California Competes Tax Credit Program

Committee Meeting

Tuesday, November 12, 2019
1:00 p.m.

Department of Food and Agriculture
Auditorium
1220 N Street
Sacramento, CA 95814

And (via teleconference)
1 N State St.
Suite 1500, Room 15C
Chicago, IL 60602

AGENDA

A. Call to Order and Roll Call

B. Approval of Minutes from June 13, 2019, Committee Meeting

C. Assistant Deputy Director’s Report
   • Agenda Overview – Agreements with 14 Businesses, Total Tax Credits $88,741,667

D. Discussion and Approval of California Competes Tax Credit Agreements
   Total Recommended Tax Credits:  $87,250,000
   Total Recommended Tax Credits after Adjusting for S-Corporation Law¹: $88,741,667

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. Lockheed Martin Corporation
   Industry: Aerospace Manufacturing
   Primary Location(s): Palmdale, Beale Air Force Base, Buellton, Helendale, Santa Rosa, Valencia, and Vandenburg Air Force Base
   Employee Net Increase: 500
   Investment: $150,000,000
   Amount of Tax Credit: $39,500,000
   [Link to Tax Credit Agreement]

2. Northrop Grumman Systems Corporation
   Industry: Aircraft Manufacturing
   Primary Location(s): El Segundo, Edwards AFB, McClellan, Palmdale, San Diego, and Woodland Hills
   Employee Net Increase: 1,001
   Investment: $1,147,000,000
   Amount of Tax Credit: $30,000,000
   [Link to Tax Credit Agreement]

3. Rocket Lab USA, Inc.
   Industry: Aerospace Research and Development and Manufacturing
   Primary Location(s): Long Beach and Huntington Beach
   Employee Net Increase: 147
   Investment: $25,355,360
   Amount of Tax Credit: $5,000,000
   [Link to Tax Credit Agreement]

4. The Kroger Co.
   Industry: Online Order Fulfillment Warehouse and Distribution
   Primary Location(s): Unknown
   Employee Net Increase: 243
   Investment: $81,500,000
   Amount of Tax Credit: $3,300,000
   [Link to Tax Credit Agreement]
5. United Technologies Corporation
   Industry: Aircraft Engine Manufacturing
   Primary Location(s): Carlsbad
   Employee Net Increase: 60
   Investment: $49,900,000
   Amount of Tax Credit: $2,250,000
   Link to Tax Credit Agreement

6. Lakeshore Equipment Company
   Industry: Educational Materials Manufacturing
   Primary Location(s): Carson
   Employee Net Increase: 91
   Investment: $9,240,000
   Amount of Tax Credit: $2,000,000
   Link to Tax Credit Agreement

7. CASS, Inc.
   Industry: Recycled Metal Processing
   Primary Location(s): Oakland
   Employee Net Increase: 85
   Investment: $15,200,000
   Amount of Tax Credit: $1,325,000
   Link to Tax Credit Agreement

8. BioFuel North America LLC
   Industry: Biomass Fuel Manufacturing
   Primary Location(s): Stockton and Samoa
   Employee Net Increase: 36
   Investment: $24,412,906
   Amount of Tax Credit: $1,250,000
   Link to Tax Credit Agreement

9. Systems Machine Automation Components Corp
   Industry: Robotics Design and Manufacturing
   Primary Location(s): Carlsbad
   Employee Net Increase: 45
   Investment: $6,500,000
   Amount of Tax Credit: $800,000
   Link to Tax Credit Agreement
10. Kokatat, Inc.
   Industry: Apparel Design and Manufacturing
   Primary Location(s): Arcata
   Employee Net Increase: 30
   Investment: $2,050,000
   Amount of Tax Credit: $750,000
   [Link to Tax Credit Agreement]

11. Flare Group
    Industry: Aircraft Parts Manufacturing
    Primary Location(s): Banning
    Employee Net Increase: 30
    Investment: $5,400,000
    Amount of Tax Credit: $400,000
    [Link to Tax Credit Agreement]

12. Way To Be Designs LLC
    Industry: Apparel and Merchandise Manufacturing
    Primary Location(s): Atwater
    Employee Net Increase: 10
    Investment: $3,000,000
    Amount of Tax Credit: $250,000
    [Link to Tax Credit Agreement]

    Industry: Marketing and Advertising
    Primary Location(s): Marina Del Rey
    Employee Net Increase: 30
    Investment: $70,000
    Amount of Tax Credit: $240,000
    [Link to Tax Credit Agreement]

14. OMNI Enclosures, Inc.
    Industry: Office Furniture and Lab Equipment Manufacturing
    Primary Location(s): El Cajon
    Employee Net Increase: 18
    Investment: $1,900,942
    Amount of Tax Credit: $185,000
    [Link to Tax Credit Agreement]
E. Discussion and Approval of Recommendations for California Competes Tax Credit Agreement Termination and Credit Recapture

**Total Tax Credits Recommended to be Recaptured:** $10,958,698

**Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law²:** $11,735,698

1. **BYD Motors, Inc.**
   - **Industry:** Electric Bus Manufacturing
   - **Primary Location(s):** Lancaster and Los Angeles
   - **Amount of Tax Credit Awarded:** $3,001,698
   - **Amount of Tax Credit Recaptured:** $1,101,698
   - [Link to Tax Credit Agreement to be Terminated](#)
   - **Reason for Agreement Termination and Credit Recapture:**
     
     BYD Motors, 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.

2. **Petco Animal Supplies, Inc.**
   - **Industry:** Retail and Corporate Management
   - **Primary Location(s):** San Diego
   - **Amount of Tax Credit Awarded:** $2,600,000
   - **Amount of Tax Credit Recaptured:** $2,600,000
   - [Link to Tax Credit Agreement to be Terminated](#)
   - **Reason for Agreement Termination and Credit Recapture:**
     
     Petco Animal Supplies, 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.

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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 (R&TC §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (R&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 (R&TC §23803(a)(2)(F)).
3. Neustar, Inc.
   Industry: Cloud-based Information and Data Evaluation Services
   Primary Location(s): San Francisco
   Amount of Tax Credit Awarded: $1,500,000
   Amount of Tax Credit Recaptured: $1,400,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:

   Neustar, 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.

4. QVC, Inc.
   Industry: Western U.S. Retail Warehouse and Distribution
   Primary Location(s): Eastvale, Ontario, or Rialto
   Amount of Tax Credit Awarded: $1,400,000
   Amount of Tax Credit Recaptured: $900,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:

   QVC, 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.

   Industry: Brush Manufacturing
   Primary Location(s): City of Industry
   Amount of Tax Credit Awarded: $800,000
   Amount of Tax Credit Recaptured: $200,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:

   Gordon Brush Mfg. Co., 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.
6. Noribachi Corporation
   Industry: Electric Lighting Fixture Manufacturing
   Primary Location(s): Harbor City
   Amount of Tax Credit Awarded: $750,000
   Amount of Tax Credit Recaptured: $750,000
   [Link to Tax Credit Agreement to be Terminated]
   Reason for Agreement Termination and Credit Recapture:

   Noribachi Corporation 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: Industrial Power Generator Manufacturing
   Primary Location(s): Corona
   Amount of Tax Credit Awarded: $600,000
   Amount of Tax Credit Recaptured: $600,000
   [Link to Tax Credit Agreement to be Terminated]
   Reason for Agreement Termination and Credit Recapture:

   Combustion Associates, 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.

8. BeeKeeper Marketing, Inc.
   Industry: Marketing Consulting Services
   Primary Location(s): Statewide
   Amount of Tax Credit Awarded: $500,000
   Amount of Tax Credit Recaptured: $500,000
   [Link to Tax Credit Agreement to be Terminated]
   Reason for Agreement Termination and Credit Recapture:

   BeeKeeper Marketing, 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.
9. GearLaunch, Inc.
   Industry: Online Payment Services
   Primary Location(s): San Francisco
   Amount of Tax Credit Awarded: $495,000
   Amount of Tax Credit Recaptured: $495,000
   [Link to Tax Credit Agreement to be Terminated]
   Reason for Agreement Termination and Credit Recapture:

   GearLaunch, 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.

10. Workforce Equanimity LLC
    Industry: Management Development Services
    Primary Location(s): McClellan Park and Elk Grove
    Amount of Tax Credit Awarded: $350,000
    Amount of Tax Credit Recaptured: $350,000
    [Link to Tax Credit Agreement to be Terminated]
    Reason for Agreement Termination and Credit Recapture:

    Workforce Equanimity 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.

11. Axure Software Solutions, Inc.
    Industry: Web Development Services
    Primary Location(s): San Diego
    Amount of Tax Credit Awarded: $280,000
    Amount of Tax Credit Recaptured: $280,000
    [Link to Tax Credit Agreement to be Terminated]
    Reason for Agreement Termination and Credit Recapture:

    Axure Software Solutions, 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.
12. STWT&M, Inc.
   Industry: Industrial Machinery Manufacturing
   Primary Location(s): Oxnard
   Amount of Tax Credit Awarded: $250,000
   Amount of Tax Credit Recaptured: $250,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:

   STWT&M, 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.

   Industry: Toy and Clothing Design and Manufacturing
   Primary Location(s): Poway
   Amount of Tax Credit Awarded: $250,000
   Amount of Tax Credit Recaptured: $250,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:

   Jinx, 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.

14. Sparsha USA
   Industry: Transdermal Patch Development and Manufacturing
   Primary Location(s): Oceanside
   Amount of Tax Credit Awarded: $250,000
   Amount of Tax Credit Recaptured: $100,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:

   Sparsha USA'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.
15. Wesley Enterprise, Inc.
   Industry: Medical Document Preparation Services
   Primary Location(s): Yorba Linda
   Amount of Tax Credit Awarded: $200,000
   Amount of Tax Credit Recaptured: $200,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:

   Wesley Enterprise, 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.

   Industry: Metal Parts Manufacturing
   Primary Location(s): Escalon
   Amount of Tax Credit Awarded: $200,000
   Amount of Tax Credit Recaptured: $200,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:

   Morrill Industries, 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.

17. Underground Elephant, Inc.
   Industry: IT Digital Marketing Services
   Primary Location(s): San Diego
   Amount of Tax Credit Awarded: $165,000
   Amount of Tax Credit Recaptured: $165,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:

   Underground Elephant, 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.
18. JLS Environmental Services  
   Industry: Construction Services  
   Primary Location(s): Loomis  
   Amount of Tax Credit Awarded: $155,000  
   Amount of Tax Credit Recaptured: $155,000  
   Link to Tax Credit Agreement to be Terminated  
   Reason for Agreement Termination and Credit Recapture:  
   JLS Environmental Services 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.

19. The Carlstar Group LLC (formerly CTP Transportation Products LLC)  
   Industry: Commercial Vehicle Wheel and Component Manufacturing  
   Primary Location(s): Ontario  
   Amount of Tax Credit Awarded: $150,000  
   Amount of Tax Credit Recaptured: $150,000  
   Link to Tax Credit Agreement to be Terminated  
   Reason for Agreement Termination and Credit Recapture:  
   The Carlstar Group LLC (formerly CTP Transportation Products LLC)'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.

20. Gravity Defyer Corporation  
   Industry: Footwear Manufacturing  
   Primary Location(s): Pacoima  
   Amount of Tax Credit Awarded: $100,000  
   Amount of Tax Credit Recaptured: $100,000  
   Link to Tax Credit Agreement to be Terminated  
   Reason for Agreement Termination and Credit Recapture:  
   Gravity Defyer Corporation'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.
21. Lynam Industries, Inc.
   Industry: Sheet Metal Manufacturing
   Primary Location(s): Fontana
   Amount of Tax Credit Awarded: $68,000
   Amount of Tax Credit Recaptured: $68,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:
   Lynam Industries, 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.

22. Camilleri & Sunseri Ventures, Inc.
   Industry: Garage Door Installation
   Primary Location(s): San Diego
   Amount of Tax Credit Awarded: $50,000
   Amount of Tax Credit Recaptured: $50,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:
   Camilleri & Sunseri Ventures, 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.

23. H.B. Fuller Construction Products, Inc.
   Industry: Chemical and Adhesive Manufacturing
   Primary Location(s): La Mirada
   Amount of Tax Credit Awarded: $40,000
   Amount of Tax Credit Recaptured: $40,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:
   H.B. Fuller Construction Products, 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.
24. Wily Fox Technologies, Inc.
   Industry: Computer Systems Design Services
   Primary Location(s): El Dorado Hills
   Amount of Tax Credit Awarded: $25,000
   Amount of Tax Credit Recaptured: $15,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:
   Wily Fox Technologies, 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.

25. Vol-Ten Corporation
   Industry: Charter Bus Service
   Primary Location(s): Stockton
   Amount of Tax Credit Awarded: $25,000
   Amount of Tax Credit Recaptured: $15,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:
   Vol-Ten Corporation'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.

   Industry: Financial and Insurance Services
   Primary Location(s): Fresno
   Amount of Tax Credit Awarded: $20,000
   Amount of Tax Credit Recaptured: $16,000
   Link to Tax Credit Agreement to be Terminated
   Reason for Agreement Termination and Credit Recapture:
   Graveline Financial, 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.
27. XCell Science Inc.
   Industry: Stem Cell Biotechnology Research and Development
   Primary Location(s): Novato
   Amount of Tax Credit Awarded: $20,000
   Amount of Tax Credit Recaptured: $8,000
   [Link to Tax Credit Agreement to be Terminated]
   Reason for Agreement Termination and Credit Recapture:
   XCell Science, 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.

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.