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California Competes

Committee Meeting

Thursday, April 25, 2024

1:00 p.m.

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

And via Live Stream at:

https://us02web.zoom.us/webinar/register/WN_PGLTF_kkT_aRTC
[Mx0faLFA](#)

MEMBERS:

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

Fiona Ma
State Treasurer

Joe Stephanshaw, *Director*
Department of Finance

Todd Walters, *Appointee of the*
Senate Committee on Rules

Madeline Janis, *Appointee of*
the Speaker of the Assembly

AGENDA

OPEN SESSION

- A. Call to Order and Roll Call**
- B. Approval of Minutes from November 16, 2023, Committee Meeting**
- C. Deputy Director's Report**
 - **Agenda Overview - Agreements with 8 Businesses, Total Tax Credits \$120,000,000**
- D. Discussion and Approval of California Competes Tax Credit Agreements**

Total Recommended Tax Credits:	\$120,000,000
Total Recommended Tax Credits after Adjusting for S-Corporation Law¹:	\$130,666,667

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&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)).



1. Pacific Steel Group LLC
Industry: Steel Reinforcing Bar Manufacturing and Contracting
Primary Location(s): Kern County
Employee Net Increase: 447
Aggregate Investment: \$542,973,700
Amount of Tax Credit Awarded: \$30,000,000
[Link to Tax Credit Agreement](#)

2. Controlled Thermal Resources (US), Inc.
Industry: Mineral Extraction
Primary Location(s): Calipatria and Imperial
Employee Net Increase: 443
Aggregate Investment: \$14,700,601,958
Amount of Tax Credit Awarded: \$30,000,000
[Link to Tax Credit Agreement](#)

3. Moxion Power Co.
Industry: Battery Energy Storage System Manufacturing
Primary Location(s): Richmond and Los Angeles
Employee Net Increase: 474
Aggregate Investment: \$126,330,000
Amount of Tax Credit Awarded: \$25,000,000
[Link to Tax Credit Agreement](#)

4. Elve, Inc.
Industry: Communications Equipment Manufacturing
Primary Location(s): Davis
Employee Net Increase: 310
Aggregate Investment: \$55,000,000
Amount of Tax Credit Awarded: \$15,000,000
[Link to Tax Credit Agreement](#)

5. MicroVention, Inc.
Industry: Medical Device Design and Manufacturing
Primary Location(s): Aliso Viejo
Employee Net Increase: 223
Aggregate Investment: \$53,600,000
Amount of Tax Credit Awarded: \$7,500,000
[Link to Tax Credit Agreement](#)



6. Tau Motors, Inc.

Industry: Power Conversion Technology Developer

Primary Location(s): Redwood City

Employee Net Increase: 156

Aggregate Investment: \$59,291,760

Amount of Tax Credit Awarded: \$7,000,000

[Link to Tax Credit Agreement](#)

7. Paired Power, Inc.

Industry: Battery Energy Storage System Manufacturing

Primary Location(s): Campbell and Central Valley

Employee Net Increase: 68

Aggregate Investment: \$3,500,000

Amount of Tax Credit Awarded: \$3,500,000

[Link to Tax Credit Agreement](#)

8. Juanita's Foods

Industry: Food Manufacturing

Primary Location(s): Fontana or Ontario

Employee Net Increase: 27

Aggregate Investment: \$36,780,945

Amount of Tax Credit Awarded: \$2,000,000

[Link to Tax Credit Agreement](#)

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

Total Tax Credits Recommended to be Recaptured:	\$30,505,325
Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law²:	\$31,957,706

1. EnerVenue, Inc.

Industry: Battery Manufacturing

Primary Location(s): Fremont, Unknown

Amount of Tax Credit Awarded: \$25,000,000

Amount of Tax Credit Recaptured: \$25,000,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

EnerVenue, 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. Sovereign Lending Group Incorporated

Industry: Consumer Lending

Primary Location(s): Costa Mesa

Amount of Tax Credit Awarded: \$1,737,143

Amount of Tax Credit Recaptured: \$1,737,143

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Sovereign Lending Group Incorporated's California Competes Tax Credit Agreement expired at the end of its 2023 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 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. Response Envelope, Inc.

Industry: Paper Straw and Envelope Manufacturing

Primary Location(s): Ontario

Amount of Tax Credit Awarded: \$1,500,000

Amount of Tax Credit Recaptured: \$1,500,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Response Envelope, 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. Smart72, Inc.

Industry: Smart Device Manufacturing

Primary Location(s): San Luis Obispo and Watsonville

Amount of Tax Credit Awarded: \$800,000

Amount of Tax Credit Recaptured: \$800,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Smart72, 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.

5. Patagonia Works (2nd Award)

Industry: Clothing Manufacturing

Primary Location(s): Ventura

Amount of Tax Credit Awarded: \$1,480,000

Amount of Tax Credit Recaptured: \$370,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Patagonia Works (2nd Award)'s California Competes Tax Credit Agreement expired at the end of its 2022 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. Project Fusion LLC (Gonzales Park LLC) (Gonzales Enterprises, Inc.)

Industry: Apparel Design and Manufacturing

Primary Location(s): Chico

Amount of Tax Credit Awarded: \$565,000

Amount of Tax Credit Recaptured: \$320,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Project Fusion LLC (Gonzales Park LLC) (Gonzales Enterprises, Inc.)'s California Competes Tax Credit Agreement expired at the end of its 2022 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. Monopole, Inc.

Industry: Paint and Coating Manufacturing

Primary Location(s): San Carlos and Los Angeles

Amount of Tax Credit Awarded: \$272,727

Amount of Tax Credit Recaptured: \$218,182

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Monopole, Inc.'s California Competes Tax Credit Agreement expired at the end of its 2023 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.

8. Riot Games, Inc.

Industry: Online Video Game Developer

Primary Location(s): Los Angeles

Amount of Tax Credit Awarded: \$3,000,000

Amount of Tax Credit Recaptured: \$200,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Riot Games, Inc.'s California Competes Tax Credit Agreement expired at the end of its 2019 tax year which was the final year to achieve the milestones and claim any corresponding credit. The Franchise Tax Board has determined that the business did not achieve or maintain some or all of its milestones for years in which it was previously approved to claim the credit. Any credit not earned by the completion of the agreement or not maintained for three subsequent years after the year in which the milestones are achieved must be recaptured in order to be made available to other California businesses.



9. OMNI Enclosures, Inc.

Industry: Office Furniture and Lab Equipment Manufacturing

Primary Location(s): El Cajon

Amount of Tax Credit Awarded: \$185,000

Amount of Tax Credit Recaptured: \$185,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

OMNI Enclosures, Inc. 's California Competes Tax Credit Agreement expired at the end of its 2022 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.

10. Lumitron Holdings, Inc.

Industry: Medical Device Manufacturing

Primary Location(s): Irvine

Amount of Tax Credit Awarded: \$700,000

Amount of Tax Credit Recaptured: \$140,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Lumitron Holdings, Inc.'s California Competes Tax Credit Agreement expired at the end of its 2023 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. mPulse Mobile, Inc.

Industry: Mobile Device Application and Software Developer

Primary Location(s): Encino

Amount of Tax Credit Awarded: \$175,000

Amount of Tax Credit Recaptured: \$35,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

mPulse Mobile, Inc.'s California Competes Tax Credit Agreement expired at the end of its 2021 tax year. Any credit not maintained for three subsequent years after the year in which the milestones are achieved is subject to recapture in order to be made available to other California businesses.



F. Discussion and Approval of Recommendations for Modified California Competes Tax Credit

Recapture

Total Recommended Tax Credits to be Recaptured: **\$910,000**

**Total Recommended Tax Credits to be Recaptured after
Adjusting for S-Corporation Law³:** **\$910,000**

1. Ambry Genetics Corporation

Industry: Medical Laboratories

Primary Location(s): Alisa Viejo

Amount of Tax Credit Awarded: \$1,150,000

Previous Amount of Tax Credit Recaptured: \$230,000

Additional Amount of Tax Credit Recaptured: \$460,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Ambry Genetics Corporation's California Competes Tax Credit Agreement expired at the end of its 2019 tax year which was the final year to achieve the milestones and claim any corresponding credit. On April 22, 2021, the Committee recaptured \$230,000. Any credit not maintained for three subsequent years after the year in which the milestones are achieved is subject to recapture in order to be made available to other California businesses. Accordingly, GO-Biz recommends that the CCTC Committee recapture \$460,000.

2. Lance Camper Mfg. Corp.

Industry: Travel Trailer and Camper Manufacturing

Primary Location(s): Lancaster

Amount of Tax Credit Awarded: \$1,500,000

Previous Amount of Tax Credit Recaptured: \$1,200,000

Additional Amount of Tax Credit Recaptured: \$300,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Lance Camper Mfg. Corp., Inc.'s California Competes Tax Credit Agreement expired at the end of its 2021 tax year which was the final year to achieve the milestones and claim any corresponding credit. On April 27, 2023, the Committee recaptured \$1,200,000. Any credit not maintained for three subsequent years after the year in which the milestones are achieved is subject to recapture in order to be made available to other California businesses. Accordingly, GO-Biz recommends that the CCTC Committee recapture \$300,000.

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 (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. Lulu's Fashion Lounge, Inc.

Industry: Clothing Manufacturing

Primary Location(s): Chico and Los Angeles

Amount of Tax Credit Awarded: \$750,000

Previous Amount of Tax Credit Recaptured: \$450,000

Additional Amount of Tax Credit Recaptured: \$150,000

[Link to Tax Credit Agreement to be Recaptured](#)

Reason for Credit Recapture:

Lulu's Fashion Lounge, Inc.'s California Competes Tax Credit Agreement expired at the end of its 2021 tax year which was the final year to achieve the milestones and claim any corresponding credit. On November 17, 2022, the Committee recaptured \$450,000. The Franchise Tax Board has determined that the business did not achieve or maintain some or all of its milestones for years in which it was previously approved to claim the credit. Any credit not earned by the completion of the agreement or not maintained for three subsequent years after the year in which the milestones are achieved must be recaptured in order to be made available to other California businesses. Accordingly, GO-Biz recommends that the CCTC Committee recapture \$150,000.

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G. Public Comment

H. 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 Jee Liyanage, Assistant Deputy Director, at 916-322-2669 or jeevani.liyanage@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 Jee Liyanage no later than five calendar days before the meeting.