deployment. In its original application to CAEATFA sales tax exclusion program, SBWMA proposed to process 50 TPD of municipal solid waste (MSW) and 60 TPD of commercial food waste into 75 TPD of organic slurry in the Phase 1 pilot. SBWMA proposes to use real-world data from Phase 1 to inform its engineering assumptions for a much larger, commercial-scale buildout in Phase 2.

In March 2020, San Mateo County issued Shelter-in-Place (SIP) orders in response to COVID-19. Since that time, SBWMA has seen a significant decline in commercial food waste generation (Figure 1)—primarily due to COVID-19-related restaurant closures. Prior to the SIP order, SBWMA aimed to process approximately 110 TPD (combined) of inbound MSW and commercial food waste with the O2E Pilot. Since issuance of the SIP, this number has dropped to approximately 65 TPD (40 as food waste per Figure 1)—an amount insufficient to

610 Elm Street, Suite 202 | P: 650-802-3500 | RethinkWaste.org
San Carlos, CA 94070 | F: 650-802-3501

MEMBER AGENCIES: Town of Atherton • City of Belmont • City of Burlingame • City of East Palo Alto • City of Foster City • Town of Hillsborough
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efficiently operate the pilot facility in a fashion that produces meaningful data for informing engineering assumptions for the Phase 2 deployment.

Despite these challenges, SBWMA is engaged in multiple efforts to ensure that the project will be completed. First, SBWMA has communicated with multiple waste and wastewater treatment jurisdictions to seek alternate sources of organic fines (OF) MSW for use as feedstock. None of the jurisdictions contacted to date has been willing to provide its OFMSW to the project. Undeterred, in a separate project SBWMA has moved forward with its planned efforts to install the proposed equipment necessary to remove the organic fraction from its incoming MSW stream to produce liquid slurry. With this equipment now operational, SBWMA plans to commission it and begin limited-batch pre-Pilot operations aimed at system optimization and early data collection.



Figure 1: Commercial food waste collection in 2020.

As mentioned above, this system will enable the processing of 65 TPD of incoming feedstock, divided between organics derived from the MSW stream and the reduced quantities of available commercial food waste.

Once volumes of commercial food waste return to pre-COVID-19 levels, SBWMA will quickly ramp up production and begin processing the required 50 TPD of MSW and 60 TPD of commercial food waste to produce 75 TPD of organic slurry for the required six months. It is the former milestone that has the greatest impact on the overall project schedule, and it is highly uncertain, with a highly variable range of potential start dates.

Request Summary:

As stated previously, SBWMA requests that the CAEATFA extend SBWMA’s due date for purchasing 15% of total Qualified Property from January 16, 2021 to January 16, 2023. SBWMA is eager to move forward with the project but has been slowed down by the impacts of COVID-19 to the incoming commercial food waste material, which SBWMA anticipates will be temporary. SBWMA expects that in a post-COVID world, commercial food waste will return to its historic levels and composition.

SBWMA’s proposed extension of two years from January 16, 2021 to January 16, 2023 is an appropriate and prudent request, especially since San Mateo County announced today it has fallen back to the more restrictive red Tier 2 (from orange Tier 3), rolling back recently re-opened indoor dining and limiting commercial food waste generation once again. It is hoped that within 2021 the U.S. will obtain a vaccine to be fully distributed by early 2022, allowing restaurants to open and food waste to reach historical levels by mid-2022.

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In reaching that post-COVID world, SBWMA could gather the last remaining data points with six months of running the pilot O2E system well before the end of 2022, to validate the design for the full system. With the complete design package, SBWMA will be poised to purchase the remaining equipment, whose first purchase orders will quickly exceed the minimum 15% requirement before 1/16/2023, with the remaining equipment to realize the remaining Qualified Property purchases. Additionally, if the U.S. does not reach a post-COVID-19 world after early 2022, SBWMA will reconsider its approach to the full deployment and may move forward with an altered/updated project that better reflects the expected ongoing new paradigm.

The SBWMA appreciates your agency’s consideration of our time extension request and highly-values our strong working partnership in helping bring this exciting technology to market. SBWMA staff are readily available to discuss this request or provide additional information to CAEATFA staff to support your evaluation of the extension request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe LaMariana".

Joe LaMariana
Executive Director, SBWMA

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Attachment B: South Bayside Waste Management Authority’s Staff Summary at the Time of Approval

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

Request to Approve Project for Sales and Use Tax Exclusion (STE)⁴

**South Bayside Waste Management Authority
Application No. 19-SM032**

Tuesday, July 16, 2019

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – South Bayside Waste Management Authority (AKA ReThink Waste)

Location – San Carlos, San Mateo County

Industry – Organics and Municipal Solid Waste

Project – New Organics and Municipal Solid Waste Processing Facility (Alternative Source)

Value of Qualified Property – \$11,260,000

Estimated Sales and Use Tax Exclusion Amount⁵ – \$941,336

Estimated Quantifiable Net Benefits – \$1,060,674

Competitive Criteria Score – 6

Application Score –

Fiscal Benefits Points:	2,053
<u>Environmental Benefits Points:</u>	<u>74</u>
Net Benefits Score:	2,127

<u>Additional Benefits Points:</u>	<u>50</u>
Total Score:	2,177

Staff Recommendation – Approval

⁴ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

⁵ This amount is calculated based on the average statewide sales tax rate of 8.36%.

THE APPLICANT

South Bayside Waste Management Authority (“SBWMA” or the “Applicant”) is a joint powers authority of twelve public agencies (Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, and San Mateo, the County of San Mateo, and the West Bay Sanitary District) in San Mateo County.

SBWMA was established in 1982 and incorporated in its current form in 1999 to provide for the joint ownership, financing, administration, and operation of regional solid waste management facilities, and for the joint planning, adoption, financing, administration, management, review, monitoring, enforcement, and reporting of solid waste, recyclable material, and plant material collection activities. SBWMA owns and manages a 16-acre facility called the Shoreway Environmental Center that receives all of the recyclables, organics, and garbage collected in the area. The Shoreway facility includes a transfer station, materials recovery facility, collection fleet parking and maintenance facility, and administration building.

The Board Members of SBWMA are:

- Bill Widmer, Mayor (Town of Atherton)
- Davina Hurt, Mayor (City of Belmont)
- Michael Brownrigg, Council Member (City of Burlingame)
- Ruben Abrica, Council Member (City of East Palo Alto)
- Herb Perez, Vice Mayor (City of Foster City)
- Jay Benton, Board Chair and Council Member (Town of Hillsborough)
- Catherine Carlton, Council Member (City of Menlo Park)
- Alicia Aguirre, Board Vice Chair and Council Member (City of Redwood City)
- Adam Rak, Council Member (City of San Carlos)
- Rick Bonilla, Council Member (City of San Mateo)
- Carole Groom, President of the Board of Supervisors (County of San Mateo)
- Fran Dehn, President (West Bay Sanitary District)

THE PROJECT

SBWMA is requesting a sales and use tax exclusion to build a new municipal solid waste (MSW) and organics processing facility located in San Carlos (the “Project”). According to the Applicant, the main system components for the Project include a bag opener, an organics extrusion press, organics polishing system, and load out system. The Applicant represents the Project will consist of two phases; a pilot phase and a full-scale phase. In the pilot phase, SBWMA states it will process and convert approximately 50 tons of MSW and 60 tons of commercial food waste per day into 75 tons of clean slurry product. SBWMA represents that at full scale, it will increase the volume of MSW it processes to 700 tons per day to produce approximately 200 tons of clean slurry product. The Applicant states that the clean slurry product will be provided to two local waste-water treatment plants, East Bay Municipal Utility District and Silicon Valley Clean Water, which will create biogas through anaerobic digestion to generate renewable electricity or produce fuel-grade bio CNG for use in the collection vehicles.

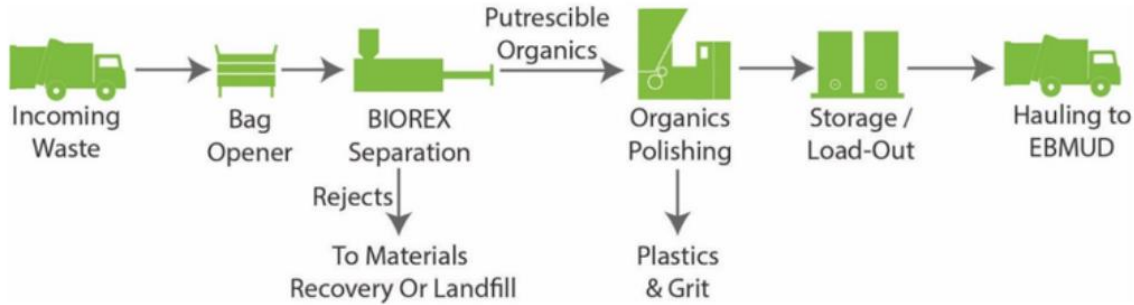


Figure 1: Process Flow Diagram for the Pilot Phase



Figure 2: Input and Products of Organics Polishing System

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Solid Waste Pre-Processing Equipment	\$ 3,900,000
Solid Waste and Organics Extraction Equipment	2,400,000
Solid Waste Polishing Equipment	2,200,000
Solid Waste Post-Processing Equipment	410,000
Steel Package	1,800,000
Control System	550,000
Total	<u>\$11,260,000</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 states that it is past the design stages of the pilot phase and is currently working on procurement and obtaining permits. According to SBWMA, equipment installation and commissioning for the pilot phase are expected to occur in Q4 2019. SBWMA states that all tasks related to the full-scale phase will take place in 2020 with the intent of being operational by the beginning of 2021.

COMPETITIVE CRITERIA SCORE

In the event that requested STE of all Applications to be heard in a month exceeds the remaining available STE cap amount, projects will be brought before the Authority based on ranking of competitive criteria. The Applicant received six competitive criteria points. The Applicant received points in the following categories:

1. **Corporate Headquarters (1 point)**. The Applicant has verified that it has a corporate headquarters located in California and that any parent company with an ownership interest larger than 50% also has a corporate headquarters in California.
2. **New Applicant (5 points)**. The Applicant has not previously been approved for an STE award, and no parent company with an ownership interest greater than 50%, or affiliate or subsidiary of a parent company with an ownership interest greater than 50%, has been previously approved for an STE award.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$11,260,000 and the total quantifiable net benefits are valued at \$1,060,674 for the Project. The Project received a Total Score of 2,177 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 74 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (2,053 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 \$1,932,190, resulting in a Fiscal Benefits score of 2,053 points for the Project.
- B. **Environmental Benefits (74 points)**. The Project will result in \$69,820 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 74 points for the Project. These benefits derive from the production of mixed

organics slurry for use in biogas production, which offsets the need for use of fossil methane, according to the Applicant.

C. Additional Benefits (50 points). Applicants may earn additional points for their Total Score. The Applicant submitted information and received 50 additional points.

- 1. Production Jobs (20 of 75 points).** The Applicant represents that the Project will support a total of eight production-related 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 Permanent Jobs Score of 20 points for the Project.
- 2. Construction Jobs (30 of 75 points).** The Applicant represents that the Project will support a total of 14 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.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, it is currently obtaining electrical and structural permits with the City of San Carlos and amending its solid waste permit with Cal-Recycle. A building permit is expected to be obtained by June 2020.

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,⁶ the Applicant has paid CAEATFA an Application Fee of \$5,630 and will pay CAEATFA an Administrative Fee up to \$45,040.

RECOMMENDATION

Statute limits CAEATFA to granting up to \$100 million in sales and use tax exclusion each calendar year. Program Regulation Section 10032(a)(7)(A) provides that when the amount

⁶ California Code of Regulations Title 4, Division 13, Section 10036

Agenda Item – 4.B.1

requested in the final Application considered under the competitive criteria process exceeds the STE available in the calendar year, the Authority shall award the remaining STE request using STE from the following calendar year. After the June 2019 Board meeting, CAEATFA has approximately \$5,170,855 in STE (or \$61,852,333.80 in Qualified Property) left to award in 2019, which is sufficient to fully award the top two ranked Applicants, Lakeside Pipeline LLC and Allogene Therapeutics, Inc., from the 2019 allocation. Assuming both Applicants are approved, approximately \$751,806 in STE (or \$8,992,888.80 in Qualified Property) remains in the 2019 calendar year, and South Bayside Waste Management Authority's Project is for \$11,260,000 in Qualified Property for an estimated sale and use tax exclusion value of \$941,336.

Therefore, staff recommends approval of Resolution No. 19-SM032 for South Bayside Waste Management Authority's purchase of Qualified Property in an amount not to exceed \$8,992,888.80 in Qualified Property, effective immediately, anticipated to result in an approximate sales and use tax exclusion value of \$751,806, and effective January 1, 2020, for the purchase of up to \$2,267,111.20 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$189,530.

RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER REGULATORY AGREEMENT WITH SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

June 16, 2019

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **South Bayside Waste Management Authority** (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 \$11,260,000 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.

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 for up to \$8,992,888.80 in Project equipment purchases and effective on January 1, 2020, for up to an additional \$2,267,111.20 in Project equipment purchases, resulting in a total of \$11,260,000 in Project equipment purchases, 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.