

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

***Request to Correct Resolution Approving and Authorizing Execution
of a Regulatory Agreement with Trojan Battery Company, LLC***

July 19, 2022

Prepared By: *Stefani Wilde, Program Analyst*

SUMMARY

On June 21, 2022, the CAEATFA Board approved Resolution No. 22-SM028-01 (the “Resolution”), granting Trojan Battery Company, LLC (the “Applicant”) a Sales and Use Tax Exclusion (“STE”) award to purchase up to \$36,566,109 in qualifying tangible personal property (“Qualified Property”), anticipated to result in an approximate STE value of \$3,108,119, to upgrade and expand its existing lithium-ion battery manufacturing facilities (the “Project”) located in Santa Fe Springs.

In preparing the Resolution for certification, Staff found a typographical error incorrectly stating the amount of Qualified Property approved for the Project as \$35,566,109. In order for the Executive Director of CAEATFA to certify the Resolution and execute the Regulatory Agreement with the Applicant, the amount of Qualified Property must be corrected to \$36,566,109.

RECOMMENDATION

Staff recommends the approval of a correction to Resolution No. 22-SM028-01 to accurately reflect the approved value of Qualified Property for Trojan Battery Company, LLC in an amount not to exceed \$36,566,109.

Attachments:

Attachment A: June 21, 2022 Agenda Item 4.A.17 and Resolution No. 22-SM028-01
 Approving STE Award to Trojan Battery Company, LLC

**RESOLUTION APPROVING CORRECTION TO RESOLUTION
AUTHORIZING EXECUTION OF A REGULATORY AGREEMENT
WITH TROJAN BATTERY COMPANY, LLC**

JULY 19, 2022

WHEREAS, on June 21, 2022, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, approved an Application for a Sales Tax Exclusion (“STE”) in the amount of \$36,566,109 of Qualified Property for **Trojan Battery Company, LLC** (the “Applicant”); 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 were sought and granted; and

WHEREAS, the approval of Resolution No. 22-SM028-01 was based upon Authority staff (“Staff”)’s recommendation, as set forth in Item 4.A.17 of the June 21, 2022, meeting agenda; and

WHEREAS, Staff discovered an inadvertent typographical error in the Resolution misstating the amount of estimated cost of the Project as “not to exceed \$35,566,109 over a period of three (3) years;”

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

Section 1. Resolution No. 22-SM013 is amended to correct the estimated cost of the Project to “not to exceed \$36,566,109 over a period of three (3) years.”

Section 2. This resolution shall take effect immediately upon its passage.

Attachment A:
June 21, 2022 Agenda Item 4.A.17 and Resolution No. 22-SM028-01
Approving STE Award to Trojan Battery Company, LLC

Agenda Item – 4.A.17
Resolution No. 22-SM028-01

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

Trojan Battery Company, LLC
Application No. 22-SM028

Tuesday, June 21, 2022

Prepared By: *Stefani Wilde, Program Analyst*

SUMMARY

Applicant – Trojan Battery Company, LLC

Location – Santa Fe Springs, Los Angeles County

Industry – Lithium-ion Battery Manufacturing

Project – Upgrade and Expansion of Existing Lithium-ion Battery Manufacturing Facilities
(Advanced Manufacturing)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$36,566,109	\$3,108,119

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$14,315,313	4,606
Estimated Environmental Benefits	N/A	30
Additional Benefits	N/A	228
Total	\$14,315,313	4,864
Estimated Quantifiable Net Benefit	\$11,207,193	

Competitive Criteria Score – 178

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).)

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THE APPLICANT

Trojan Battery Company, LLC (the “Applicant”), is a Delaware limited liability company headquartered in Santa Fe Springs that formed in 1925 as a manufacturer of golf cart batteries and has since become a leading manufacturer of deep-cycle solar and automotive batteries, including deep-cycled flooded, absorbed glass mat (“AGM”), gel and lithium battery technology.

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

Trojan Battery Holdings, LLC (100%)

The major shareholders (10.0% or greater) of Trojan Battery Holdings, LLC, are:

Joule AcqCo LLC (100%)

The major shareholders (10.0% or greater) of Joule AcqCo LLC are:

C&D Technologies, Inc. (100%)

The major shareholders (10.0% or greater) of C&D Technologies, Inc., are:

KPS Capital Partners, LP

The company officers of the Applicant are:

Rick Heller, Chief Executive Officer
Jon Anderson, Chief Technology Officer
Chris Litras, Chief Human Resources Officer
Mara Williams, Chief Legal Officer
Frederik Klaarenbeek, Chief Marketing Officer
Laurie Oswald, Chief Sales Officer

THE PROJECT

Trojan Battery Company, LLC is requesting an STE award to upgrade and expand its existing lithium-ion battery manufacturing facilities located in Santa Fe Springs (the “Project”).

The Applicant states it plans to make several improvements to its current facilities. These improvements include an upgrade of 175,000 square feet of additional space. The first phase of the Project includes a baghouse dust collection system, human assist technology, a continuous casting line, a storm water system, and three new lithium lines. According to the Applicant, it anticipates producing 25,000 lithium batteries in 2022, and nearly doubling that in 2023. The Applicant anticipates continuing to add to its current highly skilled workforce, including machinists, technicians, and engineers.

The Applicant states its focus is on recycling and clean energy initiatives and that it has reduced its CO₂ emissions from its manufacturing processes by over 12 million pounds per year. The Applicant also explains its batteries are ninety nine percent recyclable. The Applicant plans to expand its new lithium-ion battery line which will include the use of advanced materials, like lithium-ion cells, and automated robotics and welders. The Applicant states it plans to improve air circulation and temperature controls in its facility by installing a new dust collection system. In an effort to reduce lead consumption in its manufacturing processes, it has also implemented the use of a new continuous casting technology. According to the Applicant, using advanced

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materials with this technology will reduce its use of raw material resources while continuing to provide more consistency and improvement in its processes.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Manufacturing Equipment, tooling & infrastructure	\$8,100,000
Dust Collector & air make-up unit	\$8,092,493
Manufacturing equipment, robotics & tooling	\$6,708,584
Flow Through Units	\$3,000,000
Continuous casting equipment	\$3,000,000
Metal Housing Enclosure	\$1,000,000
Water Filtration system	\$1,200,000
Mixer Equipment	\$800,000
Welder Equipment	\$800,000
Air Conditioning Compressors & Dryer	\$800,000
New Concrete Flooring	\$1,087,816
Acid Mixing Equipment	\$1,300,000
Grid Molds & Trim Dies	\$333,608
Tooling for Post-burning & heat seal plates	\$343,608
Total	<u>\$36,566,109</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, it anticipates construction of the baghouse phase of the Project by the end of August 2022. The human assist technology project at its original location is currently in construction, and the Applicant expects the second and third lines to be complete in the second quarter of 2022. The human assist technology project at its new location is scheduled to begin in the fourth quarter of 2022, and be completed by the end of the second quarter of 2024. The continuous casting portion of the project is expected to begin in the first quarter of 2023, and completed by the end of 2023.

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STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states all necessary permits for lithium production have been secured. Permits for additional construction will be secured pending approval from the city and air quality management district prior to its implementation date of August 31, 2022.

COMPETITIVE CRITERIA SCORE

The Applicant received 178 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 (33 of 50 points)**. The Project's primary Facilities are located in Los Angeles County, which has an average annual unemployment rate of 10.5%.⁴ When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 33 points.
3. **Job Creation (55 of 75 points)**. The Applicant anticipates the Project will support a total of 479 production-related jobs at its Facilities. CAEATFA estimates that approximately 22 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 Facilities 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 (75 of 75 points)**. The Project's industry, lithium-ion battery manufacturing, is in an Emerging Strategic Industry, and, therefore, 75 points are awarded.

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

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PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 4,868 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 (4,606 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 \$14,315,313, resulting in a Fiscal Benefits score of 4,606.

- 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 (5 of 5 points)**. The Applicant has an environmental sustainability plan that it states outlines its annual plans to reduce landfill waste and energy usage.

 - 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 upgrading the lighting and installing sensors for automatic shutdown of equipment.

 - 3. **Water Use (5 of 30 points)**. The Applicant anticipates the Project will result in a 5% reduction in water use relative to the Applicant’s previous manufacturing process by installing equipment that utilizes less water.

 - 4. **Solid Waste (10 of 30 points)**. The Applicant anticipates the Project will result in a 10% reduction in solid waste produced relative to the Applicant’s previous manufacturing process by recycling cardboard and plastics, as well as using recycled materials wherever possible.

 - 5. **Hazardous Waste (5 of 30 points)**. The Applicant anticipates the Project will result in a 5% reduction in the hazardous waste produced relative to the Applicant’s previous manufacturing process by installing automated systems to reduce scrap material.

- C. **Additional Benefits (228 points)**. Applicants may earn additional points for their Total Score. The Applicant received 228 additional points.
 - 1. **Production Jobs (55 of 75 points)**. The Applicant anticipates the Project will support a total of 479 production-related jobs at its Facilities. CAEATFA estimates that approximately 22 of these jobs will be attributable to a marginal

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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 (0 of 75 points)**. The Applicant anticipates the Project will support a total of 30 construction jobs at its Facilities. CAEATFA estimates that approximately 1.38 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 (33 of 50 points)**. The Applicant's Project is located in Los Angeles County, which has an average annual unemployment rate of 10.5%. When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 33 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 lithium-ion battery manufacturing.
5. **Workforce Partnerships (25 of 25 points)**. The Applicant has partnerships with University of California Irvine, University of Southern California, California State University Long Beach, California State University Fullerton, Cerritos College, Fullerton College, and Whittier College for the purpose of assisting in the training of potential future workers
6. **Industry Cluster (25 of 25 points)**. The industry associated with this Application has been identified by Los Angeles County 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, retirement contributions, dependent care & assistance reimbursement, employee discounts, 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-ion 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.

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CAEATFA FEES

In accordance with CAEATFA regulations,⁵ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$146,264.44.

RECOMMENDATION

Staff recommends the approval of Resolution No. 22-SM028-01 for Trojan Battery Company, LLC's purchase of qualifying tangible personal property in an amount not to exceed \$35,566,109 anticipated to result in an approximate STE value of \$3,108,119.

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

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**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH TROJAN BATTERY COMPANY, LLC**

June 21, 2022

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Trojan Battery Company, 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 \$35,566,109 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.