

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Touchstone Pistachio Company, LLC
Application No. 23-SM026**

Tuesday, July 18, 2023

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant – Touchstone Pistachio Company, LLC

Location – Cantua Creek, Fresno County; Tera Bella, Tulare County

Industry – Pistachio Processing and Production

Project – Expansion of Existing Pistachio Processing and Production Facilities
(Advanced Manufacturing)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$23,850,000	\$1,993,860

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$9,531,440	4,780
Estimated Environmental Benefits	N/A	60
Additional Benefits	N/A	139
Total	\$9,531,440	4,980
Estimated Quantifiable Net Benefit	\$7,537,580	

Competitive Criteria Score – 105

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 8.36%.

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

Touchstone Pistachio Company, LLC (the “Applicant”) is a California limited liability company that was formed in 2018 and headquartered in Fresno. The Applicant processes, markets, and sells a variety of pistachio products throughout the world, including bulk inshell roasted, bulk kernel roasted, and retail roasted pistachios.

On June 21, 2022, the CAEATFA Board granted the Applicant an STE award for the purchase of up to \$23,400,000 in Qualified Property for an estimated STE value of \$1,989,000 to expand its existing pistachio processing and production facility in Terra Bella. As of December 2022, the Applicant has reported \$9,178,495.56 in Qualified Property purchases (39% of the total Qualified Property amount approved).

On June 18, 2019, the CAEATFA Board granted the Applicant an STE award for the purchase of up to \$79,196,199 in Qualified Property for an estimated STE value of \$6,620,794 to build a new pistachio processing and production facility in Cantua Creek. As of June 2022, the Applicant has reported \$79,159,969.81 in Qualified Property purchases (99% of the total Qualified Property amount approved) and completed this project.

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

- Farid Assemi Revocable Trust (50%)
- Farid Assemi (100%)
- Farshid & Sonia Revocable Trust (33.33%)
- Sonia Assemi (50%)
- Farid Assemi (50%)
- Darius Assemi Revocable Trust (16.66%)
- Darius Assemi (100%)

The company officers of the Applicant are:

- Farid Assemi, Managing Member & Principal
- Rudy Placenia, Chief Operations Officer

THE PROJECT

The Applicant is requesting an STE award to expand its existing pistachio processing and production facilities located in Terra Bella and Cantua Creek (the “Project”). The Applicant states the facilities are being expanded to increase production capacity to approximately 85 million pounds of pistachio products annually. The Applicant states the expansion will include adding additional production space at the Terra Bella location. According to the Applicant, it will receive raw in-hull pistachios from growers in the Central Valley, and will hull, dry, process, roast, fumigate, test, store, pack and ship its pistachios to customers globally.

The Applicant explains the Project will leverage innovative technologies and a vertically integrated process to more efficiently process inshell pistachios while making sure the nuts are cracked, ready and open for consumers. For example, the Applicant states the Project includes custom industrial dryers that will more efficiently and evenly dry pistachios compared to traditional drying processes that take place outdoors only during hotter times of the year, or use older, inefficient equipment. The Applicant states it intends to utilize highly precise roasting

equipment that uses a five-stage process to evenly heat and roast all of its pistachios at the perfect temperature of approximately 325 degrees Fahrenheit. Additionally, the Applicant explains the Project will use optical sorting technology to analyze a nut's shape, size, deformities, and color better than the human eye. The Applicant states the data from the quality control checks and 3D imaging will produce reports that are aggregated, stored, and evaluated to track production runs for quality, efficiency, and other metrics. Moreover, the Applicant explains the Project will repurpose wastewater from the hulling process for irrigation use on farmland.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Manufacturing/Processing Machinery, Equipment & Materials	\$9,250,000
Facility Buildout, Upgrades and Infrastructure Materials & Related Property	\$8,000,000
Research & Development Property	\$300,000
Logistics, Transport, Storage Systems & Related Property	\$3,500,000
Tools, Repair, Spare & Component Parts	\$300,000
Quality Control, Testing, X-Ray & Related Property	\$2,000,000
Computer, Information Technology & Related Property	\$500,000
Total	<u>\$23,850,000</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 will continue to design, engineer and install state-of-the-art pistachio production machinery, equipment and related property with substantial completion by Q1 of 2025. The Applicant also states it will continue with anticipated facility upgrades, reconfigurations, and refinements (including R&D facilities) through Q3 of 2024.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states it has secured or will timely secure all of the necessary building, installation and operational permits and is in good standing with the cities of Terra Bella and Cantua Creek for all of the property operated by the Applicant for the Project.

COMPETITIVE CRITERIA SCORE

The Applicant received 105 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 (50 of 50 points)**. The Applicant's primary Facility is located in Tulare County, which has an average annual unemployment rate of 8.0%.⁵ When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant 50 points.
3. **Job Creation (40 of 75 points)**. The Applicant anticipates the Project will support a total of 290 production-related jobs at its Facilities. CAEATFA estimates that approximately 7.52 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 40 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 (0 of 75 points)**. 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 4,980 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 60 points, which exceeds the 20-point threshold.

⁵ Unemployment rates are based on data available in October 2022.

- A. Fiscal Benefits (4,780 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 \$9,531,440, resulting in a Fiscal Benefits score of 4,780.
- B. Environmental Benefits (60 points).** The Project earned an Environmental Benefits Score of 60. The Applicant received points in the following categories:
- 1. Energy Consumption (30 of 30 points).** The Applicant anticipates the Project will result in a 30% reduction in energy consumption compared to the Applicant's previous manufacturing process. This is achieved through the use of new energy efficient dryers.
 - 2. Solid Waste (30 of 30 points).** The Applicant anticipates the Project will result in a 35% reduction in solid waste produced relative to the industry standard manufacturing process as the empty pistachio hulls and shells are provided to local farmers to be used as cattle feed.
- C. Additional Benefits (140 points).** Applicants may earn additional points for their Total Score. The Applicant received 140 additional points.
- 1. Production Jobs (40 of 75 points).** The Applicant anticipates the Project will support a total of 290 production-related jobs at its Facilities. CAEATFA estimates that approximately 7.52 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 40 points.
 - 2. Construction Jobs (0 of 75 points).** The Applicant anticipates the Project will support a total of 10 construction jobs at its Facilities. CAEATFA estimates that approximately .26 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 (50 of 50 points).** The Applicant's Primary Facility is located in Tulare County, which has an average annual unemployment rate of 8.0%. When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant 50 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 and processing of pistachios.

5. **Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental, and vision benefits, bonuses, and retirement contributions 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 \$95,400.

RECOMMENDATION

Staff recommends the approval of Resolution No. 23-SM026-01 for Touchstone Pistachio Company, LLC's purchase of qualifying tangible personal property in an amount not to exceed \$23,850,000 anticipated to result in an approximate STE value of \$1,993,860.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH TOUCHSTONE PISTACHIO COMPANY, LLC**

July 18, 2023

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Touchstone Pistachio 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 \$23,850,000 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

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.