

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**West Coast Waste Co., Inc.
Application No. 22-SM013**

Tuesday, August 16, 2022

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – West Coast Waste Co., Inc.

Location – Fresno, Fresno County

Industry – Biomass Processing and Fuel Production

Project – New Biomass Processing and Fuel Production Facility (Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$72,555,098.32	\$6,167,183

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$7,674,817	1,244
Estimated Environmental Benefits	\$11,854,892	1,922
Additional Benefits	N/A	141
Total	\$19,529,709	3,308
Estimated Quantifiable Net Benefit	\$13,362,525	

Competitive Criteria Score – 161

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).)

⁴ Dollar values and point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

West Coast Waste Co., Inc. (the “Applicant”), is a California corporation that formed in 2001. The Applicant was formed as a result of a long-term contract with the City of Fresno to manage curbside green waste. The Applicant currently owns two sites that are permitted for processing cellulosic wastes, with the primary waste being mulch materials. One of the sites is the Fresno Renewable Energy Center, which is the subject under consideration for this STE award.

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

- Daniel Serimian (45%)
- Kristie Serimian (45%)
- Dennis Balakian (10%)

The corporate officers of the Applicant are:

- Dennis Balakian, President
- Daniel Serimian, Vice President
- Kristie Serimian, Secretary

THE PROJECT

West Coast Waste Co., Inc. is requesting an STE award to build a new compressed renewable natural gas (“CRNG”) and syngas production facility at its Fresno Renewable Energy Center located in Fresno (the “Project”). The Applicant states that biomass wastes were previously shipped to biomass combustion facilities, however, due to the closure of approximately 85% of those facilities in California over the past decade, the Applicant had to develop a new operation that would integrate technology to accommodate the processing of biomass.

According to the Applicant, it will combine anaerobic digestion technologies with a gasification system to process its feedstock. The Applicant states the anaerobic digester will process agricultural, green, and food wastes, and dairy manure to create CRNG for use as transportation fuel. The Applicant will then use a combined heat and power plant to gasify the wastes and dry the residuals from the anaerobic digester to produce syngas. The syngas will be able to produce 3MW of power to sell to Pacific Gas and Electric Company (“PG&E”) under its BioMAT program and 2MW of renewable electricity to help operate the production facility.

Consistent with CAEATFA policy, the Qualified Property in this Application will be used to manufacture syngas; the Qualified Property also includes a portion of the power generation equipment used to power the facility. The Project’s equipment will consume approximately 40 percent of the total amount of available energy generated from syngas combustion; therefore, 40 percent of the power generation equipment is eligible for a sales and use tax exclusion. However, 60 percent of the power generation equipment is not included in this Application, as it represents the proportion of available energy in the form of electricity that will be sold to PG&E.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Feedstock Management	\$14,616,430.32
Building and Site Improvements	\$16,344,140.00
Anaerobic Digestion Treatment	\$11,135,093.00
Digestate Treatment	\$3,187,626.00
Gasification System	\$24,533,388.00
Biogas Conveyance Equipment	\$2,738,421.00
Total	<u>\$72,555,098.32</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 facility construction began in July of 2022 and anticipates placing the Qualified Property into service by the fall of 2024.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states the Project site has been approved by CalRecycle for processing and transferring its feedstock. The Applicant's California Environmental Quality Act approval has been completed as of 2016, and its companion environmental impact study for the gasification portion of the project has been approved as of June 2022. Furthermore, applications for the Applicant's air permits for the gasification and anaerobic digester with the San Joaquin Air Pollution District have been submitted and reviewed. Final issuance of the permits is anticipated in Q3 of 2022.

COMPETITIVE CRITERIA SCORE

The Applicant received 161 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Application has a Project that produces an Alternative Source product, component, or system, and, therefore, 100 points are awarded.

2. **Unemployment (16 of 50 points)**. The Applicant’s Project is located in Fresno County, which has an average annual unemployment rate of 9.1%.⁵ When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 16 points.
3. **Job Creation (30 of 75 points)**. The Applicant anticipates the Project will support a total of 89 production-related jobs at its Facility. CAEATFA estimates that approximately 12.73 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 30 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 3,308 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 1,922 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (1,244 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 \$7,674,817, resulting in a Fiscal Benefits score of 1,244.

⁵ Unemployment rates are based on data available in December 2021.

- B. Environmental Benefits (1,922 points).** The Project is anticipated to result in \$11,854,892 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 1,922 points. These benefits derive from the production of biogas, which offsets the need for the use of fossil methane.
- C. Additional Benefits (141 points).** Applicants may earn additional points for their Total Score. The Applicant received 141 additional points.
- 1. Production Jobs (30 of 75 points).** The Applicant anticipates the Project will support a total of 89 production-related jobs at its Facility. CAEATFA estimates that approximately 12.73 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 30 points.
 - 2. Construction Jobs (20 of 75 points).** The Applicant anticipates the Project will support a total of 43 construction jobs at its Facility. CAEATFA estimates that approximately 6.2 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 20 points.
 - 3. Unemployment (16 of 50 points).** The Applicant’s Project is located in Fresno County, which has an average annual unemployment rate of 9.1%. When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 16 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 the production of biogas.
 - 5. Workforce Partnerships (25 of 25 points).** The Applicant has a partnership with Fresno State University and Brigham Young University for the purpose of assisting in the training of potential future workers.
 - 6. Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical and health benefits, bonuses, retirement contributions, profit sharing, dependent care & assistance reimbursement, education reimbursement, and paid leave 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,⁶ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$290,220.39.

RECOMMENDATION

Statute limits CAEATFA to granting up to \$100 million in STE each calendar year. Program Regulation Section 10032(a)(7)(A) provides that when the amount requested in the final Application considered under the competitive criteria process exceeds the STE available in the calendar year, the Authority shall award the remaining STE request using STE from the following calendar year, up to \$2 million. After the June 2022 Board meeting, CAEATFA has approximately \$4,167,183 in STE (or \$49,025,686.56 in Qualified Property) left to award in 2022. This enables CAEATFA to award the final Applicant under the competitive process, West Coast Waste Co., Inc., the remaining 2022 STE allocation, and up to \$2 million in STE (or \$23,529,411.76 in Qualified Property) from calendar year 2023, for a total of \$72,555,098.32 in Qualified Property for an estimated STE value of \$6,167,183.

Therefore, Staff recommends the approval of Resolution No. 22-SM013-01 for West Coast Waste Co., Inc.'s purchase of qualifying tangible personal property in an amount not to exceed \$49,025,686.56 anticipated to result in an approximate STE value of \$4,167,183 effective immediately, and effective January 1, 2023, for the purchase of qualifying tangible personal property in an amount not to exceed \$23,529,411.76, anticipated to result in an approximate STE value of \$2,000,000.

⁶ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH WEST COAST WASTE CO., INC.**

August 16, 2022

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **West Coast Waste Co., 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 \$72,555,098.32 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 for up to \$49,025,686.56 in Project equipment purchases, and effective January 1, 2023, for up to an additional \$23,529,411.76 in Project equipment purchases, resulting in a total of \$72,555,098.32 in Project equipment purchases, 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.