

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

***Request to Approve an Extension of the 15% Purchase Requirement Timeframe and  
the Initial Term of the Regulatory Agreement, and to Amend Resolution No. 20-SM013 to  
Change the Participating Party from Zanker Road Resource Management, Ltd. to  
Zanker Road Resource Management LLC<sup>1</sup>***

**Zanker Road Resource Management, LLC  
Application No. 20-SM013**

**Tuesday, April 19, 2022**

Prepared By: *Xee Moua, Program Analyst*

**SUMMARY**

**Applicant** – Zanker Road Resources Management, LLC  
(previously applied as Zanker Road Resource Management, Ltd.)

**Location** – Gilroy, Santa Clara County

**Industry** – Mixed Organics

**Project** – Upgrade of Existing Compost Production Facility (Recycled Resource Extraction)

**Total Amount Qualified Property Approved**– \$24,395,182

**Estimated Sales and Use Tax Exclusion Amount at Approval<sup>2</sup>** – \$2,039,437

**Amount of Time Requested** –

- One year, seven months, and 15 days, until January 1, 2024, for the 15% purchase requirement timeframe (three years, nine months, and 15 days from the date of initial CAEATFA Board approval)
- One year, nine months, and 15 days, until January 1, 2025, for the Initial Term of the Regulatory Agreement (four years, nine months, and 15 days from the date of initial CAEATFA Board approval)

**Staff Recommendation** – Approval

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<sup>1</sup> All capitalized terms not defined in this document are defined in the Sales and Use Tax Exclusion Program's statutes and regulations.

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

**REQUEST**

On March 17, 2020, the CAEATFA Board approved a sales and use tax exclusion (“STE”) for Zanker Road Resources Management, Ltd. (“Zanker Ltd.”) for the purchase of up to \$24,395,182 in Qualified Property to upgrade its existing composting facility, Z-Best, located in Gilroy (the “Project”). The Regulatory Agreement (“Agreement”) provided Zanker Ltd. with 18 months from the date of CAEATFA Board approval to purchase or execute purchase orders for at least 15% of the total Qualified Property amount approved.<sup>3</sup> Also, the Agreement initial term provided Zanker Ltd. with three years from the date of Board approval to utilize its STE award.<sup>4</sup>

On August 17, 2021, the CAEATFA Board approved Zanker Ltd. for an eight-month extension of the 15% purchase requirement timeframe from September 17, 2021, to May 17, 2022, to accommodate delays with its California Environmental Quality Act (“CEQA”) application review and approval as a result of the COVID-19 pandemic.

In December 2021, Zanker Ltd. filed documents with the Delaware Secretary of State converting from a California limited partnership to a Delaware limited liability company, Zanker Road Resource Management, LLC (the “Applicant”).

As of March 2022, the Applicant has not used any of the STE to make purchases of Qualified Property. The Applicant is requesting to extend the 15% purchase requirement timeframe for second time by one year, seven months, and 15 days to accommodate additional delays with its CEQA application. The Applicant is also requesting to extend the Agreement’s initial term by one year, nine months, and 15 days to allow time for Project construction to take place. Additionally, the Applicant submitted a request to change the participating party on the STE award approval resolution and the Regulatory Agreement from Zanker Road Resource Management, Ltd., to Zanker Road Resource Management, LLC.

The CAEATFA 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 STE Program.<sup>5</sup> Extraordinary circumstances may include, but are not limited to, unforeseen permitting delays.<sup>6</sup> The CAEATFA Board can extend the initial term of the Agreement upon a finding that an extension is in the public interest and advances the purposes of the STE Program.<sup>7</sup>

According to the Applicant, the COVID-19 pandemic has caused the Santa Clara County to fall behind on approving its CEQA application, which is necessary for Project permits and construction. The Applicant requested its first 15% purchase requirement timeframe extension because Santa Clara County was short-staffed and working remotely, causing the county to take over a year to hire an Environmental Impact Report (“EIR”) consultant. At the time, the

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<sup>3</sup> California Code of Regulations Title 4, Division 13, Section 10035(b)(1)

<sup>4</sup> California Code of Regulations Title 4, Division 13, Section 10035(b)(1)

<sup>5</sup> California Code of Regulations Title 4, Division 13, Section 10035(b)(1)(A)

<sup>6</sup> California Code of Regulations Title 4, Division 13, Section 10035(b)(1)(A)

<sup>7</sup> California Code of Regulations Title 4, Division 13, Section 10035(b)(1)(B)

consultant had prepared the draft EIR and Santa Clara County was preparing responses to the comments received on the draft EIR.

Since the August 2021 extension, the Applicant states the Santa Clara County has moved to recirculate its draft EIR in response to comments received, thus pushing the Project timeline out to 2025. The Applicant provided an updated timeline indicating Santa Clara County is scheduled to start its 45-day public circulation period of the amended draft EIR submitted in November 2022, with the certification hearing and Board of Supervisors hearing taking place in April 2023.

Thereafter, the Applicant states it will apply for its building permits with the anticipation of construction starting around October 2023. The Applicant states construction will be finalized around January 2025. According to the Applicant, it has obtained feedstock contracts and seeks to conform with the requirements of Chapter 13.1 (commencing with Section 42652 of Part 3 of Division 30 of the Public Resources Code), which requires local jurisdictions to reduce organic waste at landfills once the Project is completed.

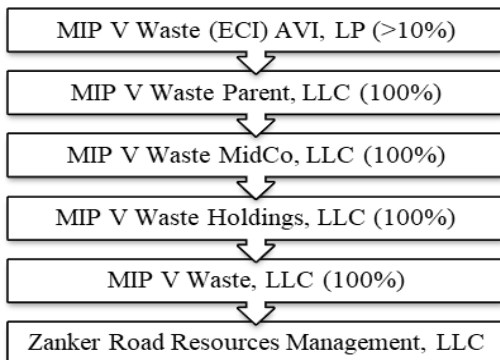
In the meantime, the Applicant has been successful in securing feedstock partners and has ordered its rolling stock equipment (loaders and trucks) but has been informed there is a major supply chain delay, therefore, the Applicant will not place a down payment until the equipment is in transit.

### **THE APPLICANT**

The Applicant is a privately owned solid waste and recycling company operating in the San Jose and Sacramento areas. The Applicant began operations in 1985 as a landfill and has since developed into a full-service resource management company. The Applicant's Z-Best composting facility processes mixed solid waste to produce compost.

On June 19, 2018, the CAEATFA Board granted the Applicant its first STE award for the purchase of up to \$11,132,857 in Qualified Property for an estimated STE value of \$930,707 to build a new mixed recycling facility located in San Jose, known as the Advanced C&D Processing System. The Applicant completed the project in 2019.

The ownership structure of the Applicant is as follows:



The corporate officers of the Applicant are:

Tracy Adams, CEO  
Greg Ryan, VP and COO  
Dave Tilton, CFO, Treasurer & Secretary

## **THE PROJECT**

According to the Applicant, it started the permitting process for the Project in 2015 to increase the facility capacity up to 2,750 tons per day of compostables and to update the existing composting method to reduce the time required to complete the compost production process while utilizing the same facility footprint. The Project will result in the processing of a larger volume of more diversified solid waste inputs at the facility, which will increase the diversion rates for its local jurisdictions. The Applicant states it is accepting around 205,000 tons per year of mixed solid waste compostables; when the Project is completed, the Applicant will be able to accept over 311,000 tons per year.

According to the Applicant, the facility's new composting technique uses two composting methods, each using a different aerated technology. In the first step, primary composting, the technology selection optimizes odor and volatile organic compounds control while also providing pathogen reduction, drying, and significant bio-stabilization in 20 days. In the second step, the technology selection optimizes uniform bio-stabilization in 24 days. All emissions are processed through a biofilter to remove volatile organic compounds and air contaminants. After the secondary composting stage, the materials will be removed from the composting bunker and placed into a stockpile where it will cure. The cured compost will undergo a finished product screening to remove nonorganics.

## **15% PURCHASE REQUIREMENT TIMEFRAME EXTENSION REQUEST**

The Applicant has requested that the 15% purchase requirement timeframe be extended from May 17, 2022, to January 1, 2024, to accommodate delays with the CEQA approval process, partly as a result of the COVID-19 pandemic.

## **AGREEMENT INITIAL TERM EXTENSION REQUEST**

The Applicant has requested that the initial term of the Agreement be extended from March 17, 2023, to January 1, 2025, in order to accommodate delays with the CEQA approval process, partly as a result of the COVID-19 pandemic.

## **Staff Evaluation**

In making its recommendation, Staff acknowledges that the CEQA delays the Applicant has encountered are beyond its control, and that the Applicant is working diligently with the Santa Clara County to ensure the EIR is completed timely. The Applicant has outlined a new timeline with the intent of finishing the Project as quickly as possible after the CEQA process has finished. As part of the Applicant's first 15% purchase requirement request, the Applicant stated that it intended to secure its feedstock suppliers for the Project, which has since been achieved. Additionally, the Applicant has placed rolling stock equipment purchases and anticipates working with the CalRecycle to ensure it is in compliance with the requirements of Chapter 13.1

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(commencing with Section 42652 of Part 3 of Division 30 of the Public Resources Code). CEQA-related delays were a significant reason why program regulations were amended to allow for extensions of the 15% purchase requirement timeframe, even before the COVID-19 pandemic, which has also contributed to the CEQA delays. Staff also notes that the Applicant did not require any extensions for its first project approved in 2018, which was completed in 2019.

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

Statutes limit the use of CAEATFA's STE to "any participating party" (Section 6010.8(a) of the Revenue and Taxation Code). A "participating party" is defined as an entity that seeks financial assistance (Section 26003(a)(7)(B) of the Public Resources Code) as part of the STE Program (Section 26011.8 of the Public Resources Code). Section 3 of Resolution No. 20-SM013 provides that Zanker Road Resource Management, Ltd. is a "participating party" within the meaning of the STE Program.

The Applicant has requested to change the participating party from Zanker Road Resource Management, Ltd., to Zanker Road Resource Management, LLC, in order to continue with the Project as originally intended because Zanker Ltd. has converted to a limited liability company and now Zanker Road Resource Management, LLC, is the entity responsible for completing the Project and purchasing Qualified Property. Staff has reviewed Applicant's updates to the application materials and has determined that the Project will remain within the scope approved on March 17, 2020.

Amending the resolution to change the participating party to Zanker Road Resource Management, LLC, in the Regulatory Agreement will allow the proposed Project to continue and the state to receive the estimated benefits of the original Project.

### **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 STE Program Regulations,<sup>8</sup> the Applicant has paid an additional fee of \$2,750 because changing the participating party and extending the 15% purchase requirement timeframe and initial term qualify as modifications to the Applicant's Agreement.

**RECOMMENDATION**

Staff recommends that the Board approve the Applicant's request to extend the 15% purchase requirement timeframe by one year, seven months, and 15 days, until January 1, 2024, as the Applicant has demonstrated extraordinary circumstances and it is in the public interest and advances the purposes of the STE Program.

Staff recommends that the Board approve the Applicant's request to extend the initial term of the Agreement by one year, nine months, and 15 days, until January 1, 2025, as it is in the public interest and advances the purposes of the STE Program.

Staff recommends that the Board approve the Applicant's request to amend Resolution No. 20-SM013 to change the participating party from Zanker Road Resource Management, Ltd., to Zanker Road Resource Management, LLC, in the Regulatory Agreement to reflect the Applicant's conversion to a limited liability company.

**Attachments**

Attachment A: Zanker Road Resource Management, LLC's letter requesting waiver (March 14, 2022)

Attachment B: Zanker Road Resource Management, LLC's staff summary at the time of approval

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<sup>8</sup> California Code of Regulations Title 4, Division 13, Section 10036(c)(1)(B)

**RESOLUTION APPROVING AN EXTENSION OF ZANKER ROAD RESOURCE  
MANAGEMENT, LLC'S 15% PURCHASE REQUIREMENT TIMEFRAME AND  
INITIAL TERM UNDER THE REGULATORY AGREEMENT AND AMENDING  
RESOLUTION NO. 20-SM013 TO CHANGE THE PARTICIPATING PARTY FROM  
ZANKER ROAD RESOURCE MANAGEMENT, LTD., TO  
ZANKER ROAD RESOURCE MANAGEMENT, LLC**

April 19, 2022

WHEREAS, on March 17, 2020, 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 \$24,395,182 of Qualified Property for **Zanker Road Resource Management, Ltd.** (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, 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, the Applicant previously had requested a waiver 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 eight (8) months to May 17, 2022; 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 one (1) year, seven (7) months, and 15 days to January 1, 2024; and

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

WHEREAS, within three (3) years of approval by the Authority, the Applicant must make all Qualified Property purchases (STE Program regulations Section 10035(b)(1)(B)); 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 (3) years of Application approval (STE Program regulations Section 10035(b)(1)(B)); and

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WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property within three (3) years, due to unexpected delays in the Project timeline, extending the term by one (1) year, nine (9) months, and 15 days to January 1, 2025; and

WHEREAS, granting the waiver 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; and

WHEREAS, the Applicant has filed paperwork with the Secretary of State to reflect its name change to Zanker Road Resource Management, LLC; and

WHEREAS, Zanker Road Resource Management, LLC, has the authority and responsibility to complete the Project as described in the Application; and

WHEREAS, the Applicant requests the Authority to amend the Regulatory Agreement by amending Resolution No. 20-SM013 to change the participating party to Zanker Road Resource Management, LLC.

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 Applicant's deadline to meet the 15% purchase requirement to January 1, 2024.

Section 2. The Authority finds that it is in the public interest and advances the purposes of the Program to extend the Applicant's initial term of the Regulatory Agreement to January 1, 2025.

Section 3. Resolution No. 20-SM013 is amended to change the participating party from Zanker Road Resource Management, Ltd., to Zanker Road Resource Management, LLC, in the Regulatory Agreement.

Section 4. This resolution shall take effect immediately upon its passage.



**Attachment A: Zanker Road Resource Management, LLC's Letter Requesting Waiver  
(March 14, 2022)**



March 14, 2022

CAEATFA  
915 Capitol Mall Room 538  
Sacramento, CA 95814

**RE: COMPANY NAME CHANGE, OWNERSHIP CHANGE, EXTENTION OF TIME FOR THE  
INITIAL TERM AND THE 15% PURCHASE REQUIREMNET**

Dear Ms. Moua,

Zanker Road Resource Recovery ("Zanker Recycling") is hereby requesting an extension for both the initial term and the 15% purchase requirement to use its sales and use tax exclusion granted on March 17, 2020, for the purchase of up to \$24,395,182 in Qualified Property and is also requesting a company name change as a result of a recent change in ownership.

Name Change

Previously a California limited partnership, Zanker Recycling was recently acquired and by operation of law is now Zanker Road Resource Recovery, LLC, a Delaware limited liability company. Zanker Recycling remains the same entity with the same taxpayer ID number, etc. and is hereby requesting a name change as a result of this change in ownership:

From: Zanker Road Resource Recovery, Ltd.  
To: Zanker Road Resource Recovery, LLC

Change in Ownership

The owner of Zanker Recycling is now MIP V Waste, LLC, a Delaware limited liability company. MIP V Waste, LLC is a wholly-owned special purpose vehicle of MIP V Waste (ECI) AIV, L.P. ("MIP V Waste AIV"), an alternative investment vehicle of Macquarie Infrastructure Partners V, L.P. ("MIP V LP") and Macquarie Infrastructure Partners V SCSp.

Extension of Time

Zanker Recycling is requesting an extension of time for the initial term to January 1, 2025, and an extension to January 1, 2024, to meet the 15% purchase requirement. These extensions are required because the pandemic caused unanticipated delays with CEQA in obtaining public comments and there required responses. These responses attributed to a re-circulation of the DEIR which has dramatically pushed the project out several years. This setback has caused the project a delay in starting its construction until October 2023. The project is anticipated to be completely operational in January 2025. A schedule developed by the County of Santa Clara and our engineering staff is in a Table below.

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**Z-Best EIR Timeline**

TASK	ASSIGNED TO	#OF DAYS	COMPLETED
1 Receive updated Application	Z-Best	Completed	2/16/22
2 AECOM Review Updated App;	AECOM	34	3/24/22
3 County review updated PD/info request & send to Applicant	County	6	4/3/22
4 Applicant review of updated PD and Response to Info Request	Applicant	12	4/16/22
5 AECOM reviews info request and finalizes PD	AECOM	7	4/23/22
6 AECOM prepares revised scope and budget*	AECOM	7	4/31/2022
7 Applicant authorizes and funds revised scope and budget*	Applicant	5	5/6/22
8 AECOM Prepare and Deliver 1st ADEIR	AECOM	35	6/12/22
9 County Review and Return of 1st ADEIR	Santa Clara County	32	7/14/22
10 AECOM Responds and Prepares Screen Check Draft**	AECOM	21	8/6/22
11 County Staff Review of Screen Check	Santa Clara County	15	8/22/22
12 AECOM Prepares Print Check	AECOM	7	9/1/22
13 Applicant Review of Print Check	Z-Best	5	9/7/22
14 County Review of Applicant Comments	Santa Clara County	2	9/10/22
15 AECOM Prepares Public Review EIR	AECOM	12	9/23/22
16 County Prep for Public Circulation	Santa Clara County	6	9/30/22
17 45 Day Public Circulation Period	Santa Clara County	45	11/17/22
18 Scope and Budget Prepared for First Amendment EIR	AECOM		
<b>EIR Certification Hearings***</b>	County	47	1/5/23
21 Planning Commission for Recommendation to Board		30	2/5/2023
22 PC Meeting Staff Report - Planning Manager and Director		30	3/5/2023
23 Board of Supervisors - Hearing		30	4/5/2023
<b>Construction Schedule</b>			
24 Apply and Receive Building Permits		138	10/1/2023
25 Authorize Construction and Order Equipment - Phase I		1	10/1/2023
26 Authorize Construction and Order Equipment - Phase 2		138	4/1/2024
27 Construction & Shutdown Completed Phase II		184	1/1/2025

Zanker is unable to provide any assurances that the project will meet the desired schedule, since CEQA is completely dependent upon the County of Santa Clara. However, contracts for feedstocks have been secured and these jurisdictions are awaiting the project competition, to comply with SB 1383 requirements. As of March 14<sup>th</sup> 2022, no Qualified Property has been purchased.

The scope of the project presented to CAEATFA has remained unchanged, and we look forward to completing the project on this revised schedule. Attached to this letter you will find the requested Legal Status Questionnaire and Ownership Information. A check in the amount of \$2,700 was sent to your office last week. Please destroy that check and a replacement check in the amount of \$2,250 will be sent to you today.

If you have any questions, please do not hesitate to contact me at 408-828-4953 or by email at [michael.gross@greenwaste.com](mailto:michael.gross@greenwaste.com).

Sincerely,



Michael Gross  
Director of Sustainability

**Attachment B: Zanker Road Resource Management, LLC's Staff Summary at the Time of Approval**

The original award staff summary can be found [on the CAEATFA website](#).

**Agenda Item – 4.F.10**  
**Resolution No. 20-SM013**  
**Application No. 20-SM013**

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

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

**Zanker Road Resource Management, Ltd.**  
**Application No. 20-SM013**

**Tuesday, March 17, 2020**

Prepared By: *Matthew Newman, Blue Sky Consulting Group, on Behalf of CAEATFA, with  
Ashley Emery, Program Manager*

**SUMMARY**

**Applicant** – Zanker Road Resource Management, Ltd.

**Location** – Gilroy, Santa Clara County

**Industry** – Mixed Organics

**Project** – Upgrade of Existing Compost Production Facility (Recycled Resource Extraction)

**Value of Qualified Property** – \$24,395,182

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$2,039,437

**Estimated Quantifiable Net Benefits** – \$5,158,468

**Competitive Criteria Score** – 150

**Application Score<sup>3</sup>** –

Fiscal Benefits Points:	3,498
<u>Environmental Benefits Points:</u>	<u>32</u>
<b>Net Benefits Score:</b>	<b>3,529</b>

<u>Additional Benefits Points:</u>	<u>35</u>
<b>Total Score:</b>	<b>3,564</b>

**Staff Recommendation** – Approval

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<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%.

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

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**Application No. 20-SM013**

**THE APPLICANT**

Zanker Road Resource Management, Ltd. (“Zanker” or the “Applicant”) is a privately owned solid waste and recycling company operating in the San Jose and Sacramento areas. Zanker began operations in 1985 as a landfill, and has since developed into a full-service resource management company. Zanker’s Z-Best composting facility (the subject of the current Application) processes mixed solid waste to produce compost.

On June 19, 2018, the CAEATFA Board granted Zanker an STE award for the purchase of up to \$11,132,857 in Qualified Property for an estimated STE value of \$930,707 to build a new mixed recycling facility located in San Jose known as the Advanced C&D Processing System. Zanker completed the project in 2019.

Zanker intends to apply for bonds issued by the California Pollution Control Financing Authority (CPCFA) for the future capital costs associated with the Project.

The major partners (10.0% or greater) of Zanker Road Resource Management, Ltd. are:

Zanker Road Resource Recovery, Inc. (30%)

Richard Cristina

Murray Hall

Herb Sweatt

HL Sweatt, Inc. (10%)

Herb Sweatt

Nancy Sweatt

**THE PROJECT**

Zanker is requesting a sales and use tax exclusion to upgrade its existing composting facility, Z-Best, located in Gilroy (the “Project”). According to Zanker, it’s Z-Best “Modernization Project” started the permitting process in 2015 to increase the facility capacity up to 2,750 tons per day of compostables and update the existing composting method to reduce the time required to complete the compost production process while utilizing the same facility footprint. The Project will result in the processing of a larger volume of more diversified solid waste inputs at the facility, which will increase the diversion rates for its local jurisdictions. Zanker states it is accepting around 205,000 tons per year of mixed solid waste compostables; when the Project is completed, Zanker will be able to accept over 311,000 tons per year.

According to the Applicant, the Facility’s new composting technique uses two composting methods, each using a different aerated technology. In the first step, primary composting, the technology selection optimizes odor and VOC control, while also providing pathogen reduction, drying, and significant bio-stabilization in 20 days. In the second step, the technology selection optimizes uniform bio-stabilization in 24 days. All emissions are processed through a biofilter to

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remove VOC's and air contaminants. After the secondary composting stage, the materials will be removed from the composting bunker and placed into a stockpile where it will cure. The cured compost will undergo finished product screening to remove non-organics.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Construction and Infrastructure Materials	\$14,429,714
Covered Aerated Static Pile Equipment	8,573,000
Vermeer 01830 MGL Screen	381,435
John Deere 644K Loader	307,189
Caterpillar 2019 Articulated Truck DCA6	703,844
<b>Total</b>	<b><u>\$24,395,182</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 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 expects an EIR to be certified and approved by October 2020, with the permits and construction taking six months following EIR approval. Phase 1 construction is expected to start in October 2020, with the first loads of new organic materials accepted in March 2021. Zanker estimates full operation of the facility by June 2021.

**COMPETITIVE CRITERIA SCORE**

In the event that CAEATFA receives Applications in excess of the statutory \$100 million cap for that calendar year, the order in which the Applications shall be considered in the same month will be ranked based on five Competitive Criteria.

The Applicant received 150 Competitive Criteria points as follows:

1. **Environmental Benefits (100 points).** The Applicant's Project earned more than zero Total Pollution Benefits points (i.e. had environmental benefits that could be monetized and scored pursuant to the Program's regulations<sup>4</sup>), therefore 100 points are awarded.

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<sup>4</sup> California Code of Regulations Title 4, Division 13, Section 10033(c)(4)

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2. **Unemployment (0 of 50 points).** The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 2.5%. When compared to the statewide average annual unemployment rate, which was 4.1% in 2019, the dataset used in the Application, the Project location earned the Applicant an Unemployment Score of zero points.
3. **Job Creation (35 of 75 points).** The Applicant represents that the Project will support a total of 63 production-related jobs at its Facility. CAEATFA estimates that approximately five 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.
4. **California Headquarters (15 points).** The Applicant has a California Headquarters, therefore 15 points are awarded.
5. **Natural Disaster Relief (0 points).** The Project is not to rebuild or relocate the Applicant's Facility due to a fire, flood, storm, or earthquake identified in the state of emergency proclamation made by the California State Governor within two years of the time of application, therefore zero points are awarded.

**PROJECT EVALUATION**

**NET BENEFITS**

The total cost of the Qualified Property purchases is anticipated to be \$24,395,182 and the total quantifiable net benefits are valued at \$5,158,468 for the Project. The Project received a Total Score of 3,564 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 32 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (3,498 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 \$7,133,532, resulting in a Fiscal Benefits score of 3,498 points for the Project.
- B. **Environmental Benefits (32 points).** The Project will result in \$64,373 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 32 points for the Project. These benefits derive from the processing of mixed solid waste into compost, thereby diverting more than 100,000 tons of waste from landfills annually, according to the Applicant.
- C. **Additional Benefits (35 points).** Applicants may earn additional points for their Total Score. The Applicant submitted information and received 35 additional points.

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1. **Production Jobs (35 of 75 points).** The Applicant represents that the Project will support a total of 63 production-related jobs at its Facility. CAEATFA estimates that approximately five 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.
2. **Construction Jobs (0 of 75 points).** The Applicant represents that the Project will support a total of seven 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 STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.
3. **Unemployment (0 of 50 points).** The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 2.5%. When compared to the statewide average annual unemployment rate, which was 4.1% in 2019, the dataset used in the Application, the Project location earned the Applicant an Unemployment Score of zero points.

**STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

The Applicant states that it expects the EIR to be certified by October 2020. The Applicant expects to apply for a permit from the air district in October 2020. The Applicant further expects the issuance of a Solid Waste Facility Permit in March 2021.

**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>5</sup> the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$97,580.73.

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

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**RECOMMENDATION**

Staff recommends approval of Resolution No. 20-SM013 for Zanker Road Resource Management, Ltd.'s purchase of Qualified Property in an amount not to exceed \$24,395,182, anticipated to result in an approximate sales and use tax exclusion value of \$2,039,437.



**Agenda Item - 4.A**  
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**Resolution No. 20-SM013**  
**Application No. 20-SM013**

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER  
REGULATORY AGREEMENT WITH  
ZANKER ROAD RESOURCE MANAGEMENT, LTD.**

March 17, 2020

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Zanker Road Resource Management, Ltd.** (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 \$24,395,182 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.

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**Resolution No. 20-SM013-03**

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**Resolution No. 20-SM013**  
**Application No. 20-SM013**

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.