

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

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

**CertainTeed, LLC**  
**Application No. 21-SM032**

**Tuesday, May 18, 2021**

Prepared By: *Matthew Jumps, Program Analyst*

**SUMMARY**

**Applicant** – CertainTeed, LLC

**Location** – Chowchilla, Madera County

**Industry** – Insulation Manufacturing

**Project** – Upgrade of Existing Insulation Manufacturing Facility (Advanced Manufacturing)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount <sup>2</sup>
\$22,300,000	\$1,895,500

Estimated Net Benefit <sup>3</sup>	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$3,721,318	1,963
Estimated Environmental Benefits	N/A	30
Additional Benefits	N/A	63
<b>Total</b>	<b>\$3,721,318</b>	<b>2,056</b>
<b>Estimated Quantifiable Net Benefit</b>	<b>\$1,825,818</b>	

**Staff Recommendation** – Approval

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

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

<sup>3</sup> 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).)

**THE APPLICANT**

CertainTeed, LLC, (the “Applicant”) is a Delaware limited liability company that formed in 2019. The Applicant is North America’s leading supplier of exterior and interior building products, including roofing, siding, fence, decking, railing, trim, gypsum, ceilings, and insulation. The Applicant is a subsidiary of Compagnie de Saint-Gobain, a global building products company. Compagnie de Saint-Gobain is publicly traded on the Paris Stock Exchange through Euronext under the ticker SGO and is based in Paris, France.

The major shareholders (10.0% or greater) of the Applicant are:

CertainTeed Holding Corporation  
(Subsidiary of Compagnie de Saint-Gobain)

The company officers of the Applicant are:

Mark Rayfield, CEO  
Eric Placidet, CFO  
Robert Panaro, COO

**THE PROJECT**

CertainTeed, LLC, is requesting an STE award to upgrade its existing insulation manufacturing facility located in Chowchilla (the “Project”). The Chowchilla plant manufactures insulation for residential homes, helping make those homes more energy efficient. The Applicant is upgrading its manufacturing equipment in line with its parent company’s policy to reduce air emissions, waste, and energy consumption across all its subsidiaries. The Applicant will be installing advanced technologies to achieve its parent company’s environmental goals, including a new furnace and curing oven, a new oxygen-generation plant, a new stack, new energy efficient scrubbers, and equipment for programmable logic circuit technology. Upgrades to the furnace, oven, oxygen plant, and support equipment are expected to result in a reduced energy consumption, per unit of output, by 5.2% from a current energy intensity of 4270 kwh/metric ton to 4048.9 kwh/metric ton. Furthermore, carbon dioxide emissions are expected to be reduced by roughly 6,383 metric tons due to improved efficiency in natural gas consumption in the upgraded furnace and oven, resulting in a 5.2% net reduction in carbon dioxide emissions.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Furnace	\$10,700,000
Oven	\$9,000,000
Stack Moisture Sensor	\$100,000
Programmable Logic Circuit Upgrades	\$1,000,000
Scrubbers	\$500,000
Stack	\$300,000
Oxygen-Generation Plant	\$500,000
Network Equipment	\$200,000
<b>Total</b>	<b><u>\$22,300,000</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 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**

According to the Applicant, preliminary purchase orders for equipment began in the first quarter of 2021. The Applicant expects design activities, orders, and the finalization of required permits to be completed in the fourth quarter of 2021. In the first quarter of 2022, the Applicant will perform a 65-day cessation of plant operations to install new equipment, test, and restart the plant.

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

According to the Applicant, the Project will require an Authority to Construct Permit and an air district permit from San Joaquin Valley Air Pollution Control District. The Applicant is proceeding with both permit applications and expects the air district to issue those permits by the end of 2021.

## **PROJECT EVALUATION**

### **PROJECT BENEFITS**

The Project received a Total Score of 2,056 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 30 points, which exceeds the 20-point threshold.

**A. Fiscal Benefits (1,963 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 \$3,721,318, resulting in a Fiscal Benefits score of 1,963.

**B. Environmental Benefits (30 points).**

The Project earned an Environmental Benefits Score of 30. The Applicant received points in the following categories:

- 1. Environmental Sustainability Plan (20 of 20 points).** The Applicant's parent company has an environmental sustainability plan committing all subsidiaries, including the Applicant, to reduce company-wide carbon-dioxide emissions by 20%, non-recovered waste by 50%, and industrial water emissions by 80% by 2025.

2. **Energy Consumption (5 of 30 points).** The Applicant anticipates the Project will result in a 5% reduction in energy consumption compared to the Applicant's previous manufacturing process by making upgrades to the furnace, oven, oxygen plant, and supporting equipment.
  3. **Air Pollutants (5 of 30 points).** The Applicant anticipates the Project will result in a 5% reduction in air pollutants produced relative to the Applicant's previous manufacturing process by reducing plant carbon-dioxide emissions through the installation of equipment that will consume less natural gas.
- C. **Additional Benefits (63 points).** Applicants may earn additional points for their Total Score. The Applicant received 63 additional points.
1. **Production Jobs (0 of 75 points).** The Applicant anticipates the Project will support a total of 177 production-related jobs at its Facility. These jobs, however, will be retained from current employment, resulting in no new hires. Thus, CAEATFA estimates that approximately zero 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 zero points.
  2. **Construction Jobs (0 of 75 points).** The Applicant anticipates the Project will support a total of 50 construction jobs at its Facility. CAEATFA estimates that approximately 0.89 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 zero points.
  3. **Unemployment (13 of 50 points).** The Applicant's Project is located in Madera County, which has an average annual unemployment rate of 10.2%.<sup>4</sup> When compared to the statewide average annual unemployment rate of 9.1%, the Project location earned the Applicant 13 points.
  4. **Workforce Partnerships (25 of 25 points).** The Applicant has a partnership with California State University, Fresno, for the purpose of assisting in the training of potential future workers.
  5. **Benefits and Fringe Benefits (25 of 25 Points).** The Applicant states it provides medical, health, dental, vision, bonuses, pension plan, retirement contribution, dependent care and assistance reimbursement, education reimbursement, gym subsidy, employee discounts, and paid leave to its employees, earning the Applicant 25 points.

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<sup>4</sup> Unemployment rates are based on data available in October 2020.

## **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,<sup>5</sup> the Applicant has paid CAEATFA an Application Fee of \$10,000, and will pay CAEATFA an Administrative Fee of up to \$89,200.

## **RECOMMENDATION**

Staff recommends the approval of Resolution No. 21-SM032 for CertainTeed, LLC's, purchase of qualifying tangible personal property in an amount not to exceed \$22,300,000, anticipated to result in an approximate STE value of \$1,895,500.

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<sup>5</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A  
REGULATORY AGREEMENT WITH CERTAINTEED, LLC**

**May 18, 2021**

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **CertainTeed, LLC** (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 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has estimated the Project has an estimated cost not to exceed \$22,300,000 over a period of three (3) 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

**Agenda Item – 4.B.3**  
**Resolution No. 21-SM032**  
**Application No. 21-SM032**

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.