

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

Board Meeting Date: Tuesday, June 17, 2025

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Applied Materials, Inc.
Application No. 25-SM032**

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant: Applied Materials, Inc.

Location: Sunnyvale, Santa Clara County; Santa Clara, Santa Clara County

Industry: Semiconductor Manufacturing

Project: Expansion of Existing Semiconductors and Components Manufacturing
Facilities (Advanced Manufacturing)

Project Pool: General and Large

| Value of Qualified Property | Estimated Sales and Use Tax Exclusion (“STE”) Amount ² |
|-----------------------------|--|
| \$156,000,000 | \$13,228,800 |

| Estimated Net Benefit ³ | Dollar Value | Points Earned |
|---|---------------------|---------------|
| Estimated Fiscal Benefits | \$69,976,384 | 5,290 |
| Estimated Environmental Benefits | N/A | 35 |
| Additional Benefits | N/A | 215 |
| Total | \$69,976,384 | 5,540 |
| Estimated Quantifiable Net Benefit | \$56,747,584 | N/A |

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 8.48%.

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).)

Previous Awards and Status: Four previous awards

- Award 1: App No. 20-SM008, Award Year 2020, 100% Expended, Complete, Compliant on Required Reports
- Award 2: App No. 21-SM013, Award Year 2021, 100% Expended, Complete, Compliant on Required Reports
- Award 3: App No. 23-SM033, Award Year 2023, 43% Expended, Active, Compliant on Required Reports
- Award 4: App No. 23-SM034, Award Year 2023, 4% Expended, Active, Compliant on Required Reports

Staff Recommendation: Approval

THE APPLICANT

Applied Materials, Inc. (the “Applicant”) is a Delaware corporation founded in 1967 and publicly traded on the NASDAQ stock exchange under the ticker symbol AMAT. The Applicant is headquartered in Santa Clara. As a leader in the industry, Applied Materials, Inc. offers production equipment, associated components, support services, and software solutions tailored for semiconductor and related sectors. Its customers include manufacturers of semiconductor chips, liquid crystal displays (“LCD”) and organic light-emitting diode (“OLED”) displays, and other electronic devices. Some of the major microchip producers the Applicant serves include Intel, Micron, TSMC, and Samsung.

The Applicant received \$30,000,000 under the California Competes Grant Program administered by the Governor’s Office of Business and Economic Development. The Applicant signed an agreement for the grant in April of 2022.

The corporate officers of the Applicant are:

- Gary E. Dickerson, President & Chief Executive Officer
- Brice Hill, Senior Vice President, Chief Financial Officer & Global Information Services
- Prabu Gopalaraja, President, Semiconductor Products Group
- Terri Little, Senior Vice President, Chief Legal Officer & Corporate Secretary
- Omkaram Nalamasu, Ph.D., Senior Vice President, Chief Technology Officer, President Applied Ventures, LLC
- Brian Shieh, Ph.D., Group Vice President, Display & Flexible Technology

THE PROJECT

Applied Materials, Inc. requests a sales and use tax exclusion (“STE”) award to upgrade its existing semiconductor and related components manufacturing facilities located in Santa Clara and Sunnyvale (the “Project”).

A large portion of the Project will focus on building the new Equipment and Process Innovation and Commercialization (“EPIC”) Center in Sunnyvale. According to the Applicant, the EPIC Center is intended to be the largest and most sophisticated facility in the United States for collaborative research and development in semiconductor process technology and manufacturing equipment.

As part of the Project, the Applicant will be producing semiconductor tools and semiconductor-spares/accessories. According to the Applicant, semiconductor-tools are equipment and systems used in the production processes for semiconductors, chips and integrated circuits. The Applicant’s engineers have been working closely to develop the next generation wafer manufacturing machine platform, Vistara™ Wafer Manufacturing Platform (“Vistara”). This platform harnesses thousands of sensors that feed a massive amount of real-time data to the Applicant’s Actionable Insight Accelerator and EcoTwin™ software, which is specifically designed to minimize the environmental footprint of semiconductor manufacturing. Vistara has the potential of reducing the developmental time by half and could enhance process windows by 33% by providing engineers with real-time visibility into the semiconductor processes, collecting millions of measurements and data points across wafers and individual chips, and optimizing thousands of process variables.

The Applicant will be integrating high-precision tools and methods such as advanced mass metrology systems to help measure, analyze, and locate possible silicon wafer defects. As a way to improve production processes and efficiency, the Applicant intends to utilize additive technologies for testing and producing prototypes, which in comparison to traditional CNC machining produces less waste. Additionally, the Applicant intends on using virtual reality (VR) systems to help train employees on how to build, assemble, and troubleshoot semiconductor tools and products.



Figure 1: EPIC Center

Anticipated Costs of Qualified Property

| Anticipated Qualified Property Purchases | Cost |
|---|----------------------|
| Manufacturing Equipment, Machinery & Related Property | \$49,000,000 |
| Metrology, Testing and QC Equipment & Related Property | \$40,000,000 |
| Lab Devices & Scientific Instruments | \$7,500,000 |
| Research & Development, Design, Engineering Property | \$30,000,000 |
| Buildout/Construction, Upgrades & Improvements to Real Property | \$20,000,000 |
| IT & Computer Property | \$6,000,000 |
| Storage & Logistics Systems and Related Property | \$3,500,000 |
| Total | \$156,000,000 |

Note: The Qualified Property purchases reported in the Application and shown here in the staff report are estimated costs. In accordance with 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, 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 plans on completing construction of the new EPIC center on the Sunnyvale campus in 2026. The expansion involves the development of approximately 180,000 square feet dedicated to cleanroom facilities and laboratories. The Applicant expects to complete all procurement by the end of 2027 or early 2028.

Status of Permits/Other Required Approvals

The Applicant states that the City of Sunnyvale has granted the necessary permits for the demolition of the current buildings and the construction of new infrastructure for the research and development facilities.

PROJECT EVALUATION

Project Benefits

The Project received a Total Score of 5,540 points, which exceeds the required 1,000-point threshold, and includes an Environmental Benefits Score of 35 points, exceeding the 20-point threshold.

- 1. Fiscal Benefits (5,290 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 \$69,976,384, resulting in a Fiscal Benefits score of 5,290.
- 2. Environmental Benefits (35 points).** The Project earned an Environmental Benefits Score of 35. The Applicant received points in the following categories:

- A. Environmental Sustainability Plan (5 of 5 points).** The Applicant has an environmental sustainability plan aimed at enhancing energy efficiency by minimizing solid waste through an improved recycling process.
- B. Solid Waste (30 of 30 points).** The Applicant anticipates the Project will result in a 42% reduction in solid waste produced relative to the Applicant's previous manufacturing process. This is achieved by collaborating with a third party to salvage decommissioned furniture, equipment, and other materials and repurposing them through charitable donation, resale, and recycling.
- 3. Additional Benefits (215 points).** Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 215 Additional Benefits points.
- A. Production Jobs (60 of 75 points).** The Applicant anticipates the Project will support a total of 5,743 production-related jobs at its Facilities. CAEATFA estimates that approximately 248.87 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 60 points.
- B. Construction Jobs (40 of 75 points).** The Applicant anticipates the Project will support a total of 1,500 construction jobs at its Facilities. CAEATFA estimates that approximately 65 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.
- C. Unemployment (0 of 50 points).** The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 4.1%. When compared to the statewide average annual unemployment rate of 5.3%,⁴ the Project location earned the Applicant zero points.
- D. 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 semiconductor chips.
- E. Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental & vision benefits, bonuses, retirement contributions, profit sharing, dependent care & assistance reimbursement, transportation subsidies, education reimbursement, gym subsidies and paid leave to its employees, earning the Applicant 25 points.
- F. Workforce Partnerships (25 of 25 points).** The Applicant has a partnership with all major public and private CA Universities for the purpose of assisting in the training of potential future workers.

⁴ Unemployment rates are based on data available in October 2024.

G. Emerging Strategic Industry (40 of 40 points). The Project's industry, semiconductor manufacturing, is in an Emerging Strategic Industry, as defined by CAEATFA, 40 points are awarded.

LEGAL STATUS QUESTIONNAIRE

Staff has reviewed the Applicant's responses to the Legal Status Questionnaire. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with STE Program regulations,⁵ the Applicant paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$350,000 should the Applicant be approved for an award.

RECOMMENDATION

Staff recommends the approval of Resolution No. 25-SM032-01 for Applied Materials, Inc.'s purchase of qualifying tangible personal property in an amount not to exceed \$156,000,000, anticipated to result in an approximate STE value of \$13,228,800. The initial term of the Regulatory Agreement will be for a period of three years, until June 17, 2028, and the remainder shall be for a period of six years, until June 17, 2031, for providing annual compliance reports.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH APPLIED MATERIALS, INC.**

June 17, 2025

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Applied Materials, 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 \$156,000,000 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

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the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.