

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

Board Meeting Date: Tuesday, June 17, 2025

**Nitricity Inc. and Nitricity Delhi LLC
Application No. 25-SM008**

Prepared By: *Matthew Newman, Blue Sky Consulting Group, on behalf of CAEATFA*

SUMMARY

Applicant: Nitricity Inc. and Nitricity Delhi LLC

Location: Delhi, Merced County

Industry: Fertilizer Production

Project: New Almond Shell Fertilizer Production Facility
(Recycled Resource Extraction)

Project Pool: Small

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$8,700,000	\$737,760

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$947,765	1,285
Estimated Environmental Benefits	\$15,928	22
Additional Benefits	N/A	210
Total	\$963,693	1,516
Estimated Quantifiable Net Benefit	\$225,933	N/A

Competitive Criteria Score: 195

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).)

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

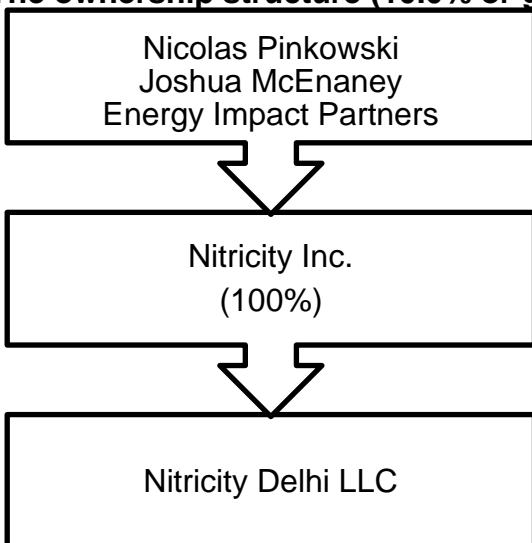
Staff Recommendation: Approval

THE APPLICANT

Nitricity Inc. and Nitricity Delhi LLC (collectively the “Applicant”) formed in Delaware and California in 2018 and 2025, respectively. The Applicant is headquartered in Fremont, California.

The Applicant has been awarded a 48C tax credit in the amount of \$2.5 million, which will become available after the project is built and certified by the IRS.

The ownership structure (10.0% or greater) of the Applicant is as follows:



The company officers of the Applicant are:

- Nicolas Pinkowski, Chief Executive Officer
- Joshua McEnaney, President & Chief Technology Officer
- Jay Schwalbe, Chief Science Officer
- Jayesh Goyal, Chief Commercial Officer

THE PROJECT

Nitricity Inc. and Nitricity Delhi LLC requests a sales and use tax exclusion (“STE”) award to build a new fertilizer manufacturing facility located in Delhi, California (the “Project”).

The Applicant states it makes liquid fertilizer from recycled almond shells using an electrified process powered by carbon free energy that results in 70-80% lower carbon footprint compared to traditional nitrogen fertilizers. Its process consists of burning waste biomaterials at a high temperature and capturing the resulting nutrients in water to produce an irrigable and organic fertilizer product. The almond shells are collected as waste from almond processing facilities to make 3% nitrogen Ash Tea and Ca-Fortified

Ash Tea irrigable fertilizers. Almond shells, which otherwise go to waste, are therefore up-cycled into fertilizer. When growers apply the Ash Tea to their soils, it provides the now readily available nutrients (including soil carbon, nitrogen, potassium, and micronutrients), reincorporating them into the growing cycle. The Applicant reports that almond shells are considered a waste product for which no important industrial use has been developed, therefore they are normally incinerated or dumped without control.

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases	Cost
Reactor Subsystem	\$2,800,000
Process Gas Subsystem	\$1,200,000
Absorber Subsystem	\$2,750,000
Chilled and Cooling Water Subsystems	\$350,000
Controls Subsystem	\$100,000
Abatement Subsystem	\$600,000
Electrical Subsystem	\$700,000
Mixing and Handling Subsystem	\$200,000
Total	\$8,700,000

Note: The Qualified Property purchases reported in the Application and shown here in staff's 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, 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 it secured the Delhi facility in September 2024. The Applicant expects all permits for construction by July 2025, with construction scheduled from July to December 2025. Commissioning will take place from December 2025 through January 2026, followed by operational ramp-up from January to June 2026. The Applicant projects the facility to be in service by July 2026.

Status of Permits/Other Required Approvals

The Applicant reports that it submitted an application for a Conditional Use Permit (CUP), which allows fertilizer production in the AG-1 zone of the area, to Merced County in February 2025 and expects approval by July 2025. The Applicant applied for an air permit with the San Joaquin Valley Air Pollution Control District in January 2025 with approval expected by July 2025. Lastly, the Applicant submitted an application for a building permit with Merced County in April 2025 with approval expected by July 2025.

COMPETITIVE CRITERIA SCORE

The Applicant received 195 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 (50 of 50 points)**. The Applicant's primary Facility is located in Merced County, which has an average annual unemployment rate of 9.6%.⁵ When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant 50 points.
3. **Job Creation (30 of 75 points)**. The Applicant anticipates the Project will support a total of 10 production-related jobs at its Facility. CAEATFA estimates that approximately 1.24 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 maintains its corporate headquarters in Fremont, California, 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, as defined by CAEATFA, zero points are awarded.

PROJECT EVALUATION

Project Benefits

The Project received a Total Score of 1,516 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 22 points, which exceeds the 20-point threshold.

1. **Fiscal Benefits (1,285 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,

⁵ Unemployment rates are based on data available in October 2024.

property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$947,765, resulting in a Fiscal Benefits score of 1,285.

2. **Environmental Benefits (22 points)**. The Project is anticipated to result in \$15,928 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 22 points. These benefits derive from recycling almond shells.
3. **Additional Benefits (210 points)**. Applicants may earn “Additional Benefits” points in the categories listed below. The Applicant received 210 Additional Benefits points.
 - A. **Production Jobs (30 of 75 points)**. The Applicant anticipates the Project will support a total of 10 production-related jobs at its Facility. CAEATFA estimates that approximately 1.24 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.
 - B. **Construction Jobs (30 of 75 points)**. The Applicant anticipates the Project will support a total of 13 construction jobs at its Facility. 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.
 - C. **Unemployment (50 of 50 points)**. The Applicant’s Project is located in Merced County, which has an average annual unemployment rate of 9.6%. When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant 50 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 optimizing biowaste utilization, refining fertilizer formulations, and improving production process efficiency.
 - E. **Workforce Partnerships (25 of 25 points)**. The Applicant has partnerships with Merced College and Ohlone College for the purpose of assisting in the training of potential future workers.
 - F. **Industry Cluster (25 of 25 points)**. The California Employment Development Department identified the industry associated with this Application as an Agriculture, Food, and Beverage Processing Cluster, an industry cluster.
 - G. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, & dental benefits, bonuses, retirement contributions, transportation subsidies, and education reimbursement to its employees, earning the Applicant 25 points.

LEGAL STATUS QUESTIONNAIRE

The Applicant had nothing to report on the Legal Status Questionnaire.

CAEATFA FEES

In accordance with STE Program regulations,⁶ the Applicant paid CAEATFA an Application Fee of \$4,350 and will pay CAEATFA an Administrative Fee of up to \$34,800 should the Applicant be approved for an award.

RECOMMENDATION

Staff recommends the approval of Resolution No. 25-SM008-01 for Nitricity Inc. and Nitricity Delhi LLC's purchase of qualifying tangible personal property in an amount not to exceed \$8,700,000 anticipated to result in an approximate STE value of \$737,760. 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 seven years and six months, until December 17, 2032, for providing annual compliance reports.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A REGULATORY
AGREEMENT WITH NITRICTY INC. AND NITRICITY DELHI LLC**

June 17, 2025

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Nitricity Inc. and Nitricity Delhi 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 \$8,700,000 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.