

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Universal Waste Systems, Inc.
Application No. 23-SM019**

Tuesday, July 18, 2023

Prepared By: *Stefani Wilde, Program Analyst*

SUMMARY

Applicant – Universal Waste Systems, Inc.

Location – Santa Fe Springs, Los Angeles County; Los Angeles, Los Angeles County

Industry – Mixed Organics

Project – Expansion to Add Mixed Organics Processing at Existing Mixed Recycling Facilities
(Recycled Resource Extraction)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$7,881,900	\$658,927

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$906,311	1,375
Estimated Environmental Benefits	\$65,105	99
Additional Benefits	N/A	74
Total	\$971,416	1,548
Estimated Quantifiable Net Benefit	\$312,489	

Competitive Criteria Score – 164

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).)

THE APPLICANT

Universal Waste Systems, Inc. (the “Applicant”) is a California corporation that formed in 1986. Headquartered in Los Angeles, the Applicant provides waste services for waste recycling, reduction, recovery, and reuse.

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

- Mark & Anne Blackburn (60%)
- Matthew Blackburn (10%)
- Mitchell Blackburn (10%)
- Jenese Blackburn (10%)
- Michael Blackburn (10%)

The corporate officers of the Applicant are:

- Mark Blackburn, President & CEO
- Matt Blackburn, VP
- Anne Blackburn, Secretary

THE PROJECT

The Applicant is requesting a sales and use tax exclusion (“STE”) award to expand its existing mixed recycling facilities located in Santa Fe Springs and Los Angeles by adding the processing of mixed organics (the “Project”). According to the Applicant, the Qualified Property will allow it to create advanced solid waste processing infrastructure, which is a critical component of its recycling and landfill diversion processes in support of SB 1383 (Lara, 2016). The new equipment has the capacity to process municipal solid waste from residences, businesses, and multifamily dwellings. The Applicant states once the waste is delivered to its facilities, its new solid waste processing and recycling equipment, called OREX™, will separate all organic waste from the municipal solid waste, therefore eliminating the need for customers to separate solid waste from organic material in different cans. The Applicant states the OREX™ also removes residual contamination before the organics are processed into recycled feedstock that is then fed into an anaerobic digester, and can be used as a source of renewable energy or as compost. According to the Applicant, its process of diverting organic material from landfills significantly reduces greenhouse gases.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

OREX & Hopper Equipment	\$5,287,400
Slide Gates and Disc Screen and Related Components	\$93,000
Supports and Electrical Equipment	\$479,000
Drum Equipment	\$247,100
Conveyors	\$1,775,400
Total	<u>\$7,881,900</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

The Applicant states the Qualified Property at its Santa Fe Springs location is already onsite. The Applicant anticipates installation beginning in August 2023 and equipment to be placed in service by the end of 2023. At the Los Angeles location, the Qualified Property has been received and commissioning is expected to begin in August 2023 with the placed in-service date estimated for September 2023.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, permitting for its Santa Fe Springs location has been requested. The Applicant expects approval of its Conditional Use Permit Negative Declaration by July 2023 and its revised solid waste facility permit by Q3 of 2023. All required permits for its Los Angeles location have been received.

COMPETITIVE CRITERIA SCORE

The Applicant received 164 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Application has a Recycled Resource Extraction Project and, therefore, 100 points are awarded.
2. **Unemployment (19 of 50 points)**. The Applicant's Project is located in Los Angeles County, which has an average annual unemployment rate of 5.1%.⁴ When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant 19 points.
3. **Job Creation (30 of 75 points)**. The Applicant anticipates the Project will support a total of 45 production-related jobs at its facilities. CAEATFA estimates that approximately 1.55 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 Unemployment rates are based on data available in October 2022.

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)**. 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 1,548 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 99 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (1,375 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 \$906,311, resulting in a Fiscal Benefits score of 1,375.
- B. **Environmental Benefits (99 points)**. The Project is anticipated to result in \$65,105 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 99 points. These benefits derive from the processing of organic waste feedstock, which diverts waste from landfills.
- C. **Additional Benefits (74 points)**. Applicants may earn additional points for their Total Score. The Applicant received 74 additional points.
 1. **Production Jobs (30 of 75 points)**. The Applicant anticipates the Project will support a total of 45 production-related jobs at its facilities. CAEATFA estimates that approximately 1.55 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 (0 of 75 points)**. The Applicant anticipates the Project will support a total of four construction jobs at its facilities. CAEATFA estimates that approximately .13 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 (19 of 50 points)**. The Project’s primary facility is located in Los Angeles County, which has an average annual unemployment rate of 5.1%.⁵ When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant 19 points.
4. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental, vision, bonuses, retirement contributions, education reimbursement, gym subsidies, and employee discounts 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 STE Program regulations,⁶ the Applicant has paid CAEATFA an Application Fee of \$5,500 and will pay CAEATFA an Administrative Fee of up to \$31,527.60.

RECOMMENDATION

Staff recommends the approval of Resolution No. 23-SM019-01 for Universal Waste Systems, Inc.’s purchase of qualifying tangible personal property in an amount not to exceed \$7,881,900 anticipated to result in an approximate STE value of \$658,927.

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

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH UNIVERSAL WASTE SYSTEMS, INC.**

July 18, 2023

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Universal Waste Systems, 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 \$7,881,900 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.