California Competes Tax Credit Program

Committee Meeting

Thursday, June 13, 2019
10:00 a.m.

Department of Food and Agriculture Auditorium
1220 N Street
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 April 11, 2019, Committee Meeting

C. Deputy Director’s Report
   • Agenda Overview – Agreements with 20 Businesses, Total Tax Credits $55,805,158

D. Discussion and Approval of California Competes Tax Credit Agreements
   Total Recommended Tax Credits: $54,466,659
   Total Recommended Tax Credits after Adjusting for S-Corporation Law\(^1\): $55,805,158

\(^1\) 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 (R&T C §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (R&T C §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation’s shareholders (R&T C §23803(a)(2)(F)).
1. Samsara Networks, Inc.
   Industry: Sensor Research and Development
   Primary Location(s): San Francisco
   Employee Net Increase: 2,098
   Investment: $189,802,000
   Amount of Tax Credit: $20,000,000
   Link to Tax Credit Agreement: http://bit.ly/samsaranetworks

2. FN Logistics, Inc.
   Industry: Online Order Fulfillment Warehouse and Retail Distribution
   Primary Location(s): Santa Fe Springs and Riverside County or San Bernardino County
   Employee Net Increase: 3,039
   Investment: $113,944,000
   Amount of Tax Credit: $13,000,000
   Link to Tax Credit Agreement: http://bit.ly/fnlogistics

3. Exelixis, Inc.
   Industry: Pharmaceutical Research and Development
   Primary Location(s): Alameda
   Employee Net Increase: 283
   Investment: $5,274,250
   Amount of Tax Credit: $3,000,000
   Link to Tax Credit Agreement: http://bit.ly/exelixisinc

4. Orora Packaging Solutions
   Industry: Corrugated Box Product Manufacturing
   Primary Location(s): Buena Park and other locations statewide
   Employee Net Increase: 146
   Investment: $64,000,000
   Amount of Tax Credit: $3,000,000
   Link to Tax Credit Agreement: http://bit.ly/ororapackaging

5. 1661, Inc.
   Industry: Online Order Fulfillment Warehouse and Headquarters Expansion
   Primary Location(s): Los Angeles
   Employee Net Increase: 298
   Investment: $3,000,000
   Amount of Tax Credit: $2,728,005
   Link to Tax Credit Agreement: http://bit.ly/1661inc
6. Hi Tech Honeycomb, Inc.
  Industry: Aerospace Component Manufacturing
  Primary Location(s): San Diego
  Employee Net Increase: 204
  Investment: $5,000,900
  Amount of Tax Credit: $2,615,497
  Link to Tax Credit Agreement: http://bit.ly/hitechhoneycomb

7. Create Music Group, Inc.
  Industry: Digital Music Rights Services
  Primary Location(s): Los Angeles
  Employee Net Increase: 235
  Investment: $900,000
  Amount of Tax Credit: $1,500,000
  Link to Tax Credit Agreement: http://bit.ly/createmusicgroup

8. Gyrfalcon Technology, Inc.
  Industry: Artificial Intelligence Microprocessor Chip Design and Manufacturing
  Primary Location(s): Milpitas and Sunnyvale
  Employee Net Increase: 84
  Investment: $11,205,000
  Amount of Tax Credit: $1,325,000
  Link to Tax Credit Agreement: http://bit.ly/gyrafalcon

9. Nusano, Inc.
  Industry: Biotechnology Research, Development, and Manufacturing
  Primary Location(s): Valencia
  Employee Net Increase: 49
  Investment: $27,430,000
  Amount of Tax Credit: $1,279,405
  Link to Tax Credit Agreement: http://bit.ly/nusano

10. Motor Vehicle Software Corporation
    Industry: Software Development
    Primary Location(s): Agoura Hills, Petaluma, and Sacramento or Placer county
    Employee Net Increase: 101
    Investment: $7,025,000
    Amount of Tax Credit: $1,150,000
    Link to Tax Credit Agreement: http://bit.ly/motorvehiclesoftwarecorp
11. Bombardier Mass Transit Corporation  
   Industry: Light Rail Vehicle Manufacturing  
   Primary Location(s): Pittsburg  
   Employee Net Increase: 115  
   Investment: $6,009,980  
   Amount of Tax Credit: $1,000,000  
   Link to Tax Credit Agreement: http://bit.ly/bombardiermasstransit

12. O'Keeffe's, Inc.  
   Industry: Fire-Proof Glass and Building Material Manufacturing  
   Primary Location(s): Merced  
   Employee Net Increase: 20  
   Investment: $8,500,000  
   Amount of Tax Credit: $750,000  
   Link to Tax Credit Agreement: http://bit.ly/okeeffesinc

13. Anvil Cases, Inc.  
   Industry: Musical Instrument Case Manufacturing  
   Primary Location(s): Covina  
   Employee Net Increase: 22  
   Investment: $750,000  
   Amount of Tax Credit: $700,000  
   Link to Tax Credit Agreement: http://bit.ly/anvilcases

14. I am Beyond LLC  
   Industry: Clothing Design and Manufacturing and Headquarters Expansion  
   Primary Location(s): Culver City and Commerce  
   Employee Net Increase: 26  
   Investment: $1,801,000  
   Amount of Tax Credit: $525,000  
   Link to Tax Credit Agreement: http://bit.ly/iambeyondllc

15. George Fischer Corporation  
   Industry: Pipe Manufacturing  
   Primary Location(s): El Monte, Bakersfield, and Irvine  
   Employee Net Increase: 23  
   Investment: $15,000,000  
   Amount of Tax Credit: $500,000  
   Link to Tax Credit Agreement: http://bit.ly/georgefischercorp
16. e.l.f Cosmetics, Inc.
   Industry: Cosmetics Manufacturing
   Primary Location(s): San Bernardino
   Employee Net Increase: 24
   Investment: $3,849,800
   Amount of Tax Credit: $471,025
   Link to Tax Credit Agreement: http://bit.ly/elfcosmeticsinc

17. Sage Goddess, Inc.
   Industry: Bath and Body Product Manufacturing
   Primary Location(s): Torrance
   Employee Net Increase: 25
   Investment: $1,950,000
   Amount of Tax Credit: $300,000
   Link to Tax Credit Agreement: http://bit.ly/sagegoddessinc

18. Monopole, Inc.
   Industry: Paint and Coating Manufacturing
   Primary Location(s): San Carlos and Los Angeles
   Employee Net Increase: 11
   Investment: $30,000
   Amount of Tax Credit: $272,727
   Link to Tax Credit Agreement: http://bit.ly/monopoleinc

19. Healthbreads, Inc.
   Industry: Food Manufacturing
   Primary Location(s): San Marcos
   Employee Net Increase: 6
   Investment: $1,000,000
   Amount of Tax Credit: $200,000
   Link to Tax Credit Agreement: http://bit.ly/healthbreads

20. Arkham Technology Limited
    Industry: Secure Communications System Design
    Primary Location(s): Irvine
    Employee Net Increase: 16
    Investment: $50,000
    Amount of Tax Credit: $150,000
    Link to Tax Credit Agreement: http://bit.ly/arkhamtechnology
E. Discussion and Approval of Recommendations for California Competes Tax Credit Agreement Termination and Credit Recapture

Total Tax Credits Recommended to be Recaptured: $16,856,000
Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law\(^2\): $17,047,333

1. NIO USA, Inc. (formerly known as NextEV USA, Inc.)
   - Industry: Automobile Manufacturing
   - Primary Location(s): San Jose and San Francisco
   - Amount of Tax Credit Awarded: $10,000,000
   - Amount of Tax Credit Recaptured: $10,000,000
   - Link to Tax Credit Agreement to be Terminated: http://bit.ly/nextevamended
   - Reason for Agreement Termination and Credit Recapture:

   NIO 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.

2. The Gap, Inc.
   - Industry: Retail Headquarters and Distribution
   - Primary Location(s): Fresno and San Francisco
   - Amount of Tax Credit Awarded: $4,250,000
   - Amount of Tax Credit Recaptured: $4,250,000
   - Link to Tax Credit Agreement to be Terminated: http://bit.ly/thegapinc
   - Reason for Agreement Termination and Credit Recapture:

   The Gap, 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. GKN Aerospace Chem-tronics, Inc.
   Industry: Aircraft Engine and Engine Parts Manufacturing
   Primary Location(s): Santa Ana, El Cajon, and Garden Grove
   Amount of Tax Credit Awarded: $1,200,000
   Amount of Tax Credit Recaptured: $1,200,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/GKNAerospace
   Reason for Agreement Termination and Credit Recapture:
   GKN Aerospace Chem-tronics, 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.

4. CSI Tubular Products, Inc.
   Industry: Flat Rolled Steel Production
   Primary Location(s): Fontana
   Amount of Tax Credit Awarded: $540,000
   Amount of Tax Credit Recaptured: $540,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/csitubularamended
   Reason for Agreement Termination and Credit Recapture:
   CSI Tubular Products, Inc.'s California Competes Tax Credit Agreement expired at the end of its 2018 tax year which was the final year to achieve the milestones and claim any corresponding credit. Any credit not earned by the completion of the agreement must be recaptured in order to be made available to other California businesses.

5. Top-Tier Engineering, Inc.
   Industry: Electrical Engineering Services
   Primary Location(s): Ontario and Merced
   Amount of Tax Credit Awarded: $360,000
   Amount of Tax Credit Recaptured: $360,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/toptierengineering
   Reason for Agreement Termination and Credit Recapture:
   Top-Tier Engineering, 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.
6. iBoss, Inc.
   Industry: IT Network Security
   Primary Location(s): San Diego
   Amount of Tax Credit Awarded: $320,000
   Amount of Tax Credit Recaptured: $256,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/ibossamended
   Reason for Agreement Termination and Credit Recapture:

   iBoss, Inc.'s California Competes Tax Credit Agreement expired at the end of its 2018 tax year which was the final year to achieve the milestones and claim any corresponding credit. Any credit not earned by the completion of the agreement must be recaptured in order to be made available to other California businesses.

7. True Light Electric, Inc.
   Industry: Electrical Contracting Services
   Primary Location(s): La Mesa
   Amount of Tax Credit Awarded: $100,000
   Amount of Tax Credit Recaptured: $100,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/truelightelectric
   Reason for Agreement Termination and Credit Recapture:

   True Light Electric, 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. Integral Consulting, Inc.
   Industry: Environmental Consulting Services
   Primary Location(s): Larkspur, Petaluma, San Francisco, and Santa Cruz
   Amount of Tax Credit Awarded: $74,000
   Amount of Tax Credit Recaptured: $74,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/IntegralConsulting
   Reason for Agreement Termination and Credit Recapture:

   Integral Consulting, 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.
9. Council Brewing Company LLC
   Industry: Specialty Micro-Brewery
   Primary Location(s): San Diego
   Amount of Tax Credit Awarded: $45,000
   Amount of Tax Credit Recaptured: $36,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/CouncilBrewing
   Reason for Agreement Termination and Credit Recapture:
   
   Council Brewing Company LLC 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.

10. Klean Kanteen, Inc.
    Industry: Bottle and Container Manufacturing
    Primary Location(s): Chico
    Amount of Tax Credit Awarded: $50,000
    Amount of Tax Credit Recaptured: $30,000
    Link to Tax Credit Agreement to be Terminated: http://bit.ly/kleankanteenincorporated
    Reason for Agreement Termination and Credit Recapture:
    
    Klean Kanteen, Inc.'s California Competes Tax Credit Agreement expired at the end of its 2018 tax year which was the final year to achieve the milestones and claim any corresponding credit. Any credit not earned by the completion of the agreement must be recaptured in order to be made available to other California businesses.

11. Robert L. Horvath, Inc. dba Clayborn Lab
    Industry: Electrical Equipment and Component Manufacturing
    Primary Location(s): Truckee
    Amount of Tax Credit Awarded: $20,000
    Amount of Tax Credit Recaptured: $10,000
    Link to Tax Credit Agreement to be Terminated: http://bit.ly/claybornlab
    Reason for Agreement Termination and Credit Recapture:
    
    Robert L. Horvath, Inc. dba Clayborn Lab's California Competes Tax Credit Agreement expired at the end of its 2018 tax year which was the final year to achieve the milestones and claim any corresponding credit. Any credit not earned by the completion of the agreement must be recaptured in order to be made available to other California businesses.
F. Public Comment

G. Adjournment

The numerical order of items on this agenda is for convenience of reference. Items may be taken out of order upon the request of the California Competes Tax Credit Committee Chair or Committee Members. This notice and agenda can be obtained at: www.business.ca.gov/CalCompetes.aspx. For additional information regarding this notice and agenda, please contact Scott Dosick, Assistant Deputy Director, at 916-322-0676 or scott.dosick@gobiz.ca.gov. The Governor’s Office of Business and Economic Development complies with the Americans with Disabilities Act by ensuring that the facilities are accessible to persons with disabilities, and by providing this notice and agenda and related information in alternative formats when requested. If you need further assistance, including disability-related modifications or accommodations, you may contact Scott Dosick no later than five calendar days before the meeting.