

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

***Request to Approve a Time Extension for the
Initial Term of the Regulatory Agreement¹***

**Sioneer Stockton, LLC
Application No. 19-SM030**

Tuesday, May 21, 2024

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant – Sioneer Stockton, LLC

Location – Vernon, Los Angeles County (originally Stockton, San Joaquin County)

Industry – Glass Recycling and Pozzolan Manufacturing

Project – Expansion of Existing Glass Recycling Facility (Recycled Resource Extraction)

Total Amount Qualified Property Approved– \$15,370,837

Estimated Sales and Use Tax Exclusion Amount at Approval² – \$1,285,002

Amount of Time Requested –

- Requesting a two (2)-year, four (4)-month, and thirteen (13)-day extension, until October 31, 2026, for the Initial Term of the Regulatory Agreement (a total of seven (7) years, four (4) months, and thirteen (13) days from the date of initial CAEATFA Board approval of June 18, 2019)

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Sales and Use Tax Exclusion Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate at the time of initial approval, which was 8.36%.

REQUEST

On June 18, 2019, the CAEATFA Board approved a Sales and Use Tax Exclusion (“STE”) award for Sioneer Stockton, LLC (the “Applicant”) for the purchase of up to \$15,370,837 in Qualified Property to expand its existing glass recycling facility located in Stockton, San Joaquin County (the “Project”). The Regulatory Agreement (“Agreement”) initial term provided the Applicant with three years from the date of Board Approval to utilize its STE award.³ On May 17, 2022, the CAEATFA Board approved the Applicant for a two (2)-year extension of the initial term of the Agreement from its original termination date of June 18, 2022, to accommodate delays related to the COVID-19 pandemic and securing financing, which pushed back the Project’s timeline.

As of December 2023, the Applicant has used the STE award to purchase approximately \$4,235,718.74 of Qualified Property (28% of the total Qualified Property approved). The Applicant is requesting to extend the Agreement initial term by an additional two (2) years, four (4) months, and thirteen (13) days to accommodate delays in Project financing.

The Applicant is currently in the process of securing an agreement for full project funding and anticipates it to be completed by July 31, 2024. Once the company completes the legal agreements and receives full funding, it will begin the product procurement, construction, and commissioning process within the next 24 months. The Applicant has entered into a formal agreement with investment banker, Piper Sandler, to identify and find potential financial partners for Sioneer Stockton and has been in discussions with several large corporate investors who expressed interest in the Applicant’s Project. The Applicant states it has identified a new plant site for its glass processing facility in Southern California and negotiated a lease that will be executed upon project financing. It has also entered a partnership with an architecture and engineering firm, Skidmore, Owings & Merrill (“SOM”), in 2022 to validate and quantify the benefits of Centurion, a patent-pending concrete additive made from recycled glass. In addition, SOM has executed an agreement to provide \$1 million in services to the Applicant.

The initial term of the Agreement can be extended by the Board upon a finding that an extension is in the public interest and advances the purposes of the STE Program.⁴

THE APPLICANT

Sioneer Stockton, LLC (“Sioneer” or the “Applicant”), a wholly owned subsidiary of Glass Processing Solutions, LLC, is an Ohio limited liability company that formed in 2017 to recycle glass and manufacture pozzolan. The technology Sioneer uses cleans and processes 100% of the glass it receives to be sold to numerous markets such as bottle and fiberglass manufacturing, pozzolan, silica flour, abrasives, filtration, specialty sands, and agriculture.

³ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)

⁴ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)(B)

The major shareholders (10.0% or greater) of Glass Processing Solutions are:
Douglas Jackson (45%)
Cynthia Andela (45%)

The corporate officers of the Applicant are:
Douglas Jackson, President & CEO
Wendy Wright, VP of Finance
Brett Wilhelm, Director of New Facilities

THE PROJECT

The Applicant requested a sales and use tax exclusion to expand its existing glass recycling facility located in Stockton. According to the Applicant, when glass is recycled at a material recovery facility, it is cleaned, sorted, and then transported to new glass manufacturers. This process leaves behind fines or other unsorted glass that is collected and then transported to a landfill for disposal. According to the Applicant, it will divert this waste material from the landfill and recycle the fines and other unsorted glass into pozzolan for use in portland cement. The fines and unsorted glass will undergo an initial grinding process, a sanitization treatment process, a drying process, and a final grind. The resulting material will be a fine glass powder, which will be transported to concrete manufacturers. The Applicant explains the incorporation of pozzolan significantly improves the durability of concrete, thereby saving time, energy, materials, maintenance, and replacement costs over the life of the product.

The production of portland cement, which is the most commonly used cement in the world, releases approximately 0.88 tons of CO2 per ton of cement produced (EPA 2015) and is reported to be responsible for 5-8% of global anthropogenic carbon emissions annually. According to the Applicant, pozzolan as a replacement in portland cement can reduce greenhouse gas (GHG) emissions by an estimated 83%, pound-for-pound. Based on the projected production of 72,000 tons of glass pozzolan per year, the net impact will be a GHG emission reduction of 60,048 tons of MTCO2e annually.

The Applicant received an income tax credit of \$2,400,000 for the Project in 2017 under the Greenhouse Gas Reduction Recycled Fiber, Plastic, and Glass Grant Program administered by CalRecycle.

AGREEMENT INITIAL TERM EXTENSION REQUEST

The Applicant has requested that the initial term of the Agreement be extended by an additional two (2) years, four (4) months, and thirteen (13) days from June 18, 2024, to October 31, 2026, in order to accommodate delays in Project financing.

Staff Evaluation

Staff has reviewed the Applicant’s additional two (2)-years, four (4)-months, and thirteen (13)-day extension request and took into consideration the obstacles were unforeseen and beyond the Applicant’s control. The Applicant originally received an STE award in 2019 for a plant located at the Port of Stockton. The plant was anticipated to be fully funded by a California Pollution Control Tax-Exempt Bond that failed in 2019 due to bond market issues. In 2021, the Applicant

entered into a joint venture Agreement to build a glass processing facility in Jurupa Valley; however, the joint venture was dissolved in 2023 due to the investor’s inability to act upon the agreed terms.

Staff has also taken into consideration that the Applicant has made significant progress since its last extension request. The Applicant has partnered up with SOM and developed what it states is a revolutionary patent-pending, low-carbon concrete additive as its flagship product, Centurion. Centurion is made from recycled glass and can be used as structural concrete for the construction of high-rise buildings. The Applicant has also identified and secured a lease for its new glass facility in Los Angeles. Lastly, the Applicant states it has also entered into a formal agreement with investment banker, Piper Sandler, and is actively looking for new financial partners.

Due to the significant changes over the years, the scope of the Project has also changed. The Applicant’s facility location moved from Port of Stockton to Jurupa Valley, CA, and now to Los Angeles, CA. The original Stockton facility was designed to produce 120,000 TPY of glass products, 72,000 TPY of which were Pozzolan. The new proposed facility will utilize the original funds to produce the 72,000 TPY of Pozzolan and additional funds will be required to increase the total plant capacity to 120,000 tons at startup, and later up to 240,000 tons. Although the scope of the Project has altered, the investors have not changed. The Applicant has maintained the same investors for working capital funds since its last extension request. These investors will no longer be needed once Sioneer Stockton obtains full project financing.

Based on this information, Staff believes extending the initial term of the Agreement will allow for the Project to be completed, and is, therefore, in the public interest and advances the purposes of the STE Program.

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,⁵ the Applicant has paid an additional fee of \$2,000 because extending the initial term qualifies as a modification to the Applicant’s Agreement.

⁵ California Code of Regulations Title 4, Division 13, Section 10036(c)(1)(B)

RECOMMENDATION

Staff recommends that the Board approve the Applicant’s request to extend the initial term of the Agreement by an additional two (2) years, four (4) months, and thirteen (13) days to October 31, 2026, as it is in the public interest and advances the purposes of the STE Program.

Attachments

Attachment A: Sioneer Stockton, LLC’s letter requesting waiver (May 1, 2024)

Attachment B: Sioneer Stockton, LLC’s staff summary at the time of approval

**RESOLUTION APPROVING A TIME EXTENSION FOR
SIONEER STOCKTON, LLC’S INITIAL TERM FOR
THE REGULATORY AGREEMENT**

May 21, 2024

WHEREAS, on June 18, 2019, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, approved a Sales Tax Exclusion (“STE”) in the amount of \$15,370,837 of Qualified Property for **Sioneer Stockton, LLC** (the “Applicant”); and

WHEREAS, within three (3) years of approval by the Authority, the Applicant must make all Qualified Property purchases (STE Program regulations Section 10035(b)(1)); and

WHEREAS, upon a finding that it is in the public interest and advances the purposes of the Program, the Authority may waive the requirement that all purchases of Qualified Property be made within three (3) years of Application approval (STE Program regulations Section 10035(b)(1)(B)); and

WHEREAS, the Applicant previously had requested a waiver of the requirement to purchase all of the Qualified Property within three (3) years due to unexpected delays in the Project timeline, extending the term by two (2) years to June 18, 2024; and

WHEREAS, the Applicant has requested an additional waiver of the requirement to purchase all of the Qualified Property by June 18, 2024, due to unexpected delays in the Project timeline, extending the term by two (2) years, four (4) months, and thirteen (13) days to October 31, 2026; and

WHEREAS, granting the additional waiver will allow the Project to proceed and the state to receive the anticipated environmental and economic benefits that justified the initial approval of the Project in accordance with the law, thereby advancing both the public interest and the purposes of the Program.

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Authority finds that it is in the public interest and advances the purposes of the Program to extend the Applicant’s initial term of the Regulatory Agreement to October 31, 2026.

Section 2. This resolution shall take effect immediately upon its passage.

Attachment A: Sioneer Stockton, LLC’s Letter Requesting Waiver (May 1, 2024)



To: California Alternative Energy and Advanced Transportation Financing Authority
From: Brett Wilhelm – Director of New Facilities - Sioneer
Date: May 1, 2024
Re: Sioneer Stockton CAEATFA STE Extension Request Letter

To Whom It May Concern:

Sioneer Stockton, LLC is requesting a second and final extension to our CAEATFA STE award, originated on June 18, 2019 for the purchase of up to \$15,370,837 in Qualified Property (QP) related to our Glass Recycling manufacturing plant in the State of California. After careful examination of our remaining tasks to complete the purchase of this QP, we are proposing the extension outline provided in supplement to this letter, for a total of 28.5 months with an end date of October 31, 2026.

Although we have experienced delays in getting this project funded, we believe you will find that the time lapsed has not been wasted. Sioneer has brought on highly influential strategic partners, have developed a revolutionary patent-pending, low-carbon concrete additive as our flagship product “Centurion” that is currently market-ready, and have verified that product’s compliance with all major private and public specification requirements within the State of California.

Sioneer Stockton is confident that CAEATFA’s granting of this extension request will not only provide the environmental and labor-related impacts originally estimated in 2019 but will also far surpass those expectations with our recent developments in concrete carbon reduction. You will also see that upon the successful completion of this QP project, we intend to grow the scale of our plant capacity and request further awards for additional QP, should they be available from CAEATFA.

Finally, I want to note how much we appreciate the guidance and patience that we have received from the CAEATFA Administrators and Board in respectfully requesting this extension.

Sincerely,

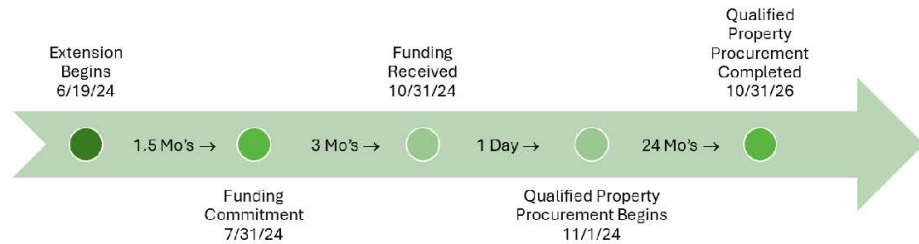
A handwritten signature in black ink, appearing to read "Brett M. Wilhelm".

Brett M. Wilhelm
Director of New Facilities
Sioneer Stockton, LLC
BWilhelm@sioneer.com

**Agenda Item – 4.A.1
Resolution No. 19-SM030-01**

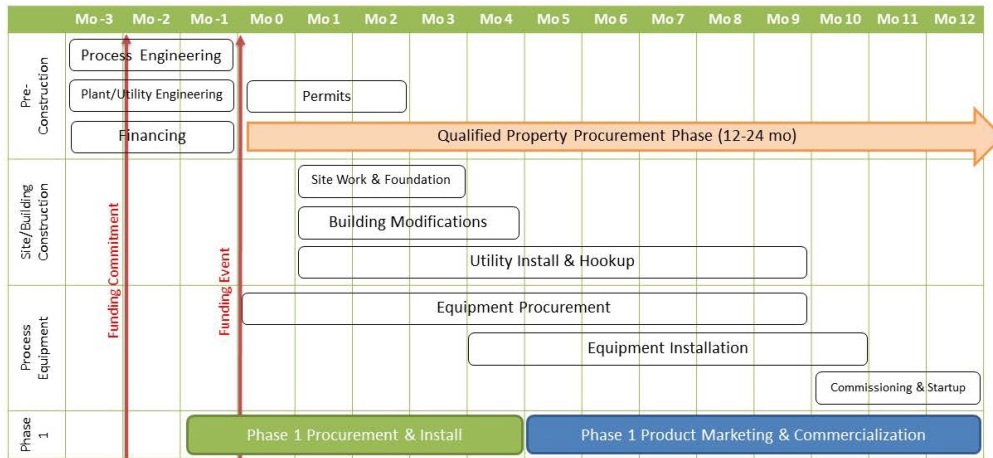
A. A request for a time extension, including the specific amount of time requested, an anticipated schedule for purchasing the remainder of the Qualified Property, and rationale for why this specific amount of time is needed:

- a. Sioneer Stockton, LLC is requesting a final STE Extension of 28.5 months:
 - i. We are in the process of securing a full project funding commitment with a strategic partner, which is expected to be completed by July 31, 2024, 1.5 months after our extension would begin on June 19, 2024.
 - ii. We are then requesting 3 months to complete legal agreements and receive funds.
 - iii. Immediately following that, we are requesting 24 months to complete the procurement of all remaining Qualified Property.



- b. The Extension Request Timeline is significantly more conservative than our “Best-Case” Scenario, in which we expect 2 months for legal agreements and 12 months for procurement.

Sioneer “Best-Case” Project Timeline – Phases 1 & 2



- c. The procurement phase will begin with deposits made on all long lead-time Qualified Property, which will account for 25-50% of the cost of each unit, depending on individual vendor payment terms. Most vendors will then require payment of the remaining balance upon shipment, with Sioneer Stockton retaining ~10% until the unit is delivered, installed and commissioned to meet all vendor specifications. Sioneer is estimating a best-case QP procurement phase scenario of 12 months but are requesting the additional 12 months to be conservative.
- d. These could include delays in funding, materials, labor or permitting but are not realistically expected to extend our Qualified Property purchasing past our total 28.5 month extension request.

B. An explanation of why the extension is necessary (i.e. why the initial term deadline will not be met)

- a. Sioneer Stockton, LLC originally received the STE award in 2019 for a plant located at the Port of Stockton, in Stockton, CA, anticipating full plant funding to be completed by 12/31/19 through a California Pollution Control Tax-Exempt Bond (CPCFA). That bond pursuit ultimately failed at the end of 2019 due to bond market issues, not directly related to Sioneer Stockton or its merits.
- b. In Q1 2020, Sioneer Stockton withdrew from our lease at the Port of Stockton and pivoted our focus to surviving the COVID-19 Pandemic downturn, including finding a new plant site and financial partner in California, and further developing our Pozzolan product “Centurion” for use in large-scale low-carbon concrete projects.
- c. In Q1 of 2021, Sioneer Stockton entered into a Joint Venture Agreement to build a glass processing facility at 3500 B Pyrite Street, Jurupa Valley, CA 92509. That Joint Venture was ultimately dissolved in Q1 2023 due to our Investor’s inability to provide the previously agreed upon collateral to allow the Guarantor the proper security to secure the Project Funding.
- d. It should be noted that all delays to the various iterations of the Sioneer Stockton project have been the result of our unsuccessful attempts to find a suitable financial partner to fund our first plant. This has been the case since our original CAEATFA award in 2019. There have been no delays caused by technology, design, construction, product development or marketing issues. In fact, since 2019, our flagship product “Centurion” (a patent-pending concrete additive made from recycled glass) has received Market-Ready status through:
 - i. ASTM C1866 Ground Glass Pozzolan specification
 - ii. Formal specification in all worldwide projects by Skidmore, Owings & Merrill (SOM), the preeminent Architecture & Engineering firm
 - iii. Product verification testing by G3 Labs, concluding that Centurion is “acceptable for use for the State of California Department of Transportation for structures and paving, all military and FAA work for runways and termini, and structural concrete for buildings”

C. An explanation of what assurances there are that the new timeline will be met

- a. Sioneer is currently negotiating a formal agreement with investment banker Piper Sandler, to identify, and pursue potential financial partners for Sioneer Stockton and ultimately execute an agreement to fund our project, including the CAEATFA Qualified Property.
 - i. We are in discussions with several large, VC, PE and Corporate investors who have expressed a sincere interest. The initial discussions have progressed nicely, however there currently are not any pending commitments.
- b. SOM has executed an Agreement with Sioneer to provide \$1 million in services. In addition, SOM has already completed a comprehensive Product Evaluation of Centurion, highlighting the technical, economic, and environmental benefits of Centurion in structural concrete.
- c. The other factors potentially impacting the timeline have been improved since the original application in 2019 and pose little risk to the procurement process.
 - i. The glass feedstock market in Southern California is arguably the most robust in the nation, given its population density and recycling collection incentives.
 - ii. The technology and production processes are conceptually identical to the original Stockton design, only the Ton Per Hour (TPH) capacity has been increased in each Zone from 20 to 40 TPH since the concrete market demand for pozzolans is so robust. We have also identified multiple industrial buildings in greater Los Angeles that are vacant and suitable for our size needs (150-200k sq ft).
 - iii. 100% of the production is now for our “Glass Pozzolan in Concrete” product, Centurion. Although we will still retain the ability to produce any of the alternative glass products in the event of a Pozzolan market disturbance (abrasives, bottle cullet, filtration media, silica fume), the sheer size, high demand and low supply of the Pozzolan Market in Southern California practically eliminates the need to sell into any other market.

D. Amount of Qualified Property purchased to date

- a. Sioneer Stockton has purchased \$4,235,718.74 in Qualified Property as of December 2023, which amounts to 28% of the total Qualified Property amount approved. Those purchases were made with funds raised through equity investments unrelated to the CPCFA Bond or current financing pursuits.

E. Information on whether the scope of the project has changed

- a. The scope of the project has changed in the following ways:
 - i. Plant location – Per Section B, we have moved our plant site from the Port of Stockton to Jurupa Valley, CA and now to Greater Los Angeles. We have negotiated a lease for a building in Vernon but cannot execute that lease until we are funded. The proportion of State of California VS non-California waste glass supply, equipment procurement and end-market sales are not projected to change. The vast majority of glass supply and offtake will be Southern California based and any equipment that is competitively available in California will be sourced locally, including labor.
 - ii. Product mix – Per Section C.c.iii, virtually all production will be for Centurion, Sioneer Stockton’s patent pending and revolutionary “Glass Pozzolan in Concrete” which has been tested and verified to meet industry standards both through Sioneer sponsored and independent third-party laboratories based in California, utilizing local concrete ingredients. This product exhibits a significantly higher value per-ton in the market, both in pricing and carbon-reduction.
 - iii. Product volume – The original Stockton plant was designed to produce 120,000 TPY of all glass products, 72,000 of which were Pozzolan. The new design will utilize the original funds to produce the 72,000 TPY of Pozzolan, and additional funds will be required by Sioneer Stockton to increase the total plant capacity to 120,000 tons at startup, then 240,000 TPY with an additional infusion of funds for an expansion of Zone 6 production capacity. We estimate those additional funds to be \$25 million, for a total Qualified Property budget of \$40 million. Sioneer Stockton will apply for additional STE awards in future years to cover these expenditures, as needed and as is available from CAEATFA.
- b. Although the total project scope has increased, the incremental economic, labor-related and environmental impacts of the Qualified Property has not changed from the figures submitted in our initial application.

F. Since this is a second extension, how is it different from the first extension?

- a. The differences between our current status and previous submission status are significant, and highly beneficial to the success of our project. They are summarized as follows:
 - i. We have continued to defend our pending product patent for Centurion, which will secure the technology behind our low carbon, high strength structural concrete pozzolan, made with recycled glass.
 - ii. Centurion has become formally Market-Ready through ASTM Specification as a Glass Pozzolan in Concrete in 2020, SOM Specification for use in high-rise construction in 2023, and verified acceptability to Caltrans performance requirements through third party G3 lab testing in 2022.
 - iii. We partnered with SOM in 2022, the premier sustainability architecture and engineering firm, to validate and quantify the benefit of Centurion to structural concrete for use in high rise buildings. SOM has formally specified Centurion for use in their projects moving forward, on a worldwide basis.
 - iv. We have identified the site for our Southern California plant and negotiated a lease in 2023, to be executed upon project financing.
 - v. We secured LOIs in 2023 for the waste glass tonnages required to meet our minimum profitability thresholds for financing.

vi. We enlisted the investment banking firm Piper Sandler in 2024 to seek and secure our investment partner.

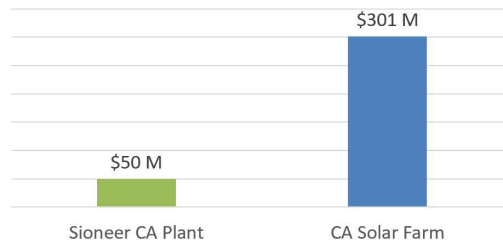
G. Have the investors changed?

- a. Sioneer Stockton has maintained the same investors for our Working Capital funds since our last extension request. Those investors will only be needed until we secure our full project funding, which will include Working Capital moving forward. We are currently communicating with multiple potential investment partners for the project financing and expect Piper Sandler to complete that search in the near future.

H. Any additional information to support Board approval of an extension of the Purchase Requirement

- a. Although we have faced unanticipated challenges in raising funds since our award, Sioneer has not wasted that time. There have been significant improvements to our flagship product and overall project in the past 5 years, making our potential value to CAEATFA and the State of California stronger than ever.
- b. The concrete markets in Southern California and throughout the US have seen unprecedented high demand for lower-carbon concrete solutions. At the same time, there are historic shortages of traditional materials to achieve them, such as Fly Ash. Sioneer’s unique glass pozzolan uses locally available, high-volume waste products from the same community it is creating jobs for and providing low-carbon concrete materials for.
- c. A Centurion plant is also a uniquely replicable concept in the industrial minerals sector since it is not tied to a geographic “mine”. The two things that Sioneer needs to thrive, waste glass supply, and demand for concrete, both inherently exist anywhere there is enough population to sustain a plant. The municipalities of California will no longer build their highways, buildings and bridges with concrete materials produced in Chicago, Pennsylvania or Alabama that get trucked across the country. They will instead take hundreds of thousands, or potentially millions, of tons of glass out of their own waste streams every year and use them in their own back yards.
- d. Carbon Reduction “R.O.I” - In order to evaluate the relative Carbon Reduction impact of a Sioneer facility, we calculated the Initial Investment cost of a California-based Solar Farm, scaled to match the 20-year cumulative Carbon Reduction estimates of one Sioneer plant. The 300 MW Solar Farm investment requirement is **6X** that of a Sioneer facility to achieve the same GHG results:

Initial Investment Required to Match Centurion’s
Single-Plant 20 Year Carbon Impact (5.2M Tons GHG)



- Sioneer cost includes CapEx and Working Cap
- Solar cost based on US EPA 0.4421 Tons CO2/MWh delivered, \$1M initial investment/MW capacity, CA avg 5.38 hr/day, total generation over 20 years
- Both exclude Real Estate, assume leased
- 5.2M Tons GHG calculation:
 - 4.3M Tons Centurion produced over 20 years
 - 240,000 tons/yr Centurion, after initial 4 year ramp up
 - 1.2 Tons GHG/ton Centurion
 - 1 Ton GHG/ton Portland Cement avoided, plus
 - 0.2 Ton GHG/ton Centurion sequestered during manufacturing process

Attachment B: Sioneer Stockton, LLC's Staff Summary at the Time of Approval

**Agenda Item – 4.A.16
Resolution No. 19-SM030
Application No. 19-SM030**

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

Request to Approve Project for Sales and Use Tax Exclusion (STE)¹

**Sioneer Stockton, LLC
Application No. 19-SM030**

June 18, 2019

Prepared By: *Matthew Parsons, Program Analyst*

SUMMARY

Applicant – Sioneer Stockton, LLC

Location – Stockton, San Joaquin County

Industry – Glass Recycling and Pozzolan Manufacturing

Project – Expansion of Existing Glass Recycling Facility (Recycled Resource Extraction)

Value of Qualified Property – \$15,370,837

Estimated Sales and Use Tax Exclusion Amount² – \$1,285,002

Estimated Quantifiable Net Benefits – \$618,859

Application Score³ –

Fiscal Benefits Points:	1301
<u>Environmental Benefits Points:</u>	<u>180</u>
Net Benefits Score:	1,482
<u>Additional Benefits Points:</u>	<u>90</u>
Total Score:	1,572

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.36%.

³ Point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

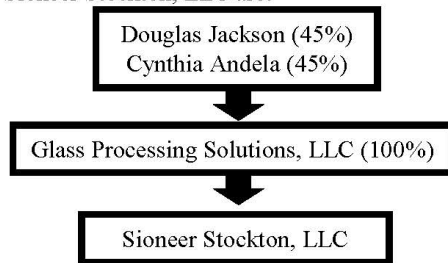
**Agenda Item – 4.A.1
Resolution No. 19-SM030-01**

**Agenda Item – 4.A.16
Resolution No. 19-SM030
Application No. 19-SM030**

THE APPLICANT

Sioneer Stockton, LLC (“Sioneer” or the “Applicant”), an Ohio limited liability company formed in 2017 and located in Stockton, is a glass recycler and pozzolan manufacturer. The technology Sioneer uses cleans and processes 100% of the glass it receives to be sold to numerous markets such as bottle and fiberglass manufacturing, pozzolan, silica flour, abrasives, filtration, specialty sands, and agriculture.

The major shareholders (10.0% or greater) of Sioneer Stockton, LLC are:



The corporate officers of Sioneer Stockton, LLC are:

Douglas Jackson, President & CEO
Wendy Wright, VP of Finance
Brett Wilhelm, Director of New Facilities

THE PROJECT

Sioneer is requesting a sales and use tax exclusion to expand its existing glass recycling facility located in Stockton (the “Project”). According to the Applicant, when glass is recycled at a material recovery facility, it is cleaned, sorted, and then transported to new glass manufacturers. This process leaves behind fines or other unsorted glass that is collected and then transported to a landfill for disposal. According to Sioneer, it will divert this waste material from the landfill and recycle the fines and other unsorted glass into pozzolan for use in portland cement. The fines and unsorted glass will undergo an initial grinding process, a sanitization treatment process, a drying process, and a final grind. The resulting material will be a fine glass powder, which will be transported to concrete manufacturers. According to the Applicant, the incorporation of pozzolan significantly improves the durability of concrete, thereby saving time, energy, materials, maintenance, and replacement costs over the life of the product.

The production of portland cement, which is the most commonly used cement in the world, releases approximately 0.88 tons of CO2 per ton of cement produced (EPA 2015), and is reported to be responsible for 5-8% of global anthropogenic carbon emissions annually. According to the Applicant, pozzolan as a replacement in portland cement can reduce greenhouse gas (GHG) emissions by an estimated 83%, pound-for-pound. Based on the projected production of 72,000 tons of Sioneer glass pozzolan per year, the net impact will be a GHG emission reduction of 60,048 tons of MTCO2e annually.

Sioneer received an income tax credit for the Project under the Greenhouse Gas Reduction Recycled Fiber, Plastic, and Glass Grant Program administered by CalRecycle in 2017 for

**Agenda Item – 4.A.1
Resolution No. 19-SM030-01**

**Agenda Item – 4.A.16
Resolution No. 19-SM030
Application No. 19-SM030**

\$2,400,000. Sioneer also received a Tax-Exempt Revenue Bond through the California Pollution Control Financing Authority in the amount of \$16,650,000 in May of 2019.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Pulverizer Systems	\$ 1,982,917
Dryer and Non-Glass Removal System	1,631,987
Optical Sorting Equipment	2,305,093
Size Reduction and Screening Equipment	833,078
Alt-Infeed Screening Equipment	77,715
Wet Digestion, Grinding, and Drying Equipment	4,381,727
Air Conveying and Storage	1,067,996
Contingency Equipment	1,240,324
Construction Materials	<u>1,850,000</u>
Total	<u>\$15,370,837</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 master regulatory agreement a finalized project equipment list will be prepared detailing the value of the Project equipment acquired and detailing the actual 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, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons.

TIMELINE

According to the Applicant, construction and equipment purchases are expected to begin in June 2019. By the end of 2019, Sioneer expects to complete site preparation, building its facility, and equipment installation. Final occupancy will take place in March of 2020.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$15,370,837 and the total quantifiable net benefits are valued at \$618,859 for the Project. The Project received a Total Score of 1,572 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 180 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (1,301 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property

**Agenda Item – 4.A.16
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taxes, and other indirect fiscal benefits of the Applicant, which amounts to \$1,672,361, resulting in a Fiscal Benefits score of 1,301 points for the Project.

Environmental Benefits (180 points). The Project will result in \$231,501 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 180. These benefits derive from the processing and recycling of glass which thereby diverts 63,600 tons from landfills, according to the Applicant.

- B. Additional Benefits (90 points).** Applicants may earn additional points for their Total Score. The Applicant submitted information and received 90 additional points.
1. **Production Jobs (20 of 75 points).** The Applicant represents that the Project will support a total of 13 production-related jobs at its Facility. CAEATFA estimates that approximately two of these jobs will be attributable to a marginal increase in jobs created due to the approved STE, resulting in a Permanent Jobs Score of 20 points for the Project.
 2. **Construction Jobs (20 of 75 points).** The Applicant represents that the Project will support a total of 15 construction jobs at its Facility. CAEATFA estimates that approximately two of these jobs will be attributable to a marginal increase in jobs created due to the approved STE, resulting in a Construction Jobs Score of 20 points for the Project.
 3. **Unemployment (50 of 50 points).** The Applicant's Project is located in San Joaquin County which has an average annual unemployment rate of 7.6%. This is above 110% of the statewide average annual unemployment rate which was 5.1% in 2017, the dataset used in the application. This results in an Unemployment Score of 50 points for this Project.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, a tenant improvement set permit was approved by the City of Stockton in May of 2019. Additionally, the Project was granted a steambed alteration agreement permit in February of 2018, a water quality certification in January of 2018, an authority to construct permit in July of 2018, and various other required worksite permits issued by the United States Army Corps of Engineers from December 2018 to March of 2019.

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.

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CAEATFA FEES

In accordance with CAEATFA Regulations,⁴ the Applicant has paid CAEATFA an Application Fee of \$7,685.42 and will pay CAEATFA an Administrative Fee of up to \$61,483.35.

RECOMMENDATION

Staff recommends approval of Resolution No. 19-SM030 for Sioneer Stockton, LLC's purchase of Qualified Property in an amount not to exceed \$15,370,837, anticipated to result in an approximate sales and use tax exclusion value of \$1,285,002.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH SIONEER STOCKTON, LLC**

June 18, 2019

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Sioneer Stockton, LLC** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized in an Advanced Manufacturing process or for the design, manufacture, production or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems (“Qualified Property”) as more particularly described in the staff summary and in the Applicant’s Application to the Authority (collectively, the “Project”); and

WHEREAS, the Applicant has requested the Authority to enter into the Agreement to acquire Project equipment with an estimated cost not to exceed \$15,370,837 over a period of three years; and

WHEREAS, the Applicant believes 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 Qualified Property pursuant to California Revenue and Taxation Code Section 6010.8; and

WHEREAS, approval of the terms of the Agreement and authority for the Executive Director, Deputy Executive Director, or Chair of the Authority to execute the necessary documents to effectuate the Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Project constitutes a “project” within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The requested master 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, Deputy 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 Executive Director shall deem appropriate, provided that the amount of the Qualified Property to be purchased may not be increased above the amount approved by the Authority.

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Section 5. The proposed form of the Agreement between the Applicant and the Authority, as filed with the Authority prior to this meeting, is hereby approved. The Authorized Signatories are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Applicant the Agreement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as the Authorized Signatory executing the same may require or approve, and with particular information inserted therein in substantial conformance with the staff summary and in the Applicant's Application to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Agreement, the obligations of the Applicant may, under some circumstances, 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 in order to consummate the Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall assure CAEATFA that all Qualified Property listed in the semi-annual reports pursuant to the Agreement shall be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Agreement shall only apply to Qualified Property that the Applicant certifies will be installed, maintained and operated at facilities within the State of California.

Section 9. The adoption by the Authority of this Resolution for the Applicant shall not be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project or 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, as defined in CAEATFA Regulations Section 10035(a), is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty days if necessary.