

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Garaventa Enterprises, Inc.
Application No. 21-SM001**

Tuesday, March 16, 2021

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – Garaventa Enterprises, Inc.

Location – Pittsburg, Contra Costa County

Industry – Mixed Recycling

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

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$11,600,000	\$986,000

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$2,304,863	2,338
Estimated Environmental Benefits	\$311,144	316
Additional Benefits	N/A	115
Total	\$2,616,007	2,768
Estimated Quantifiable Net Benefit	\$1,630,007	

Competitive Criteria Score – 220

Staff Recommendation – Approval

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

² This amount is calculated based on the average statewide sales tax rate of 8.5%.

³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)

⁴ Dollar values and point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

Garaventa Enterprises, Inc. (the “Applicant”), is a California corporation that formed in 1963. The Applicant is owned by the Garaventa family, who began providing garbage services to the City of Concord in 1934. The Applicant owns and operates several municipal franchises, including Concord Disposal, Inc., d.b.a. Mt. Diablo Resource Recovery, which serves over 250,000 residences and thousands of businesses throughout Contra Costa, Napa, and Solano Counties.

The Applicant has received financing for solid waste disposal/recycling facilities pursuant to a variable rate demand solid waste disposal revenue bond for \$32,205,000 issued by the California Pollution Control Financing Authority on July 1, 2016.

The major shareholders (10.0% or greater) of the Applicant are:
 Garaventa Family Marital Trust, Louisa V. Binswanger (70%)

The corporate officers of the Applicant are:
 Ronald J. Proto, Chief Executive Officer
 Patrick J. Dolim, Chief Financial Officer
 Gary Lazdowski, Chief Operating Officer
 Kish Rajan, Chief Administrative Officer

THE PROJECT

Garaventa Enterprises, Inc., is requesting an STE award to upgrade its existing recycling processing center, Mt. Diablo Resource Recovery, located in Pittsburg (the “Project”). According to the Applicant, Mt. Diablo Resource Recovery is the largest recycling facility in the area and processes a variety of recyclables, including paper, metals, yard waste, urban wood waste, construction materials, and used oil. As part of the Project, the Applicant states it will acquire a second baler and a new sorting line to process an average of 135,000 tons of mixed recyclables per year. The Applicant states the new system will not only increase capacity, but allow for greater processing efficiency to recover mixed recyclables for use in newsprint, high-grade paper, cardboard, tin, glass, aluminum, and plastics.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Sorting Line	\$10,285,000
Baler	\$567,000
Power Equipment for Baler	\$145,000
Electrical Equipment (main feed runs to Sorting Line)	\$603,000
Total	<u>\$11,600,000</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 Regulatory Agreement, a finalized Project equipment list will be prepared detailing

the value of the Project equipment actually acquired, and the estimated 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, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

TIMELINE

The Applicant states the sorting line contract was signed in March 2020 and Qualified Property purchases were received in November and December 2020. According to the Applicant, it is currently in the installation phase and plans on the equipment being operational by April 2021.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states the Project requires the approval of electrical equipment upgrade design plans and a general construction permit from the City of Pittsburg, and two fire-protection-related permits from Contra Costa County. The Applicant states that all permits and approvals were obtained in Quarter 4 of 2020 and are in good standing.

COMPETITIVE CRITERIA SCORE

In the event that the Applications received by CAEATFA requesting \$2 million or less in STE by the deadline for a particular Board meeting represent STE in excess of the \$20 million set-aside for that calendar year, the Applications submitted for that particular Board meeting will be reviewed and presented to the CAEATFA Board for approval in the order in which they are ranked based on Competitive Criteria.

The Applicant received 220 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Applicant's Project earned more than zero environmental benefits points, as calculated pursuant to the method for calculating points for environmental benefits for Advanced Transportation, Alternative Source, and Recycled Resource Extraction Applications in Section 10033(c)(4), and, therefore, 100 points are awarded.
2. **Unemployment (0 of 50 points)**. The Applicant's Project is located in Contra Costa County, which has an average annual unemployment rate of 7.6%.⁵ When compared to the statewide average annual unemployment rate of 9.1%, the Project location earned the Applicant zero points.

⁵ Unemployment rates are based on data available in October 2020.

3. **Job Creation (55 of 75 points)**. The Applicant anticipates the Project will support a total of 88 production-related jobs at its Facility. CAEATFA estimates that approximately 6.98 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 55 points.
4. **California Headquarters (15 of 15 points)**. The Applicant has a California Corporate Headquarters, and, therefore, 15 points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant's Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.
6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (50 of 50 points)**. The Applicant is not eligible to use any of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, 50 points are awarded.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 2,768 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 316 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (2,338 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$2,304,863, resulting in a Fiscal Benefits score of 2,338.
- B. **Environmental Benefits (316 points)**. The Project is anticipated to result in \$311,144 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 316 points. These benefits derive from the processing of mixed recyclables for use in another product, which diverts waste from landfills.
- C. **Additional Benefits (115 points)**. Applicants may earn additional points for their Total Score. The Applicant received 115 additional points.
 1. **Production Jobs (55 of 75 points)**. The Applicant anticipates the Project will support a total of 88 production-related jobs at its Facility. CAEATFA

estimates that approximately 6.98 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 55 points.

2. **Construction Jobs (35 of 75 points)**. The Applicant anticipates the Project will support a total of 32 construction jobs at its Facility. CAEATFA estimates that approximately 2.54 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 35 points.
3. **Unemployment (0 of 50 points)**. The Applicant’s Project is located in Contra Costa County, which has an average annual unemployment rate of 7.6%.⁶ When compared to the statewide average annual unemployment rate of 9.1%, the Project location earned the Applicant zero points.
4. **Benefits and Fringe Benefits (25 of 25 Points)**. The Applicant states it provides medical, health, dental, vision, bonuses, a pension plan, retirement contributions, profit sharing, education reimbursement, employee discounts, and paid leave to its employees, earning the Applicant 25 points.

LEGAL QUESTIONNAIRE

Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with CAEATFA Regulations,⁷ the Applicant has paid CAEATFA an Application Fee of \$5,800, and will pay CAEATFA an Administrative Fee of up to \$46,400.

RECOMMENDATION

Staff recommends the approval of Resolution No. 21-SM001 for Garaventa Enterprises, Inc.’s purchase of qualifying tangible personal property in an amount not to exceed \$11,600,000, anticipated to result in an approximate STE value of \$986,000.

⁶ Unemployment rates are based on data available in October 2020.

⁷ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH GARAVENTA ENTERPRISES, INC.**

March 16, 2021

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Garaventa Enterprises, Inc.** (the “Applicant”), for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10030(a), with the Applicant for the Project; and

WHEREAS, the Applicant has estimated the Project has an estimated cost not to exceed \$11,600,000 over a period of three years; and

WHEREAS, the Applicant asserts 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 Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

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

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The 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 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 Authorized Signatories deem appropriate, provided that the amount of the

qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may 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 to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to 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 is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.