

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

*Request to Approve Project for a Sales and Use Tax Exclusion<sup>1</sup>*

**Sparkz Inc.  
Application No. 24-SM001**

**Tuesday, July 16, 2024**

Prepared By: *Joel Schwartz, Technical Consultant, Blue Sky Consulting Group*

**SUMMARY**

**Applicant** – Sparkz Inc.

**Location** – Sacramento, Sacramento County; Livermore, Alameda County

**Industry** – Lithium Battery Material Manufacturing

**Project** – Expansion of Lithium Iron Phosphate Cathode Active Material Manufacturing Facilities (Advanced Transportation)

	<b>Recommended for Approval</b>	<b>Total Request</b>
Value of Qualified Property	\$177,725,118.48	\$236,650,000
Estimated Sales and Use Tax Exclusion (“STE”) Amount <sup>2</sup>	\$15,000,000	\$19,973,260
<b>Estimated Net Benefit<sup>3</sup></b>		
Estimated Fiscal Benefits	\$28,826,267	\$38,383,635
Estimated Environmental Benefits	\$23,938,074	\$31,874,758
<b>Total</b>	<b>\$52,764,341</b>	<b>\$70,258,393</b>
Estimated Quantifiable Net Benefit	\$37,764,341	\$50,285,133

	<b>Points Earned</b>
Estimated Fiscal Benefits	1,922
Estimated Environmental Benefits	1,596
Additional Benefits	151
<b>Total</b>	<b>3,669</b>

**Competitive Criteria Score – 220**

<sup>1</sup> All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.

<sup>2</sup> This amount is calculated based on the average statewide sales tax rate of 8.44%.

<sup>3</sup> 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).)

**Staff Recommendation** – Pursuant to the per-Applicant cap provisions, Applicants requesting more than \$10 million in STE in the first application period of the calendar year from the large project pool set aside of \$15 million in STE are considered in the order in which they ranked based on the Program’s Competitive Criteria.<sup>4</sup> Based on this Applicant’s Competitive Criteria Score, Staff recommends approval of an award for the purchase of up to \$177,725,118.48 in Qualified Property anticipated to result in an approximate sales and use tax exclusion of \$15,000,000.

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**THE APPLICANT**

Sparkz Inc. (the “Applicant”) is a Delaware corporation formed in 2019. The Applicant is headquartered in Livermore and produces cathode active material for electric vehicle batteries.

The Applicant received an income tax credit under the California Competes Tax Credit Program administered by the Governor’s Office of Business and Economic Development in the amount of \$11.2 million in November 2023.

The major shareholders (10.0% or greater) of the Applicant are:  
Dr. Sanjiv Malhotra (90%)

The corporate officers of the Applicant are:  
Sanjiv Malhotra CEO

**THE PROJECT**

The Applicant is requesting a sales and use tax exclusion (“STE”) award to expand its existing lithium battery component manufacturing facilities in Sacramento and Livermore (the “Project”). According to the Applicant, the pilot production will take place in Livermore and commercial production will take place in Sacramento where the Applicant aims to scale up producing its Lithium Iron Phosphate (LFP) cathode active material (CAM) to 20,000 tons per year at full capacity. The Applicant claims no CAM is currently manufactured in the U.S. and 90% of CAM production is based in China. According to the Applicant, 90% of its customers are in the electric mobility market, while 10% are in the energy storage market.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Wet Mixer	\$32,000,000
Ball Miller - Coarse & Fine	\$40,000,000
Building Construction Materials	\$8,000,000
Spray Dryer	\$20,000,000
Calcination Kilns	\$34,000,000

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<sup>4</sup> California Code of Regulations Title 4, Division 13, Section 10032(a)(5)(B)

**Agenda Item – 4.A.21  
Resolution No. 24-SM001-01**

Jet Milling	\$24,000,000
Piping, Air, Compressors and Ancillary Equipment	\$21,000,000
Facility Automation & Process and Instrumentation Diagram	\$24,000,000
Air Compressor	\$250,000
Pilot Mixer	\$147,304
Pilot Milling Machine	\$161,365
Pilot Spray Dryer	\$300,266
Pilot Kiln	\$198,000
Pilot Jet Mill	\$162,100
Pilot Dry Mixer	\$98,000
Pilot Dry Milling Machine	\$288,000
Electrode Stacker	\$450,000
Electrode Cutter	\$300,000
Cyclers	\$350,000
Electrical Equipment (Transformers and Switchgear)	\$25,000,000
Building Construction Materials	\$5,944,965
<b>Total</b>	<b><u>\$236,650,000</u></b>

*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 has provided the following timeline for project implementation:

- Pilot Scale Manufacturing: Ongoing
- Installation of Qualified Property: March 2025
- Production at 25% capacity: June 2025
- Production at 100% capacity: June 2026

**STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

The Applicant states that the Sacramento site is CEQA compliant and that construction and hazardous materials permits are planned to be obtained four to six months before equipment installation.

**COMPETITIVE CRITERIA SCORE**

The Applicant received 220 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Application has a Project that produces an Advanced Transportation Technology, and, therefore, 100 points are awarded.
2. **Unemployment (0 of 50 points)**. The Applicant’s Project’s primary Facility is located in Sacramento County, which has an average annual unemployment rate of 4.3%.<sup>5</sup> When compared to the statewide average annual unemployment rate of 4.6%, the Project location earned the Applicant zero points.
3. **Job Creation (30 of 75 points)**. The Applicant anticipates the Project will support a total of 479 production-related jobs at its Facilities. CAEATFA estimates that approximately 40.20 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 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 (75 of 75 points)**. The Project’s industry, lithium compounds, is in an Emerging Strategic Industry, and, therefore, 75 points are awarded.

**PROJECT EVALUATION**

**PROJECT BENEFITS**

The Project received a Total Score of 3,669 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 1,596 points, which exceeds the 20-point threshold.

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<sup>5</sup> Unemployment rates are based on data available in December 2023.

- A. Fiscal Benefits (1,922 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 \$38,383,635, resulting in a Fiscal Benefits score of 1,922.
- B. Environmental Benefits (1,596 points).** The Project is anticipated to result in \$31,874,758 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 1,596 points. These benefits derive from the production of lithium battery materials used in electric vehicles and displacing fossil fuels.
- C. Additional Benefits (151 points).** Applicants may earn additional points for their Total Score. The Applicant received 151 additional points.
- 1. Production Jobs (30 of 75 points).** The Applicant anticipates the Project will support a total of 479 production-related jobs at its Facilities. CAEATFA estimates that approximately 40.20 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 (20 of 75 points).** The Applicant anticipates the Project will support a total of 258 construction jobs at its Facilities. CAEATFA estimates that approximately 21.65 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 20 points.
  - 3. Unemployment (0 of 50 points).** The Applicant’s Project is located in Sacramento County, which has an average annual unemployment rate of 4.3%.<sup>6</sup> When compared to the statewide average annual unemployment rate of 4.6%, the Project location earned the Applicant zero points.
  - 4. Non-CA Environmental Benefits (11 of 40 points).** The Applicant’s total value of out-of-state non-greenhouse gas emissions pollution benefits are valued at \$455,717 resulting in a Non-CA Environmental Benefits Score of 11 points for the Project.
  - 5. 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 lithium battery material manufacturing.

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<sup>6</sup> Unemployment rates are based on data available in December 2023.

6. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, dental, and vision benefits, retirement contributions and paid leave to its employees, earning the Applicant 25 points.
  
7. **Emerging Strategic Industry (40 of 40 points)**. The Project’s industry, lithium compounds, is in an Emerging Strategic Industry, earning the Applicant 40 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,<sup>7</sup> the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$350,000.

**RECOMMENDATION**

Staff recommends the approval of Resolution No. 24-SM001-01 for Sparkz Inc.’s purchase of qualifying tangible personal property in an amount not to exceed \$177,725,118.48, anticipated to result in an approximate STE value of \$15,000,000.

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<sup>7</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A  
REGULATORY AGREEMENT WITH SPARKZ INC.**

**July 16, 2024**

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Sparkz 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 \$177,725,118.48 over a period of three (3) years; and

WHEREAS, the Applicant asserts that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Project pursuant to Revenue and Taxation Code Section 6010.8; and

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

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

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Authorized Signatories deem appropriate, provided that the amount of the

qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including, without limitation, the execution and delivery of any and all documents and certificates they may deem necessary or advisable to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained, and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.