

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

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

**Califia Farms, LLC  
Application No. 22-SM035**

**Tuesday, June 21, 2022**

Prepared By: *Xee Moua, Program Analyst*

**SUMMARY**

**Applicant** – Califia Farms, LLC

**Location** – Bakersfield, Kern County

**Industry** – Plant-Based Dairy Free Beverage Manufacturing

**Project** – Expansion and Upgrade of Existing Plant-Based Dairy Free Beverage Manufacturing Facility (Advanced Manufacturing)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount <sup>2</sup>
\$23,500,000	\$1,997,500

Estimated Net Benefit <sup>3</sup>	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$5,920,554	2,964
Estimated Environmental Benefits	N/A	40
Additional Benefits	N/A	124
<b>Total</b>	<b>\$5,920,554</b>	<b>3,127</b>
<b>Estimated Quantifiable Net Benefit</b>	<b>\$3,923,054</b>	

**Competitive Criteria Score** – 89

**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**

Califia Farms, LLC (the “Applicant”), is a California limited liability company that formed in 2010. The Applicant is headquartered in California and has facilities in Los Angeles and Bakersfield. The Applicant is a plant-based dairy free manufacturer that specializes in a variety of beverages such as cold brew coffees, creamers, milk, and juices. The Applicant states it is able to create sustainable dairy-free products that have the same consistency, appearance, flavor as dairy products without the lactose, cholesterol, and extra calories.

The Applicant received an income tax credit under the California Competes Tax Credit Program<sup>4</sup> administered by the Governor’s Office of Business and Economic Development on November 16, 2017.

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

- SG Growth Partners III Grove AIV 1 & II, LP (18.85%)
- Ambrosia CF, Inc. & CF2, LLC (22.43%)
- QIA Almond, LLC (19.36%)
- Parry Peak Investments, LLC (24.87%)

The company officers of the Applicant are:

- Joe Michelsen, VP, Controller
- Mike Castle, CFO
- Cassandra Todd, Chief Supply Chain Officer

**THE PROJECT**

Califia Farms, LLC, is requesting an STE award to expand and upgrade its existing plant-based dairy free beverage manufacturing facility located in Bakersfield (the “Project”). As part of the expansion, the Applicant will add an additional 20,000 square feet of space to the existing 100,000+ square foot facility to accommodate the installation of a new blow mold. The Applicant explains the blow mold operation will help the Applicant create its own bottle supply in-house, which will reduce transportation expenses for shipment of empty bottles purchased from outside vendors. The Applicant states the Project will also upgrade its manufacturing equipment and research and design facilities by implementing state-of-the-art equipment and making refinements to its operations to help increase production capacity and product quality.

As part of the Project, the Applicant states the Project will use highly precise tools and methods to sort, kit, liquify, batch, pasteurize, homogenize, chill, bottle, label, package, and ship its products. For instance, the Applicant uses a series of load cells and flow measurement meters that can precisely measure the exact amount of ingredients and water required for each batch of product. The Applicant also uses advanced FOGG brand filling systems to sanitize, fill, and cap each individual bottle. The Applicant explains this type of automated system can fill 250 48-ounce bottles per minute. Additionally, the Applicant states its pasteurization process consists of an ultra-high temperature system, which uses indirect tubular heating to warm up the dairy-free milk to eliminate any microorganisms, thus creating a product with a longer shelf life. The Applicant states it will use smart systems such as predictive maintenance technology to help

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<sup>4</sup> California Code of Regulations, Title 10, Chapter 13, Article 1 (commencing with Section 8000).

monitor its operations. According to the Applicant, the monitoring sensors record the plant activities and send the data to a third party to screen for any irregularities and to help prevent machines from failing.

To conserve energy, the Applicant states it will install large skylights, high-efficiency fixtures, and an LED motion sensor light system in the facility’s packaging area. To conserve water, the Applicant states it will repurpose more than 90% of its post-production byproduct, which is mostly a water solution. The Applicant explains that 100% of that water solution flows into a pond located outside the facility and can be used for irrigation at nearby farms. Additionally, the Applicant states the Project will include cardboard bailers and trash compactors to reduce its landfill waste by 20-25% compared to the past year.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Manufacturing & Processing Machinery and Equipment	\$6,500,000
Research and Development Property	\$1,000,000
Logistics, Transport, Storage Systems, and Related Property	\$500,000
Tools, Repairs, Spare, and Component Parts	\$1,500,000
Quality Control, Safety, Testing and Related Property	3,500,000
Computers and IT Property	\$500,000
Facility Buildout, Upgrades, and Infrastructure Materials	\$500,000
<b>Total</b>	<b><u>\$23,500,000</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**

The Applicant states renovation of its facility began in Q1 of 2022, and that upgrades, equipment purchases, and installation have been scheduled through 2023.

**STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

Per the Applicant, all permits needed for the Project from the city of Bakersfield including building, installation, and operational permits will be timely secured and the Applicant is in good standing with the city of Bakersfield.

**COMPETITIVE CRITERIA SCORE**

The Applicant received 89 Competitive Criteria points as follows:

1. **Environmental Benefits (0 of 100 points)**. The Application does not have a Recycled Resource Extraction Project or Project that produces an Advanced Transportation Technology or an Alternative Source product, component, or system. Therefore, no points are awarded.
2. **Unemployment (29 of 50 points)**. The Applicant’s Project is located in Kern County, which has an average annual unemployment rate of 10.1%.<sup>5</sup> When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 29 points.
3. **Job Creation (45 of 75 points)**. The Applicant anticipates the Project will support a total of 288 production-related jobs at its Facility. CAEATFA estimates that approximately 10 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 45 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 (0 of 50 points)**. The Applicant is eligible to use one or more of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, zero points are awarded.
7. **Emerging Strategic Industry (0 of 75 points)**. The Project’s industry is not in an Emerging Strategic Industry, and, therefore, zero points are awarded.

**PROJECT EVALUATION**

**PROJECT BENEFITS**

The Project received a Total Score of 3,127 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 40 points, which exceeds the 20-point threshold.

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<sup>5</sup> Unemployment rates are based on data available in December 2021.

- A. Fiscal Benefits (2,964 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 \$5,920,554, resulting in a Fiscal Benefits score of 2,964.
- B. Environmental Benefits (40 points).** The Project earned an Environmental Benefits Score of 40. The Applicant received points in the following categories:
- 1. Energy Consumption (18 of 30 points).** The Applicant anticipates the Project will result in a 18% reduction in energy consumption compared to the Applicant’s previous manufacturing process by installing high-efficiency LED light fixtures, motion censored lights, and skylights.
  - 2. Solid Waste (23 of 30 points).** The Applicant anticipates the Project will result in a 23% reduction in solid waste produced relative to the Applicant’s previous manufacturing process through the use of cardboard balers and trash compactors.
- C. Additional Benefits (124 points).** Applicants may earn additional points for their Total Score. The Applicant received 124 additional points.
- 1. Production Jobs (45 of 75 points).** The Applicant anticipates the Project will support a total of 288 production-related jobs at its Facility. CAEATFA estimates that approximately 10 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 45 points.
  - 2. Construction Jobs (0 of 75 points).** The Applicant anticipates the Project will support a total of 10 construction jobs at its Facility. CAEATFA estimates that none 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 (29 of 50 points).** The Applicant’s Project is located in Kern County, which has an average annual unemployment rate of 10.1%. When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 29 points.
  - 4. Research and Development Facilities (25 of 25 points).** The Applicant has verified that it has a facility located in California that performs research and development functions related to plant-based dairy free beverage manufacturing that is the subject of this Application.

5. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental, and vision benefits, bonuses, retirement contributions, educational reimbursement, employee discounts, and paid leave benefits to its employees, earning the Applicant 25 points.

## **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>6</sup> the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$94,000.

## **RECOMMENDATION**

Staff recommends the approval of Resolution No. 22-SM035-01 for Califia Farms, LLC’s purchase of qualifying tangible personal property in an amount not to exceed \$23,500,000 anticipated to result in an approximate STE value of \$1,997,500.

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<sup>6</sup> California Code of Regulations Title 4, Division 13, Section 10036

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

**June 21, 2022**

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Califia Farms, 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 stated the Project has an estimated cost not to exceed \$23,500,000 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 the Project as the Authorized Signatories deem appropriate, provided that the amount of the

**Agenda Item – 4.A.11**  
**Resolution No. 22-SM035-01**

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.