

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**rPlanet Earth Los Angeles, LLC
Application No. 24-SM030**

Tuesday, July 16, 2024

Prepared By: *Katrina Walters-White, Program Analyst & Jeannie Yu, Program Analyst*

SUMMARY

Applicant – rPlanet Earth Los Angeles, LLC

Location – Vernon, Los Angeles County

Industry – Plastic Recycling

Project –Expansion of an Existing Plastics Recycling and Manufacturing Facility (Recycling)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$42,550,000	\$3,591,220

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$3,890,756	1,083
Estimated Environmental Benefits	\$72,472	20
Additional Benefits	N/A	129
Total	\$3,963,228	1,233
Estimated Quantifiable Net Benefit	\$372,008	

Competitive Criteria Score – 169

Staff Recommendation – Approval

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

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

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.

THE APPLICANT

rPlanet Earth Los Angeles, LLC (the “Applicant”) is a Delaware limited liability company that formed in 2015 with the goal of providing regional and national food and beverage companies with a high quality, reliable, and sustainable supply of recycled plastics to be used in packaging containers.

On January 19, 2016, the CAEATFA Board granted the Applicant a sales and use tax exclusion (“STE”) award for the purchase of up to \$119,800,000 in Qualified Property for an estimated STE value of \$20,087,160 to build a new plastics recycling and manufacturing facility. As of January 2024, the Applicant has reported \$97,056,071.74 in Qualified Property purchases (81% of the total Qualified Property amount approved).

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

- Oaktree Capital (50%)
- Versorgungswerk der Zahnärztekammer Berlin K.d.o.R (50%)

The company officers of the Applicant are:

- Cliff Post, Chief Executive Officer
- Robert Daviduk, Co-Founder and Member – Board of Directors

THE PROJECT

The Applicant is requesting an STE award to expand its existing plastics recycling facility located in Vernon (the “Project”). According to the Applicant, it will produce food and beverage grade packaging containers by producing a material called recycled polyethylene terephthalate (rPET). The Applicant states its facility is the first of its kind in the world, which involves collecting and recycling post-consumer plastic soda and water bottles and turning them into a high quality “bottle grade” flake that meets FDA standards.

The Applicant states it is completely vertically integrated from raw material infeed (bales of curbside collected post-consumer beverage and thermoform containers) to multiple finished rPET products including rolls of extruded sheet (that each weigh 1,500 to 4,000 lbs.), bottle preforms (that are blown into water bottles, soda bottles, sports drink bottles, etc.) and thermoformed containers (for example, clear plastic strawberry containers, salad containers, drinking cups and square & round deli containers). The Applicant notes that one additional benefit of its proposed technology is the ability to work with plastic in flake form throughout the manufacturing process. The Applicant states that other manufacturers of rPET products uses pelletized plastic as feedstock. This requires an additional step where plastic flake is melted down and reformed as pellets (about the size of a BB). By working with flake throughout, the energy costs associated with melting and reforming plastics are avoided.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Sorting Equipment & Related	\$5,000,000
Material Conveyance, QC and Storage	\$6,200,000
Molds & Tooling	\$6,000,000
Build-Out of Facilities & Real Property Upgrades	\$8,350,000
Lyle Thermoforming Equipment	\$8,000,000
Husky Injection Molding Equipment	\$9,000,000
Total	<u>\$42,550,000</u>

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 anticipates completion of the Project by the end of 2026 and the build out of the additional production lines is set to more than double its current production throughput.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, all necessary building, installation, and operational permits have been secured and are in good standing with the cities of Vernon for all of the property operated for the Project.

COMPETITIVE CRITERIA SCORE

The Applicant received 169 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Applicant has a Recycled Resource Extraction Project and, therefore, 100 points are awarded.
2. **Unemployment (9 of 50 points)**. The Applicant’s Project is located in Los Angeles County, which has an average annual unemployment rate of 5.1%.⁵ When compared

⁵ Unemployment rates are based on data available in December 2023.

to the statewide average annual unemployment rate of 4.6%, the Project location earned the Applicant nine points.

3. **Job Creation (45 of 75 points)**. The Applicant anticipates the Project will support a total of 239 production-related jobs at its Facility. CAEATFA estimates that approximately 18.39 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 45 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 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, and, therefore, zero points are awarded.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 1,233 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 20 points, which meets the 20-point threshold.

- A. **Fiscal Benefits (1,083 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 \$3,890,756, resulting in a Fiscal Benefits score of 1,083.
- B. **Environmental Benefits (20 points)**. The Project is anticipated to result in \$72,472 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 20 points. These benefits derive from the processing of post-consumer PET, which diverts waste from the landfill.

C. **Additional Benefits (129 points)**. Applicants may earn additional points for their Total Score. The Applicant received 129 additional points.

1. **Production Jobs (45 of 75 points)**. The Applicant anticipates the Project will support a total of 239 production-related jobs at its Facility. CAEATFA estimates that approximately 18.39 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 45 points.
2. **Construction Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of 10 construction jobs at its Facility. CAEATFA estimates that approximately 0.77 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.
3. **Unemployment (9 of 50 points)**. The Applicant's Project is located in Los Angeles County, which has an average annual unemployment rate of 5.1%. When compared to the statewide average annual unemployment rate of 4.6%, the Project location earned the Applicant nine points.
4. **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 plastic recycling.
5. **Workforce Partnerships (25 of 25 points)**. The Applicant has a partnership with Crestcom International, LLC for the purpose of assisting in the training of potential future workers.
6. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental and vision benefits, bonuses, retirement contributions, profit sharing, education reimbursement and paid leave to its employees, earning the Applicant 25 points.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with STE Program regulations,⁶ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee up to \$170,200.

RECOMMENDATION

Staff recommends the approval of Resolution No. 24-SM030-01 for rPlanet Earth Los Angeles, LLC 's purchase of qualifying tangible personal property in an amount not to exceed \$42,550,000, anticipated to result in an approximate STE value of \$3,591,220.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH RPLANET EARTH LOS ANGELES, LLC**

July 16, 2024

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **rPlanet Earth Los Angeles, 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 \$42,550,000 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

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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.