Agenda Item – 4.A.12
Resolution No. 26-SM024-01

CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY

Board Meeting Date: Tuesday, September 15, 2026

Request to Approve Project for a Sales and Use Tax Exclusion[1]

Applied Materials, Inc.
Application No. 26-SM024

Prepared By: *Willy Chen, Program Analyst*

SUMMARY

Applicant: Applied Materials, Inc.

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

Industry: Semiconductors

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

Value of Qualified Property	Estimated Sales and Use Tax Exclusion ("STE") Amount[2]
$93,900,000	$7,981,500

Estimated Net Benefit[3]	Dollar Value	Points Earned
Estimated Fiscal Benefits	$46,209,304	5,790
Estimated Environmental Benefits	N/A	35
Additional Benefits	N/A	225
Total	**$46,209,304**	**6,050**
Estimated Quantifiable Net Benefit	$38,227,804	N/A

Previous Awards and Status: Five previous awards

- Award 1: Application No. 20-SM008, Award Year 2020, 100% Expended, Complete, Compliant on Required Reports
- Award 2: Application No. 21-SM013, Award Year 2021, 100% Expended, Complete, Compliant on Required Reports

[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 8.5%.
[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).)

- Award 3: Application No. 23-SM033, Award Year 2023, 100% Expended, Complete, Compliant on Required Reports
- Award 4: Application No. 25-SM032, Award Year 2025, 47% Expended, Complete, Compliant on Required Reports
- Award 5: Application No. 25-SM033, Award Year 2025, 13% Expended, Complete, Compliant on Required Reports

Competitive Criteria Score: 165

Staff Recommendation: Approval

THE APPLICANT

Applied Materials, Inc. (the "Applicant") is a Delaware corporation founded in 1967, publicly traded on NASDAQ under the ticker AMAT, and headquartered in Santa Clara. The Applicant is a global leader in materials engineering technologies used to produce virtually every advanced semiconductor chip and display. Its customers include Intel, Micron, TSMC, Samsung, and other major chip manufacturers.

The Applicant received a $30,000,000 income tax credit under the California Competes Tax Credit Program[4] administered by the Governor's Office of Business and Economic Development in April of 2022.

The corporate officers of the Applicant are:

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

THE PROJECT

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

A major portion of the Project is the ongoing development of the Equipment and Process Innovation and Commercialization (EPIC) Center, including approximately 180,000 square feet of cleanrooms and laboratories. This facility will support collaborative semiconductor equipment development with leading chipmakers, university researchers, and ecosystem partners.

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[4] California Code of Regulations, Title 10, Chapter 13, Article 1 (commencing with Section 8000).

The Project supports production and testing of semiconductor tools; development of new wafer-manufacturing platforms such as Vistara™; advanced packaging technologies; mass metrology and inspection systems; prototype development using additive manufacturing; and workforce training using virtual reality systems. These technologies support next-generation semiconductor devices across logic, memory, heterogeneous integration, and advanced packaging.

To support these activities, the Project incorporates a set of high-precision tools and methods essential to semiconductor equipment engineering. These include nanometer-scale plasma deposition and etching subsystems, thin-film and materials-engineering platforms capable of atomic-level accuracy, and advanced process-control systems that monitor critical dimensions and uniformity in real time. The EPIC Center's metrology and inspection systems measure film thickness, pattern fidelity, surface conditions, and thermal behavior across millions of data points, enabling defect detection and process optimization. Prototype development utilizes additive manufacturing to rapidly produce tooling and fixtures with improved precision and reduced waste. Cleanroom-based R&D tools provide tightly controlled environments for lithography, packaging, and device-simulation testing, while virtual-reality modules support accurate training for equipment assembly and troubleshooting.

The Project also includes upgrades to existing R&D, testing, and assembly equipment, expansion of prototype development capabilities, and improvements to design, engineering, and product-development facilities. The Applicant states the Project will improve efficiency, reduce solid waste, strengthen data-driven process development, and accelerate commercialization timelines.

Figure 1: EPIC Center

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases		Cost
Manufacturing Equipment, Machinery & Related Property		$18,000,000
Metrology, Testing and QC Equipment & Related Property		$18,000,000
Lab Devices & Scientific Instruments		$5,500,000
Research & Development, Design, Engineering Property		$13,000,000
Buildout/Construction, Upgrades to Real Property		$30,000,000
IT, Computer and Electronics Property		$5,900,000
Storage & Logistics Systems and Related Property		$3,500,000
	Total	**$93,900,000**

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
Construction of the Applicant's EPIC Center is actively underway and entering the final buildout and commissioning phase, with operations expected to begin in late 2026. Core structural and cleanroom buildout activities are ongoing, with full construction expected to be completed in 2026. Procurement of manufacturing, metrology, testing, and R&D-related equipment will begin in the fourth quarter of 2026 and continue through 2027–2028.

Status of Permits/Other Required Approvals
The Applicant states that it has already secured several foundational building and operational permits for work underway at the Santa Clara and Sunnyvale facilities. Remaining approvals primarily relate to facility expansion, utility coordination, and equipment installation.

Pending approvals include fire-code plan reviews and inspections associated with the EPIC Center's semiconductor R&D operations and supporting infrastructure, including emergency-power generation systems, fire-protection and decontamination systems, and remaining building, electrical, mechanical, and equipment-installation permits required as construction and commissioning progress.

The Applicant clarified that remaining approvals will be obtained on a rolling basis as construction and installation phases advance, and they are not expected to impact the Project schedule. Building completion remains anticipated for fourth quarter of 2026.

COMPETITIVE CRITERIA SCORE

The Applicant received 165 Competitive Criteria points as follows:

1. **Environmental Benefits (0 of 100 points).** The Application does not have a Recycled Resource Extraction Project or Project that produces an Advanced Transportation Technology or an Alternative Source product, component, or system. Therefore, no points are awarded.

2. **Unemployment (0 of 50 points).** The Project's primary Facility is located in Santa Clara County, which has an average annual unemployment rate of 4.3%.[5] When compared to the statewide average annual unemployment rate of 5.5%, the Project location earned the Applicant zero points.

3. **Job Creation (75 of 75 points).** The Applicant anticipates the Project will support a total of 5,881 production-related jobs at its Facilities. CAEATFA estimates that approximately 161 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 75 points.

4. **California Headquarters (15 of 15 points)**. The Applicant maintains its Corporate Headquarters in Santa Clara, California, 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, semiconductor manufacturing, is in an Emerging Strategic Industry, and, therefore, 75 points are awarded.

[5] Unemployment rates are based on data available in March 2026.

PROJECT EVALUATION

Project Benefits
The Project received a Total Score of 6,050 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 35 points, which exceeds the 20-point threshold.

1. **Fiscal Benefits (5,790 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 $46,209,304, resulting in a Fiscal Benefits score of 5,790.

2. **Environmental Benefits (35 points).** The Project earned an Environmental Benefits Score of 35. The Applicant received points in the following categories:

   A. **Environmental Sustainability Plan (5 of 5 points).** The Applicant has an environmental sustainability plan that aimed at enhancing energy efficiency by minimizing solid waste through an improved recycling process.

   B. **Solid Waste (30 of 30 points).** The Applicant anticipates the Project will result in a 42% reduction in solid waste produced relative to the Applicant's previous manufacturing process. This is achieved by collaborating with a third party to salvage decommissioned furniture, equipment, and other materials and repurpose them through charitable donation, resale, and recycling.

3. **Additional Benefits (225 points).** Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 225 Additional Benefits points.

   A. **Production Jobs (75 of 75 points).** The Applicant anticipates the Project will support a total of 5,881 production-related jobs at its Facilities. CAEATFA estimates that approximately 161 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 75 points.

   B. **Construction Jobs (35 of 75 points).** The Applicant anticipates the Project will support a total of 850 construction jobs at its Facilities. CAEATFA estimates that approximately 23 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 35 points.

   C. **Unemployment (0 of 50 points).** The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 4.3%. When compared to the statewide average annual unemployment rate of 5.5%, the Project location earned the Applicant zero points.

D. **Research and Development Facilities (25 of 25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to semiconductor chips. The Applicant's semiconductor process and equipment research and development activities include deposition, etching, wafer cleaning, materials modification, advanced patterning, process integration, metrology and inspection system development, memory-device research, advanced packaging technologies, and the development, testing, and validation of next-generation semiconductor manufacturing equipment and processes.

E. **Workforce Partnerships (25 of 25 points).** The Applicant has a partnership with all major public and private CA Universities for the purpose of assisting in the training of potential future workers.

F. **Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental & vision benefits, bonuses, pension plans, retirement contributions, profit sharing, dependent care & assistance reimbursement, transportation subsidies, education reimbursement, gym subsidies, employee discounts and paid leave to its employees, earning the Applicant 25 points.

G. **Emerging Strategic Industry (40 of 40 points).** The Project's industry, semiconductor manufacturing , is in an Emerging Strategic Industry, earning the Applicant 40 points.

LEGAL STATUS QUESTIONNAIRE

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

WORKFORCE REQUIREMENT

The Applicant, individually or with its parent corporation and subsidiaries, employs 500 or more employees, and has certified that it, along with its contractors, will do all of the following:

(1) Provide comparatively good wage and benefits to the employees of the applicant or its subcontractors, relative to the industrial sector of the applicant or its subcontractors, occupation, and labor market of those employees.

(2) Invest in employee training, growth, and development, such as through comprehensive workforce training programs or apprenticeship programs.

(3) Adopt mechanisms to include worker voice and agency in the workplace.

CAEATFA FEES
In accordance with STE Program regulations,[6] the Applicant paid CAEATFA an Application Fee of $10,000 and will pay CAEATFA a total Administrative Fee of up to $350,000 should the Applicant be approved for an award. Upon execution of the Regulatory Agreement, the Applicant shall pay $175,000.

RECOMMENDATION
Staff recommends the approval of Resolution No. 26-SM024-01 for Applied Materials, Inc.'s purchase of qualifying tangible personal property in an amount not to exceed $93,900,000 anticipated to result in an approximate STE value of $7,981,500. The initial term of the Regulatory Agreement will be for a period of five years, until September 15, 2031, and the full term shall be for a period of 12 years, until September 15, 2038, 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 APPLIED MATERIALS, INC.

September 15, 2026

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority") has received the Application of **Applied Materials, Inc.** (the "Applicant") for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant's qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the "Project"); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed $93,900,000 over a period of five (5) 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 that do not affect eligibility, 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 for up to an additional thirty (30) days, if necessary.