

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Mitra Future Technologies, Inc.
Application No. 22-SM027**

Tuesday, June 21, 2022

Prepared By: *Matthew Jumps, Program Analyst*

SUMMARY

Applicant – Mitra Future Technologies, Inc.

Location – Mountain View, Santa Clara County

Industry – Electric Vehicle Battery Production

Project – New Iron-Based Cathode for Lithium Batteries Production Facility (Advanced Transportation)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$5,484,877	\$466,215

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$457,792	982
Estimated Environmental Benefits	\$708,758	1,520
Additional Benefits	N/A	226
Total	\$1,116,550	2,728
Estimated Quantifiable Net Benefit	\$700,335	

Competitive Criteria Score – 245

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).)

THE APPLICANT

Mitra Future Technologies, Inc. (the “Applicant”), is a Delaware corporation that formed in 2021. The Applicant is researching and developing iron-based cathodes for lithium batteries to provide faster charging time for electric vehicles, as well as providing cheaper and lighter batteries than current lithium batteries. The Applicant has its headquarters in Mountain View.

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

- Vivaswath Kumar
- Chirranjeevi Balaji Gopal
- SC Venture Holdings, LLC
- William Chung Yang Chueh

The corporate officers of the Applicant are:

- Vivaswath Kumar, CEO

THE PROJECT

Mitra Future Technologies, Inc. is requesting an STE award to build a new iron-based cathode manufacturing facility located in Mountain View (the “Project”). The Applicant will be using physics-based machine-learning computational models to develop iron-based cathodes for lithium-ion batteries for zero-emissions vehicles (“ZEV”). Currently, the most expensive component of lithium-ion batteries used in ZEVs is the cathode. The Applicant states iron-based cathodes offer a cheaper and safer alternative to the prevailing industry standard of nickel-rich cathodes. The Applicant will develop and use computational models to identify iron-based cathode chemistries to significantly reduce the time and cost of getting lithium-ion batteries to market for use in ZEVs. The Applicant intends to research and develop customized cathode chemistries for use in particular ZEVs. For instance, a pick-up truck would use a cathode chemistry customized to maximize its performance, while a sports car would use a different cathode chemistry customized to its unique needs. The Applicant states that by reducing the time to develop cathode chemistries and relying on clean energy to power the process when possible, the Project will establish a more sustainable manufacturing process for cathodes.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Ventilation Hoods	\$230,000
Measuring Instruments	\$535,000
Battery Testing Equipment	\$1,549,502
Storage	\$70,000
Furnaces and Kilns	\$900,000
Milling Equipment	\$665,000
Dry Room	\$948,375
Lab Infrastructure and Safety Equipment	\$587,000
Total	<u>\$5,484,877</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

According to the Applicant, the research and development lab is currently being built. The Applicant plans to open the lab in phases and aims to be fully operational by August 2022.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, all required permits related to the construction of its research and development lab have been submitted to the City of Mountain View.

COMPETITIVE CRITERIA SCORE

The Applicant received 245 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Application has a Project that produces an Advanced Transportation Technology, and, therefore, 100 points are awarded.
2. **Unemployment (0 of 50 points)**. The Applicant's Project's Facility is located in Santa Clara County, which has an average annual unemployment rate of 4.89%.⁴ When compared to the statewide average annual unemployment rate of 7.9%, the Project location earned the Applicant zero points.
3. **Job Creation (55 of 75 points)**. The Applicant anticipates the Project will support a total of 50 production-related jobs at its Facility. CAEATFA estimates that approximately 4.35 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.

⁴ Unemployment rates are based on data available in December 2021.

- 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 (75 of 75 points).** The Project's industry, lithium battery manufacturing, is in an Emerging Strategic Industry, and, therefore, 75 points are awarded.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 2,728 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 1,520 points, which exceeds the 20-point threshold.

- A. Fiscal Benefits (982 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 \$457,792, resulting in a Fiscal Benefits score of 982.
- B. Environmental Benefits (1,520 points).** The Project is anticipated to result in \$708,758 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 1,520 points. These benefits derive from manufacturing of lithium batteries for electric vehicles, which deliver a net reduction in energy consumption and CO₂ emissions relative to internal combustion engine vehicles.
- C. Additional Benefits (226 points).** Applicants may earn additional points for their Total Score. The Applicant received 226 additional points.
 - 1. Production Jobs (55 of 75 points).** The Applicant anticipates the Project will support a total of 50 production-related jobs at its Facility. CAEATFA estimates that approximately 4.35 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 (45 of 75 points).** The Applicant anticipates the Project will support a total of 30 construction jobs at its Facility. CAEATFA estimates that approximately 2.61 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.

3. **Unemployment (0 of 50 points)**. The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 4.89%. When compared to the statewide average annual unemployment rate of 7.9%, the Project location earned the Applicant zero points.
4. **Non-CA Environmental Benefits (11 of 40 points)**. The Applicant's total value of out-of-state non-greenhouse gas emissions pollution benefits are valued at \$10,438.10 resulting in a Non-CA Environmental Benefits Score of 11 points for the Project.
5. **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 the development of lithium battery technology for use in electric vehicles.
6. **Industry Cluster (25 of 25 points)**. The industry associated with this Application has been identified by California Energy Commission as an industry cluster of the region of the Project's location.
7. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental, vision, bonuses, pension plans, gym subsidies, and paid leave benefits to its employees, earning the Applicant 25 points.
8. **Emerging Strategic Industry (40 of 40 points)**. The Project's industry, lithium battery manufacturing, is in an Emerging Strategic Industry, earning the Applicant 40 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,⁵ the Applicant has paid CAEATFA an Application Fee of \$2,742.44 and will pay CAEATFA an Administrative Fee of up to \$21,939.51.

RECOMMENDATION

Staff recommends the approval of Resolution No. 22-SM027-01 for Mitra Future Technologies, Inc.'s purchase of qualifying tangible personal property in an amount not to exceed \$5,484,877 anticipated to result in an approximate STE value of \$466,215.

⁵ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH MITRA FUTURE TECHNOLOGIES, INC.**

June 21, 2022

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

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$5,484,877 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

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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.