California Competes Tax Credit Program

Committee Meeting

Thursday, April 12, 2018
10:30 a.m.

Steinberg Conference Room
1325 J Street, 17th Floor
Sacramento, CA 95814

And (via teleconference)
Fontana City Hall
Executive Conference Room
8353 Sierra Avenue
Fontana, CA 92335

AGENDA

OPEN SESSION

A. Call to Order and Roll Call

B. Approval of Minutes from November 16, 2017, Committee Meeting

C. Deputy Director’s Report
   • Agenda Overview – Agreements with 63 Businesses, Total Tax Credits $76,904,955

D. Discussion and Approval of California Competes Tax Credit Agreements with Businesses other than Small Businesses

   Total Recommended Tax Credits: $62,001,838
   Total Recommended Tax Credits after Adjusting for S-Corporation Law¹: $66,378,731

¹ One-third of the California Competes Tax Credit may be utilized by an S-Corporation to offset the tax on net income at the S-Corporation level (RanTC §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (RanTC §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation’s shareholders (RanTC §23803(a)(2)(F)).
1. Confluent, Inc.
   Industry: Software Development
   Project Location(s): Palo Alto
   Employee Net Increase: 616
   Investment: $9,728,500
   Amount of Tax Credit: $5,900,000

2. BofI Holding, Inc.
   Industry: Online Banking
   Project Location(s): San Diego
   Employee Net Increase: 160
   Investment: $22,427,500
   Amount of Tax Credit: $5,000,000

3. The Gap, Inc.
   Industry: Retail Headquarters and Distribution
   Project Location(s): Fresno and San Francisco
   Employee Net Increase: 698
   Investment: $100,000,000
   Amount of Tax Credit: $4,250,000

4. Affirm, Inc.
   Industry: Online Financial Services
   Project Location(s): San Francisco
   Employee Net Increase: 566
   Investment: $3,934,000
   Amount of Tax Credit: $4,000,000

5. Vincit California, Inc.
   Industry: Software Development
   Project Location(s): Irvine and Palo Alto
   Employee Net Increase: 100
   Investment: $1,095,609
   Amount of Tax Credit: $3,650,000
6. Eurostampa California LLC  
   Industry: Label Manufacturing and Printing  
   Project Location(s): Napa  
   Employee Net Increase: 86  
   Investment: $16,389,200  
   Amount of Tax Credit: $3,000,000  

7. Sada Systems, Inc.  
   Industry: Cloud-based Information and Data Evaluation Services  
   Project Location(s): Los Angeles  
   Employee Net Increase: 86  
   Investment: $1,098,000  
   Amount of Tax Credit: $2,800,000  

8. Infineon Technologies Americas Corp.  
   Industry: Semiconductor Engineering Services and Manufacturing  
   Project Location(s): Milpitas, El Segundo, Morgan Hill, San Jose, and Temecula  
   Employee Net Increase: 114  
   Investment: $55,215,000  
   Amount of Tax Credit: $2,500,000  

9. Hawke Media LLC  
   Industry: Online Marketing and Advertising  
   Project Location(s): Santa Monica  
   Employee Net Increase: 445  
   Investment: $25,000,000  
   Amount of Tax Credit: $2,000,000  

10. CJ America, Inc.  
    Industry: Snack Food Manufacturing and Distribution  
    Project Location(s): Los Angeles, Beaumont, and Fullerton  
    Employee Net Increase: 292  
    Investment: $15,200,000  
    Amount of Tax Credit: $2,000,000  
11. YouBar, Inc.
   Industry: Food Manufacturing
   Project Location(s): Monterey Park
   Employee Net Increase: 100
   Investment: $1,950,000
   Amount of Tax Credit: $1,750,000

12. Diamond Mattress Company
   Industry: Mattress Manufacturing
   Project Location(s): Rancho Dominguez
   Employee Net Increase: 121
   Investment: $4,092,500
   Amount of Tax Credit: $1,673,979

13. West Coast Steel and Processing LLC
   Industry: Rolled Steel Product Manufacturing
   Project Location(s): Rialto and Chino
   Employee Net Increase: 68
   Investment: $40,437,800
   Amount of Tax Credit: $1,585,000

14. SurveyMonkey, Inc.
   Industry: Online Marketing and Surveying Services
   Project Location(s): San Mateo
   Employee Net Increase: 430
   Investment: $6,836,256
   Amount of Tax Credit: $1,500,000

15. Riskalyze, Inc.
   Industry: Custom Computer Programming Services
   Project Location(s): Auburn
   Employee Net Increase: 217
   Investment: $1,703,257
   Amount of Tax Credit: $1,500,000
   Industry: Environmental Equipment Manufacturing
   Project Location(s): San Leandro
   Employee Net Increase: 95
   Investment: $14,950,000
   Amount of Tax Credit: $1,000,000

17. The Third Floor, Inc.
   Industry: Graphic Design Services
   Project Location(s): Los Angeles
   Employee Net Increase: 174
   Investment: $500,000
   Amount of Tax Credit: $1,000,000

18. Exemplis LLC
   Industry: Furniture Manufacturing
   Project Location(s): Buena Park and Cypress
   Employee Net Increase: 232
   Investment: $3,000,000
   Amount of Tax Credit: $1,000,000

19. Transform Partners LLC
   Industry: Online Retail Electronics Headquarters and Distribution
   Project Location(s): San Diego County
   Employee Net Increase: 41
   Investment: $10,528,750
   Amount of Tax Credit: $1,000,000

20. Anpac Technology USA Company, Ltd.
   Industry: Medical Laboratories
   Project Location(s): Sacramento
   Employee Net Increase: 28
   Investment: $1,660,000
   Amount of Tax Credit: $1,000,000
21. BMS Holdings LLC  
   Industry: Software Development  
   Project Location(s): San Diego  
   Employee Net Increase: 107  
   Investment: $2,003,500  
   Amount of Tax Credit: $906,159  

22. Torrid Merchandising, Inc.  
   Industry: Clothing Design and Headquarters Expansion  
   Project Location(s): City of Industry  
   Employee Net Increase: 132  
   Investment: $2,500,000  
   Amount of Tax Credit: $800,000  

23. Zacky and Sons Poultry LLC  
   Industry: Poultry Processing  
   Project Location(s): Stockton and Corcoran  
   Employee Net Increase: 28  
   Investment: $7,200,000  
   Amount of Tax Credit: $800,000  

24. Mitchell Repair Information Company LLC  
   Industry: Software Development  
   Project Location(s): San Diego  
   Employee Net Increase: 22  
   Investment: $25,197,500  
   Amount of Tax Credit: $750,000  

25. Jukin Media, Inc.  
   Industry: Online Video Marketing Services  
   Project Location(s): Los Angeles  
   Employee Net Increase: 192  
   Investment: $3,000,000  
   Amount of Tax Credit: $750,000  
26. Psyonix, Inc.
   Industry: Software Development  
   Project Location(s): San Diego  
   Employee Net Increase: 138  
   Investment: $0  
   Amount of Tax Credit: $750,000  

27. Fleetwood Aluminum Products, Inc.
   Industry: Aluminum Window and Door Manufacturing  
   Project Location(s): Corona  
   Employee Net Increase: 220  
   Investment: $12,500,000  
   Amount of Tax Credit: $750,000  

28. CPC Strategy LLC
   Industry: Digital Marketing Services  
   Project Location(s): San Diego  
   Employee Net Increase: 105  
   Investment: $2,000,000  
   Amount of Tax Credit: $740,000  

29. Thermal Technology LLC
   Industry: Industrial Furnace and Oven Manufacturing  
   Project Location(s): Windsor  
   Employee Net Increase: 18  
   Investment: $9,726,448  
   Amount of Tax Credit: $650,000  

30. Shotspotter, Inc.
   Industry: Gunshot Detection Hardware and Software Solutions  
   Project Location(s): Newark and Santa Clara  
   Employee Net Increase: 68  
   Investment: $2,395,000  
   Amount of Tax Credit: $625,000  
   Industry: Apparel Design and Manufacturing
   Project Location(s): Chico
   Employee Net Increase: 34
   Investment: $5,375,000
   Amount of Tax Credit: $565,000

32. NMI Industrial Holdings, Inc.
   Industry: Fabricated Metal Product Manufacturing
   Project Location(s): Sacramento
   Employee Net Increase: 30
   Investment: $2,520,000
   Amount of Tax Credit: $550,000

33. Fuse Integration, Inc.
   Industry: Computer Engineering and Software Development
   Project Location(s): San Diego
   Employee Net Increase: 30
   Investment: $300,000
   Amount of Tax Credit: $500,000

34. Evolutions Footwear, Inc.
   Industry: Footwear Manufacturing
   Project Location(s): Camarillo
   Employee Net Increase: 15
   Investment: $0
   Amount of Tax Credit: $500,000

35. Beekeeper Marketing, Inc.
   Industry: Marketing Consulting Services
   Project Location(s): Statewide
   Employee Net Increase: 16
   Investment: $37,700
   Amount of Tax Credit: $500,000
36. Nanoshift LLC
   Industry: Semiconductor Engineering Services and Manufacturing
   Project Location(s): Richmond
   Employee Net Increase: 13
   Investment: $775,391
   Amount of Tax Credit: $450,000

37. Creative Electron, Inc.
   Industry: Industrial X-Ray Device Manufacturing
   Project Location(s): San Marcos
   Employee Net Increase: 22
   Investment: $526,157
   Amount of Tax Credit: $446,700

38. Optic Arts, Inc.
   Industry: Commerical LED Lighting Manufacturing
   Project Location(s): Monterey Park
   Employee Net Increase: 62
   Investment: $1,975,000
   Amount of Tax Credit: $420,000

39. INTA Technologies Corporation
   Industry: Automotive Parts Manufacturing
   Project Location(s): Santa Clara
   Employee Net Increase: 15
   Investment: $10,550,000
   Amount of Tax Credit: $400,000

40. Communaute LLC
   Industry: Apparel Design and Manufacturing
   Project Location(s): Los Angeles and Bay Area
   Employee Net Increase: 50
   Investment: $2,528,000
   Amount of Tax Credit: $390,000
41. California Custom Fruits and Flavors, Inc.
   Industry: Food Product Manufacturing
   Project Location(s): Irwindale
   Employee Net Increase: 12
   Investment: $1,000,000
   Amount of Tax Credit: $350,000

42. Samuel Son and Co., Inc.
   Industry: Metal Products Manufacturing
   Project Location(s): Arcadia and Hayward
   Employee Net Increase: 11
   Investment: $16,642,803
   Amount of Tax Credit: $325,000

43. Baby List, Inc.
   Industry: Online Commerce
   Project Location(s): Oakland and Sacramento
   Employee Net Increase: 52
   Investment: $240,000
   Amount of Tax Credit: $300,000

44. West Coast Industries, Inc.
   Industry: Furniture Manufacturing
   Project Location(s): Redlands, Carson, and San Francisco
   Employee Net Increase: 53
   Investment: $1,741,000
   Amount of Tax Credit: $300,000

45. AllConnected, Inc.
   Industry: Computer Systems Design Services
   Project Location(s): Simi Valley
   Employee Net Increase: 32
   Investment: $295,000
   Amount of Tax Credit: $300,000
46. Seachrome Corporation
   Industry: Bathroom Fixtures Manufacturing
   Project Location(s): Long Beach
   Employee Net Increase: 15
   Investment: $1,085,000
   Amount of Tax Credit: $75,000

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E. Discussion and Approval of California Competes Tax Credit Agreements with Small Businesses

Total Recommended Tax Credits: $10,526,224
Total Recommended Tax Credits after Adjusting for S-Corporation Law\(^2\): $10,526,224

1. Entekra, Inc.
   Industry: Prefabricated Building Manufacturing
   Project Location(s): Ripon and Modesto
   Employee Net Increase: 181
   Investment: $20,550,000
   Amount of Tax Credit: $4,000,000

2. Wonderstorm, Inc.
   Industry: Online Video Game Development
   Project Location(s): El Segundo
   Employee Net Increase: 61
   Investment: $611,000
   Amount of Tax Credit: $2,100,000

3. Mobcrush, Inc.
   Industry: Mobile Application Development
   Project Location(s): Santa Monica
   Employee Net Increase: 40
   Investment: $10,248,285
   Amount of Tax Credit: $1,200,000

4. Nanomedical Diagnostics, Inc.
   Industry: Biotechnology Research and Development
   Project Location(s): San Diego
   Employee Net Increase: 18
   Investment: $2,250,000
   Amount of Tax Credit: $700,000

\(^2\) One-third of the California Competes Tax Credit may be utilized by an S-Corporation to offset the tax on net income at the S-Corporation level (RevandTC §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (RevandTC §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation’s shareholders (RevandTC §23803(a)(2)(F)).
5. Planck Aerosystems, Inc.
   Industry: Unmanned Aerial Systems Manufacturing
   Project Location(s): San Diego
   Employee Net Increase: 23
   Investment: $295,000
   Amount of Tax Credit: $600,000

6. Everyday Influencers LLC
   Industry: Online Gaming Talent Management Services
   Project Location(s): Los Angeles
   Employee Net Increase: 31
   Investment: $1,310,000
   Amount of Tax Credit: $400,000

7. Farmers Brewing Co. LLC
   Industry: Brewery
   Project Location(s): Princeton
   Employee Net Increase: 11
   Investment: $4,025,000
   Amount of Tax Credit: $400,000

8. Align Technologies LLC
   Industry: Medical Device Manufacturing
   Project Location(s): San Mateo
   Employee Net Increase: 10
   Investment: $165,000
   Amount of Tax Credit: $250,000

9. Sasikanth Kuchibhotla
   Industry: Silicone Injection Mold Manufacturing
   Project Location(s): Cerritos
   Employee Net Increase: 8
   Investment: $285,000
   Amount of Tax Credit: $200,000
10. BrewBilt Manufacturing LLC
   Industry: Brewing Equipment Manufacturing
   Project Location(s): Grass Valley
   Employee Net Increase: 10
   Investment: $330,000
   Amount of Tax Credit: $150,000

11. Mazontech LLC
    Industry: Medical Device Manufacturing
    Project Location(s): San Diego
    Employee Net Increase: 10
    Investment: $621,300
    Amount of Tax Credit: $106,224

12. Quick Charge Power LLC
    Industry: Electric Vehicle Charging Equipment Manufacturing
    Project Location(s): San Marcos
    Employee Net Increase: 5
    Investment: $94,000
    Amount of Tax Credit: $100,000

13. Grauling Research Incorporated
    Industry: Semiconductor Engineering Services and Manufacturing
    Project Location(s): Santa Rosa
    Employee Net Increase: 3
    Investment: $250,000
    Amount of Tax Credit: $100,000

14. Tenikle LLC
    Industry: Consumer Electronic Accessories Manufacturing
    Project Location(s): San Diego
    Employee Net Increase: 4
    Investment: $0
    Amount of Tax Credit: $80,000
15. Bold Brew Coffee, Inc.
   Industry: Beverage Manufacturing
   Project Location(s): San Diego
   Employee Net Increase: 7
   Investment: $1,300,000
   Amount of Tax Credit: $70,000

16. Caava Design LLC
   Industry: Graphic Design Services
   Project Location(s): San Diego
   Employee Net Increase: 4
   Investment: $0
   Amount of Tax Credit: $50,000

17. DadWare LLC
   Industry: Clothing Manufacturing
   Project Location(s): Los Angeles
   Employee Net Increase: 5
   Investment: $80,000
   Amount of Tax Credit: $20,000

Remainder of this page is intentionally left blank.
F. Discussion and Approval of Recommendations for California Competes Tax Credit Agreement Termination and Credit Recapture

Total Tax Credits Recommended to be Recaptured: $2,205,000
Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law:\(^3\): $2,403,333

1. AFC Trident, Inc.
   Industry: Tablet and Phone Case Manufacturing
   Primary Location(s): Ontario
   Amount of Tax Credit Awarded: $650,000
   Amount of Tax Credit to be Recaptured: $650,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/afctrident
   Reason for Agreement Termination and Credit Recapture:
   GO-Biz has determined that AFC Trident, Inc. is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and AFC Trident, Inc. and recapture its CCTC.

2. Vets 4 You, Inc.
   Industry: Plumbing, Heating, and Air-Conditioning Services
   Primary Location(s): Oceanside
   Amount of Tax Credit Awarded: $400,000
   Amount of Tax Credit to be Recaptured: $400,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/vets4you
   Reason for Agreement Termination and Credit Recapture:
   Vets 4 You, Inc. has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.

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\(^3\) One-third of the California Competes Tax Credit may be utilized by an S-Corporation to offset the tax on net income at the S-Corporation level (Rev and TC §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (Rev and TC §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation’s shareholders (Rev and TC §23803(a)(2)(F)).
3. Bakersfield Specialists Surgical Center LLC  
   Industry: Ambulatory Surgical and Emergency Services  
   Primary Location(s): Bakersfield  
   Amount of Tax Credit Awarded: $250,000  
   Amount of Tax Credit to be Recaptured: $250,000  
   Link to Tax Credit Agreement to be Terminated:  

   GO-Biz has determined that Bakersfield Specialists Surgical Center LLC is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and Bakersfield Specialists Surgical Center LLC and recapture its CCTC.

4. LCMS Solutions, Inc.  
   Industry: Medical Laboratories  
   Primary Location(s): San Diego and La Jolla  
   Amount of Tax Credit Awarded: $220,000  
   Amount of Tax Credit to be Recaptured: $220,000  
   Link to Tax Credit Agreement to be Terminated:  

   GO-Biz has determined that LCMS Solutions, Inc. is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and LCMS Solutions, Inc. and recapture its CCTC.

5. Fruit Growers Supply Company  
   Industry: Sawmills and Agricultural Shipping Product Manufacturing  
   Primary Location(s): Yreka and Ontario  
   Amount of Tax Credit Awarded: $200,000  
   Amount of Tax Credit to be Recaptured: $200,000  
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/fruitgrowerssupply  
   Reason for Agreement Termination and Credit Recapture:

   Fruit Growers Supply Company has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.
   Industry: Metal Casting
   Primary Location(s): Burbank
   Amount of Tax Credit Awarded: $115,000
   Amount of Tax Credit to be Recaptured: $115,000
   Reason for Agreement Termination and Credit Recapture:

   Joseff-Hollywood has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.

7. MBC USA, Inc.
   Industry: Cheese Processing and Packaging
   Primary Location(s): Thousand Palms
   Amount of Tax Credit Awarded: $100,000
   Amount of Tax Credit to be Recaptured: $100,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/mbcusA
   Reason for Agreement Termination and Credit Recapture:

   MBC USA, Inc. has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.

8. Robert J. Brown dba Streamline Planning Consultants
   Industry: Scientific and Technical Consulting Services
   Primary Location(s): Arcata
   Amount of Tax Credit Awarded: $100,000
   Amount of Tax Credit to be Recaptured: $100,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/StreamlinePlanningRevised
   Reason for Agreement Termination and Credit Recapture:

   GO-Biz has determined that Robert J. Brown dba Streamline Planning Consultants is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and Robert J. Brown dba Streamline Planning Consultants and recapture its CCTC.
9. PCI Holding Company, Inc.
   Industry: Liquid and Gaseous Oxygen Manufacturing
   Primary Location(s): Riverside
   Amount of Tax Credit Awarded: $90,000
   Amount of Tax Credit to be Recaptured: $90,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/pciholdingcompany
   Reason for Agreement Termination and Credit Recapture:
   GO-Biz has determined that PCI Holding Company, Inc. is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and PCI Holding Company, Inc. and recapture its CCTC.

10. Western Combustion Engineering, Inc.
    Industry: Industrial Furnace and Oven Manufacturing and Repair
    Primary Location(s): Carson
    Amount of Tax Credit Awarded: $60,000
    Amount of Tax Credit to be Recaptured: $60,000
    Link to Tax Credit Agreement to be Terminated: http://bit.ly/WesternCombustion
    Reason for Agreement Termination and Credit Recapture:
    GO-Biz has determined that Western Combustion Engineering, Inc. is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and Western Combustion Engineering, Inc. and recapture its CCTC.

11. The Garabedian Group, Inc.
    Industry: Accounting Services
    Primary Location(s): Fresno
    Amount of Tax Credit Awarded: $20,000
    Amount of Tax Credit to be Recaptured: $20,000
    Link to Tax Credit Agreement to be Terminated: http://bit.ly/TheGarabedianGroup
    Reason for Agreement Termination and Credit Recapture:
    GO-Biz has determined that The Garabedian Group, Inc. is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and The Garabedian Group, Inc. and recapture its CCTC.
G. Public Comment

H. Adjournment