



Gavin Newsom
Governor

California Competes Tax Credit Program

MEMBERS:

Dee Dee Myers
Director

Committee Meeting

Dee Dee Myers, Chair
Director
Governor's Office of Business
and Economic Development

Chris Dombrowski
Chief Deputy Director

Thursday, November 4, 2021

1:00 p.m.

Fiona Ma
State Treasurer

Scott Dosick
Deputy Director,
California Competes
Tax Credit Program

In response to the Governor's Executive Order AB361 authorizing public bodies to take necessary action to protect the public from the spread of Coronavirus (COVID-19), the California Competes Tax Credit (CCTC) Committee Meeting was live streamed and open to the public on Zoom.

Keely Bosler, Director
Department of Finance

Jee Liyanage
Assistant Deputy Director,
California Competes
Tax Credit Program

Todd Walters, Appointee of the
Senate Committee on Rules

Members of the public were encouraged to submit public comments or requests during the meeting through email.

Madeline Janis, Appointee of
the Speaker of the Assembly

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and Economic Development
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MINUTES

OPEN SESSION

A. Call to Order and Roll Call

Chair Myers called the meeting of the California Competes Tax Credit Committee (Committee) to order at 1:01 p.m.

Members Present: Chair Dee Dee Myers, Madeline Janis (representing the Speaker of the Assembly), Todd Walters (representing the Senate Committee on Rules), Fiona Ma (State Treasurer), and Gayle Miller (representing the Director of the Department of Finance).

Deputy Director Dosick stated that all members were present.

B. Approval of Minutes from June 17, 2021, Committee Meeting

Chair Myers asked if there were any questions from Committee Members or public comments on Item B with regards to the minutes from the June 17, 2021 meeting. Deputy Director Dosick confirmed there were no public comments. Chair Myers requested a motion for approval of Agenda Item B.

Action Moved/Seconded: Members Miller/Ma
Yes: Members Janis, Walters, Ma, Miller, Myers
No: None



C. Deputy Director's Report

- **Agenda Overview – Agreements with 20 Businesses, Total Tax Credits \$150,000,000**

Deputy Director Dosick reminded members of the public watching the meeting that they could submit public comments on any agenda item by emailing CalCompetes@gobiz.ca.gov and added that CalCompetes staff are actively monitoring this email and would forward emailed comments to the Committee. He reminded the public that if they submit a public comment, to include their name and organization. He explained that it is used for identification purposes only. He also reminded the public that inappropriate behavior can result in being removed from the meeting based on provisions of the Bagley-Keene Act. He encouraged all individuals having technical issues to call the CalCompetes hotline at 916-322-4051. Mr. Dosick stated he was pleased to report that earlier this morning, he sent a notice to approximately 10,000 interested parties who are subscribed to the CalCompetes list serve, informing them that the guidelines for the new CalCompetes grant program have been posted on our website.

Mr. Dosick stated that the CalCompetes Tax Credit program has demonstrated tremendous success incentivizing businesses to choose California. However, a tax credit by its very nature may not provide the immediate assistance that businesses need to put Californians to work as quickly as possible, particularly as California recovers from the pandemic-induced recession. He indicated that many companies looking to expand or locate in California might not benefit from a non-refundable tax credit but could utilize a grant. Recognizing that the state must have the resources available now to incentivize businesses to remain in the state, add new, quality full-time jobs, or restore jobs lost as a result of the pandemic or other factors, Governor Newsom's enacted state budget for fiscal year 2021-22 created the California Competes Grant Program (CCGP) and appropriated \$120 million in funding.

Mr. Dosick stated that the primary goal of the CCGP is to incentivize businesses to choose California and to create quality, full-time jobs in the state. A significant priority for this grant program is to make resources available to businesses for whom a non-refundable tax credit would not provide a significant financial benefit. The CCGP was specifically created for three types of businesses: (1) businesses that continuously reinvest profits, generating either significant research and development tax credits and/or net operating losses resulting in little to no tax liability; (2) smaller businesses with relatively low tax liabilities; and (3) startups with little to no tax liability.

Mr. Dosick indicated that the statute creating the grant program also adds three requirements to be eligible to apply. An applicant must either create at least 500 jobs, invest a minimum of \$10 million of investment into a facility acquisition or upgrade, or create the jobs in an area of high unemployment and/or poverty.

Mr. Dosick stated that the grant program will launch on January 3rd in conjunction with the tax credit program, utilizing the same online application portal. At the April committee meeting, GO-Biz will bring both the grant and tax credit recommendations to the Committee for consideration.



Mr. Dosick stated that GO-Biz is recommending 20 tax credit awards today totaling \$150 million. GO-Biz received over \$700 million in credit requests during this application period. He stated that CalCompetes continues to see a rise in applications from inland parts of the state and areas of high unemployment and poverty. The 20 agreements for the Committee's consideration today represent commitments for a net increase of over 7,600 new full-time jobs and over \$1.2 billion of capital investments in California in exchange for \$150 million in total recommended tax credits. Each of the businesses recommended for award today has certified in its application that this credit will be a significant factor in their decision or ability to remain and expand in California.

Mr. Dosick stated that there are 68 Agreements up for recapture. Most of the Agreements recommended for recapture today are for those whose 5-year terms have expired. He explained that there are also some voluntary requests from businesses to have their credit recaptured as their business plans have changed; and, as a result, they requested that the Committee recapture the credit to make it available to other businesses. In those situations where the credit recipient is in material breach of its agreement, for example, for failure to submit the annual reports required by the Agreement, there is a recommendation that the Committee approve recapturing the entire credit.

Mr. Dosick thanked the CalCompetes team for their ongoing dedication and professionalism.

Member Janis echoed Mr. Dosick's appreciation for the CalCompetes staff. Ms. Janis stated she is glad to hear that the grant proposals will be presented to the Committee in April. Ms. Janis asked if the three grant requirements are on top of the existing criteria. Mr. Dosick stated that the three requirements are eligibility criteria and must be met in order to apply. Once the business applies, then the regular California Competes evaluation criteria apply.

Ms. Janis stated that one of the great things about the tax credit program is that companies do not get the credit until they create the jobs. She indicated that she worked with other grant programs in the past where businesses receive the grant and then create the jobs. She asked how the recapture process would work and how to make sure there is accountability. Mr. Dosick stated that the Franchise Tax Board (FTB) is responsible for the compliance aspect of the grant program, and they have tools in their arsenal for a company that receives a grant and does not achieve its milestones. Mr. Dosick also indicated that not every grant recipient will receive their grant upfront advance. Chair Myers echoed Mr. Dosick's statement that the state has access to tools that private grantors do not.

Ms. Janis stated that she wanted to discuss the training criteria added by the legislature in 2018. She referenced California Revenue and Taxation Code 23689, Section (2), (A)-(L). She indicated that (L) states, "For a credit allocated beginning with the 2018-19 fiscal year, the training opportunities offered by the taxpayer to its employees." She stated that for many low-income Californians, the opportunity to have access to a career path with real training and apprenticeships with portable credentials is extremely important. She indicated that she is looking forward to when the training criteria will be formally added to the tax credit and grant agreements.



Chair Myers stated that the statute indicates the primary goals of the program are to create jobs and investments in California that might occur in other places without the tax credit. Chair Myers stated that although the other criteria shape the decision-making process, she does not believe the statute requires it to be measured in the same way as investments and the creation of quality jobs. Mr. Dosick indicated that the Section (3) of the CalCompetes statute clarifies the exact criteria that must be included in the tax credit Agreements:

“(3) The written agreement entered into pursuant to paragraph (2) shall include:

(A) Terms and conditions that include the taxable year or years for which the credit allocated shall be allowed, a minimum compensation level, and a minimum job retention period.

(B) Provisions indicating whether the credit is to be allocated in full upon approval or in increments based on mutually agreed upon milestones when satisfactorily met by the taxpayer.

(C) Provisions that allow the committee to recapture the credit, in whole or in part, if the taxpayer fails to fulfill the terms and conditions of the written agreement.”

Chair Myers stated that she fully agrees that the objective is to create high quality jobs for Californians, including those who have not had opportunities, and to require businesses to answer the training question. Ms. Janis stated that her understanding of the training evaluation is what she receives in the staff report and no scoring or measures to improve training are taken. The state has a variety of methods to increase training, but it is having a hard time finding unionized employers with apprenticeships and training programs. She stated that if the Committee works to connect the dots and make this a serious part of the criteria, this program can make a huge difference. Ms. Janis expressed her concern that the beneficiaries of the tax credit would be the owners and not the workers. This interaction is leaving her with the understanding that the program does not believe it needs to do anything else with regards to training.

Mr. Dosick stated that all twelve criteria, including training offered to employees, are evaluated as part of the business recommendations. He stated that not all businesses are strong in each of the twelve factors. Member Miller stated that the statute is meant to be taken as a whole. This program, unlike other programs offered by the Labor Department, is about keeping employment here. Ms. Miller stated that training only works when there is a job. First there is a job, and then the training has to match it.

Ms. Janis stated that she wanted to conclude by saying that she has spent 30 years working in workforce training and providing training connected to jobs. She indicated that she works to provide opportunity to marginalized groups such as women in manufacturing, or individuals coming out of the justice system. She stated that this is extremely important to the Speaker's Office. Ms. Janis stated that she has not seen much that makes her think that training is taken seriously, and most of it is just on-the-job training.



D. Discussion and Approval of California Competes Tax Credit Agreements

Total Recommended Tax Credits:	\$147,665,000
Total Recommended Tax Credits after Adjusting for S-Corporation Law:	\$150,000,000

Chair Myers proposed removing Agenda Items D2, D4, D5, D8, and D11 from consent for further discussion. She asked if there were any other questions or comments from the Committee or members of the public on any of the items not pulled at this time. Deputy Director Dosick confirmed we did not receive any public comments. Chair Myers called for a motion to approve all items under Agenda Item D except for items D2, D4, D5, D8, and D11.

Action Moved/Seconded: Members Miller/Ma
Yes: Members Janis, Walters, Ma, Miller, Myers
No: None

Chair Myers called for the agenda items to be taken out of order. Agenda Item E was reordered prior to the discussion of the remaining items pulled from consent under Agenda Item D.

E. Discussion and Approval of Recommendations for California Competes Tax Credit Agreement Termination and Credit Recapture

Total Tax Credits Recommended to be Recaptured:	\$55,758,236
Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law:	\$57,912,536

Chair Myers asked Deputy Director Dosick if there are any comments from the public regarding Agenda Item E pertaining to the discussion and approval of recommendations for California Competes Tax Credit Agreement Terminations and Credit Recapture. Deputy Director Dosick confirmed that no public comments have been received at this time.

Hearing none, Chair Myers requested a motion to approve Agenda Item E.

Action Moved/Seconded: Members Miller/Janis
Yes: Members Janis, Walters, Ma, Miller, Myers
No: None

D-2. EnerVenue, Inc.

At the request of Chair Myers, Deputy Director Dosick elaborated on Agenda Item D-2. He described the company and the proposed tax credit Agreement to the Committee. EnerVenue, Inc. (EnerVenue) is a start-up battery manufacturer with a new technology that serves as an alternative to lithium-ion. It uses a nickel-hydrogen blend, which, according to EnerVenue has minimal battery degradation, better recycling potential at the end of its life, and a lower fire risk. EnerVenue has certified in its application



that absent award of the California Competes Tax Credit, its project may occur in another state; and, it may terminate all or a portion of its employees in California or relocate all or a portion of its employees in California to another state. In exchange for a \$25 million California Competes Tax Credit, EnerVenue has committed to a net increase of 1,692 full-time employees and an investment of \$406.1 million. The jobs EnerVenue is committing to create are in classifications such as assembler, warehouseman, technician, welder, machinist, buyer, administrator, engineer, and manager.

EnerVenue indicated in its application that the company is planning three major manufacturing expansions in the next few years. 1) EnerVenue plans to expand its existing facility in Fremont to increase its manufacturing capacity to a combined energy total of 10 megawatt-hours per year. 2) EnerVenue plans to open a second manufacturing facility in 2022 with a goal of manufacturing batteries for a combined energy capacity of 100 megawatt-hours per year. 3) In the next three to four years, EnerVenue plans to open a third manufacturing facility with a production capacity of 10 gigawatt-hours per year. EnerVenue is working with a consulting firm to research potential manufacturing locations in California and other states in the U.S. EnerVenue indicated that although its preference is to retain its headquarters and manufacturing production in California, it will look to other areas with lower costs and incentives if it does not receive the California Competes Tax Credit. Additionally, EnerVenue stated that without the tax credit, it is likely that it will move its headquarters and construct both the 100 megawatt and 10 gigawatt factories outside of California.

Mr. Dosick introduced Jorg Heinemann, CEO, Frank Blohm, COO, Kendra Newby, Sr. HR Business Partner, and Kevin Mukai, VP Scale Manufacturing and Partnership, who were available to address any questions from the Committee.

Mr. Heinemann stated that EnerVenue is taking a mature battery technology to market. The nickel-hydrogen batteries were originally used in the space program for over 30 years but were inordinately expensive. However, he stated that EnerVenue has figured out a way to make the production of the batteries significantly cheaper, about one-one thousandth of the cost. Unlike lithium-ion batteries, these batteries essentially last forever and are designed to have 3 charge/discharge cycles a day for 30 years. These batteries are very simple and cannot catch fire. Additionally, the batteries are nearly one hundred percent recyclable. He stated that unlike other emerging battery technologies, he is certain that this technology works and EnerVenue has produced over one thousand battery cells in Fremont. He stated that the battery can be made entirely in the U.S.A. and that they would like for the production to occur in California.

Member Janis stated that her understanding is that these batteries are not well suited for electric cars and asked who their customers would be. Mr. Heinemann stated that these are large batteries, and although it is theoretically possible to use these in an electric car, it's not practical. However, they are ideal for stationary applications such as a solar power plant with on-site grid storage to stretch power and for commercial locations and residences to use at night or to be off the grid completely. He stated that this battery allows for them to be installed anywhere in the home without a fire risk. This in turn



will lead to the training of new technicians and service providers for this technology. Ms. Janis asked if she understood him correctly, with EnerVenue's primary customers being homeowners and utilities. Mr. Heinemann stated that homeowners and utilities are the end users, but technically their direct customer are solar installation and energy storage solution companies. Ultimately, he stated that this technology will become mainstream and will be sold to contractors that build homes.

Ms. Janis asked where the nickel is sourced. Mr. Blohm stated that the anode material is sourced in the Midwest United States and the cathode is sourced from China. Ms. Janis asked where the battery cells will be made. Mr. Heinemann stated that it is currently being manufactured in Fremont, but the expansions referred to in the application will be in the United States and he would like it to be in California.

Ms. Janis stated that she noticed the training description does not have much detail for the manufacturing level. She asked if it is looking to create any apprenticeships or working with any outside organizations or unions. Mr. Blohm stated that part of the work will require chemists, but the manufacturing of the actual cell will require welders, technicians, and assemblers. He stated that EnerVenue is currently working with a local community college to develop a welding apprenticeship program. Ms. Janis asked if EnerVenue is unionized. Mr. Blohm replied that it is not.

Ms. Janis asked what EnerVenue is doing to create greater opportunities for women, black residents, and others who may not typically have the opportunity for a manufacturing job. Mr. Blohm stated that partnering with the community college will be critical to provide opportunities to people that have been out of the workforce for a long time or participate in second chance programs. It will also be doing focused recruitment at a variety of universities and community outreach programs to look for people of color, women coders, and women engineers. Ms. Newby stated that recruiting initiatives have been initiated with the Society for Women Engineers, Society of Black Engineers, and Society of Hispanic Engineers. Ms. Janis asked who does the recruitment and if it has someone experienced in finding women welders and assemblers, for example. Mr. Blohm stated that EnerVenue has a woman that runs the manufacturing operation and its contact with the community college welding development program is also a woman.

Ms. Janis asked if there was anything that the program could have done to enable EnerVenue to be more specific on its training and diversity statements. Mr. Heinemann stated that the simple answer is that EnerVenue needed some more time to grow. It is currently very small, and it is growing extremely fast. He stated that they are absolutely committed to diversity and indicated that half of the individuals that report to Mr. Blohm and him are women, and his top candidate for Chief Financial Officer is a black woman. Although these examples are anecdotal, he stated that they are currently getting outside help to make sure that as the company grows, individuals who are experienced in this area can help develop it. Ms. Janis stated that a safe space for women and people of color is also a great idea.

Chair Myers asked if there were any more questions or comments from the Committee or the public. Hearing none, she requested a motion for approval of Agenda Item D-2.



Action Moved/Seconded: Members Miller/Walters

Yes: Members Janis, Walters, Ma, Miller, Myers

No: None

Member Miller stated that she would need to leave the meeting at this time (1:45 p.m.) and Amy Jarvis from the Department of Finance would be representing the Director of the Department of Finance.

D-4. VinFast Dealer San Francisco #1 LLC

At the request of Chair Myers, Deputy Director Dosick elaborated on Agenda Item D-4. He described the company and the proposed tax credit Agreement to the Committee. VinFast is an electric vehicle manufacturer. In exchange for a \$20.5 million California Competes Tax Credit, VinFast has committed to a net increase of 1,065 full-time employees and an investment of \$200,350,000. The jobs VinFast is committing to create are in classifications such as retail employee, human resources, finance, legal, research and development, sales and marketing, service center employee, logistics, service manager, store manager, and executive.

VinFast, a Vietnamese automobile manufacturer, indicated in its application that it is in the beginning stages of bringing its affordable, luxury electric vehicles to the U.S. market. In order to meet its plans to begin vehicle delivery of its full electric SUVs in the United States by the end of 2022, it is researching where to locate its U.S. Headquarters, regional office, call center, and logistics hub. The positions at these facilities will comprise approximately 280 of the 1,065 jobs proposed and the remaining positions will consist largely of sales and service center employees. VinFast stated that it has narrowed its potential headquarters locations to Los Angeles, California; Phoenix, Arizona; and Austin, Texas. While VinFast believes that California is the ideal place for these offices, Phoenix and Austin each offer lower operating costs and a variety of incentives that make them more financially attractive. It believes that by choosing one of these alternative states, over the next 5 years, it would save \$10,000,000 in real estate costs, \$2,500,000 in labor costs, and another \$8,000,000 through tax savings and other incentives. VinFast indicated that it has held extensive meetings with the Arizona Governor's Office and expects further meetings in the coming months. It stated that without the credit, it may accelerate its pursuit of an alternative site for these offices. If awarded the credit, VinFast is committing to immediately securing long-term leases and moving forward with establishing its headquarters in California. Mr. Dosick introduced Van Ang Nguyen, Chief Executive Officer; Marie Jilk, Director of HR Operations; and Brook Taylor, Head of U.S. Government Affairs and Public Policy to address any questions from the Committee.

Ms. Nguyen thanked the Committee and GO-Biz staff for their consideration. Ms. Nguyen stated that she is very excited to partner with the state of California as VinFast launches its electric vehicles in the U.S. and would like to make California its permanent home.

Member Janis asked about the types of vehicles that VinFast will manufacture. She also asked what type of manufacturing will occur in California, if it currently has a factory in Vietnam, and if the factory



will remain in Vietnam or be transferred to California. Mr. Taylor stated that the first two vehicles introduced to the U.S. market will be a full battery-electric mid-sized SUV and a full battery-electric full-sized SUV. These vehicles will be debuted for the first time at the L.A. Auto Show in two weeks. Mr. Taylor indicated that VinFast also has companies that produce electric scooters and buses exclusively for the Vietnamese market. Mr. Taylor stated that VinFast has a factory in Hanoi, Vietnam that can build upwards of 500,000 electric vehicles per year. It currently produces vehicles for the Vietnamese market but will soon produce for the American, Canadian, and European markets. Mr. Taylor stated that VinFast hopes to quickly outgrow its manufacturing facility and produce domestically, but at this time it has not determined where the manufacturing facilities would be located.

Ms. Janis asked if the tax credit being awarded was for something other than manufacturing jobs. Mr. Taylor stated that VinFast will use the credit for its headquarters, regional offices, call centers, research and development activities, sales, and technical services as part of the launch in the U.S. Ms. Janis asked him to confirm that the vehicles would be made in Vietnam. Mr. Taylor indicated that this was correct. Ms. Janis asked where the vehicle parts would be sourced from. Mr. Taylor stated that most of the parts would be sourced from Vietnam.

Ms. Janis asked for more clarification on the jobs being created. Mr. Taylor stated that 280 jobs will be created at the company headquarters and the remaining jobs will be spread across its regional offices, sales and service centers, and a call center. The service centers will have highly skilled engineers and service members.

Chair Myers asked if VinFast would consider manufacturing in the U.S. and potentially California in the future. Mr. Taylor responded that VinFast would absolutely consider manufacturing in the United States and in California. Chair Myers asked if the two vehicles that will debut at the L.A. Auto Show are currently sold in Vietnam. Mr. Taylor stated that these are brand new vehicles and will be sold in the U.S., Canada, and Europe.

Ms. Janis stated that she did not get the impression that the tax credit was going to non-manufacturing jobs. She stated that she does not support subsidizing a company that will compete with union-made electric vehicles. Ms. Nguyen stated that the manufacturing capacity for its Vietnam facility is only 500,000 vehicles. VinFast is also considering a manufacturing facility in the U.S. and potentially California as part of its long-term plan.

Chair Myers asked if there were any other questions from the Committee or the public. Hearing none, she requested a motion for approval of Agenda Item D-4.

Action Moved/Seconded: Members Ma/Jarvis
Yes: Member, Walters, Ma, Miller, Myers
No: Member Janis



D-5. MP Materials, Inc.

At the request of Chair Myers, Deputy Director Dosick elaborated on Item D-5. Mr. Dosick described the company and the proposed Agreement to the Committee. MP Materials Corp. (MP Materials) is a rare earth minerals mining and processing company. It owns and operates a mining and processing operation in Mountain Pass, which is one of the only mining sites in the United States that has a high concentration of rare earth elements. MP Materials has certified in its application that absent award of the California Competes Tax Credit, its project may occur in another state. In exchange for a \$14.79 million California Competes Tax Credit, MP Materials has committed to a net increase of 203 full-time employees and an investment of \$190.5 million. The jobs MP Materials is committing to create are in classifications such as production supervisor, machine worker, engineer, and maintenance & operations.

MP Materials indicated in its application that the federal government has made it a top priority to reduce the United States' dependence on foreign sources of rare earth minerals which are critical components of electric vehicles and other electronic products. MP Materials was awarded a \$9.6 million grant from the Department of Defense (DoD) in order to establish domestic processing of rare earth minerals. However, MP Materials stated that the DoD also granted a \$30.4 million award to one of its top competitors that is establishing a processing facility in Texas. The CCTC will assist it in making up the difference in the DoD funding and allow it to compete with its Texas-based competitor. Mr. Dosick stated that Sun Yee, Chief Financial Officer and Matt Sloustcher, MP's Senior Vice President of Communications were available to address any questions from the Committee.

Mr. Sloustcher thanked the Chair and Committee for their consideration. Mr. Sloustcher stated that rare earth materials are the building blocks for the electrified, decarbonized economy. The main application for rare earth materials today are for the magnets used in electric motors to transform energy into motion. He stated that of the five million electric and hybrid vehicles deployed in 2021, 92.1% have a permanent rare earth magnet. Mr. Sloustcher indicated that Mountain Pass is a historical site with production starting in the 1950s and led global production from the 1960s-1990s. At the time, europium was produced there to make the red in color televisions pop, but these minerals are strategic for an entirely different reason today. MP Materials' mission is to restore the full rare earth supply chain to the United States. Mr. Sloustcher indicated that this site was the only site of its scale in the Western hemisphere and that China produces approximately 80% of the rare earth oxides. He stated that they have arguably the world's highest environmental standards and they are very proud to produce in California. 365 people work at the publicly traded company today.

Member Janis stated that the staff report indicated that absent award of the credit, the project could occur in another state. She asked for clarification as to how that is possible given that the mining site is in California. Mr. Sloustcher indicated that the project could occur differently without the credit. While some jobs have to be based at Mountain Pass, others do not need to be there. Ms. Janis asked what jobs do not need to be there. Mr. Sloustcher stated that support, logistics, and shipping jobs could be done elsewhere. Ms. Janis asked how shipping jobs for minerals mined at Mountain Pass can be in



another place. Mr. Sloustcher stated that the logistics coordinator and finance support teams could be located elsewhere.

Ms. Janis asked if the minerals were to be used in equipment or in building materials. Mr. Sloustcher stated that there are 17 chemical elements with special properties with a wide range of applications, such as catalysts, polishing compounds, and magnets that enable electric motors to function.

Ms. Janis asked about MP Materials' statements to engage with ABC (Associated Builders and Contractors) to develop an apprenticeship program and if Mr. Sloustcher knew that ABC was anti-union. Mr. Sloustcher stated that MP is very excited to establish an apprenticeship program and has engaged with San Bernardino County and hired a person on its human resources team for the purpose of reaching out to community colleges. He stated that workforce development is one of its biggest challenges and he absolutely wants to work with the community to find the best talent. He stated that he wants to have an owner-operator culture that values its people. Ms. Janis stated that she recommends for MP Materials to work with the Building Trades Apprenticeship programs instead of with ABC because they are far superior.

Chair Myers asked if there were any other questions from the Committee or the public. Hearing none, she requested a motion for approval of Agenda Item D-5.

Action Moved/Seconded: Members Jarvis/Ma

Yes: Members Walters, Ma, Jarvis, Janis, Myers

No: None

D-8. 5th Axis, Inc.

At the request of Chair Myers, Deputy Director Dosick elaborated on Item D-8. Mr. Dosick described the company and the proposed Agreement to the Committee. 5th Axis, Inc. (5th Axis) is a machine shop that manufactures workholding tools, which are parts used in milling to keep the material secure. It is also a contract manufacturer of parts used in the aerospace, defense, medical device, and sporting goods industries. 5th Axis has certified in its application that absent award of the California Competes Tax Credit, its project may occur in another state; and, it may terminate all or a portion of its employees in California or relocate all or a portion of its employees in California to another state. In exchange for a \$3.5 million California Competes Tax Credit, 5th Axis has committed to a net increase of 78 full-time employees and an investment of \$30 million. The jobs 5th Axis is committing to create are in the machinist classification.

5th Axis indicated in its application that it currently operates out of five different buildings in San Diego, which yields operational inefficiencies. Therefore, it is looking to consolidate into a larger, 100,000 square foot facility that will be able to meet the space needs that its large machines require. Given the cost per square foot of industrial space in San Diego being in the range of \$170 to \$240, it is considering options in Dallas, Texas, and Nashville, Tennessee, where the cost per square foot is less than half of San



Diego. It stated that many of its competitors have moved or are in the process of moving to lower cost states and that less than 10% of its revenue comes from within California. Its existing leases expire in March of 2023, and should it decide to relocate out of state, the process would take approximately one year due to the nature of moving its large machinery. For this reason, it needs to select its future location in the coming months. 5th Axis indicated that the credit would provide it with sufficient relief that it would choose to remain in California. Mr. Dosick introduced Jeff Lanahan, 5th Axis's CFO, who was available to answer the Committee's questions.

Member Walters stated that the wages appeared to be on the lower end of the pay scale for San Diego and asked if it has looked into providing training to its employees to add more skills to raise the wages. Mr. Lanahan offered that the starting wages are \$23 and go up to \$40 hourly and it offers a lot of overtime. He stated that it is bringing in robotics and automated positions, but it still needs the labor pool for machinists. He stated that it has increased its labor pool by 60-65% in the last year and has increased wages accordingly. He indicated that the capital costs of the robotics are very high and 5th Axis' wages are on the higher end compared to its competitors.

Mr. Walters stated that he is working on California's Future of Work initiative, which is focused on bringing in new technology to provide a long-term career path for entry-level positions. He asked if Mr. Lanahan could look into Future of Work to take entry-level positions and turn them into careers. Mr. Lanahan indicated that was a great suggestion. He stated that its facility is open 24/7 and that one of its biggest problems is that the turnover is largely in the second and third shifts and ultimately agrees with Mr. Walters.

Chair Myers asked if there were any other questions from the Committee or the public. Hearing none, she requested a motion for approval of Agenda Item D-8.

Action Moved/Seconded: Members Ma/Walters
Yes: Members Janis, Ma, Walters, Jarvis, Myers
No: None

D-11. Infinity Energy, Inc.

At the request of Chair Myers, Deputy Director Dosick elaborated on Item D-11. Mr. Dosick described the company and the proposed Agreement to the Committee. Agenda item D-11 is a California Competes Tax Credit Agreement with Infinity Energy, Inc. Infinity Energy, Inc. (Infinity) is a home solar energy installer and electric vehicle (EV) charging station manufacturer. In exchange for a \$2.5 million California Competes Tax Credit, Infinity has committed to a net increase of 209 full-time employees and an investment of \$11,091,240 in Fresno. The jobs Infinity is committing to create are in classifications such as administrative support, manufacturing, fabricator, electrician, technology installer, management, and engineer. Infinity indicated in its application that it has developed a fast EV charging station that uses solar power stored in high-capacity external batteries. It already has orders from customers in numerous states and plans to manufacture charging stations to sell throughout the world.



Infinity indicated that the states of Texas and Nevada have offered incentives to bring its manufacturing and assembly facility to those states, including cash grants, tax credits, and tax abatements. With the credit award, Infinity has indicated it will commit to moving forward with the project in Fresno. Mr. Dosick introduced Bryson Solomon, COO, Cameron McKinty, Director of Training and Development, and Jill Meeuwsen, CEO of Synergy (Infinity's site selection consultant), who were available to answer the Committee's questions.

Member Janis stated that she is in total support of the project but has some training questions and is curious about certain parts of the business. Ms. Janis indicated her excitement that Infinity mentioned the CALeVIP (California Electric Vehicle Infrastructure Project) program IBEW (International Brotherhood of Electrical Workers) has built. Ms. Janis asked how the program will apply to Infinity's employees, to describe any other types of training offered, and the types of jobs offered. Mr. Solomon stated that the bulk of the new hiring will be for manufacturing as it already has a lot of electricians on staff. Infinity will be manufacturing the structural components and cases in Fresno. Infinity has partnered with San Joaquin Community College to recruit workers and has submitted an on-the-job training apprenticeship program to DAS (Division of Apprenticeship Standards). Its electricians are currently members of WECA (Western Electrical Contractors Association)]. Mr. Solomon stated that it has an entire department in the company devoted to training.

Ms. Janis asked if the facility would be unionized. Mr. Solomon replied that it would not be unionized, but it will have an on-the-job apprenticeship program. Ms. Janis asked if it was opposed to unionization. Mr. Solomon stated that it has looked into partnerships with the different union programs throughout the state and has decided to go with WECA for its electricians and on-the-job apprenticeships for the manufacturing. He stated that it is not opposed, but this is the current decision. Ms. Janis asked if he would oppose his employees unionizing if they desired to be in a union. Mr. Solomon stated that he would not be opposed to it.

Ms. Janis asked about diversity in the workforce including women and black employees. Mr. Solomon stated that it heavily recruits diverse employees, including women, veterans, people with disabilities, minorities, and ex-offenders. He stated that he believed current employment is about 68% minorities and 28% women. It is always working to improve those numbers and is very cognizant of those numbers as it looks to hire and train employees.

Chair Myers asked if there were any other questions from the Committee or the public. Hearing none, she requested a motion for approval of Agenda Item D-11.

Action Moved/Seconded: Members Walters/Ma

Yes: Members Janis, Ma, Walters, Jarvis, Myers

No: None



F. Public Comment

Chair Myers asked if there were any additional questions or comments from the public and Committee. Hearing none, she moved to adjourn the meeting.

G. Adjournment

Chair Myers adjourned the meeting at 2:21 p.m.