



GOVERNOR'S OFFICE OF BUSINESS
AND ECONOMIC DEVELOPMENT



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California Competes Tax Credit Program

Committee Meeting

Thursday, April 13, 2017
1:30 p.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

MEMBERS:

Panorea Avdis, *Chair*
Director
Governor's Office of Business
and Economic Development

John Chiang
State Treasurer

Michael Cohen, *Director*
Department of Finance

Denise Zapata, *Appointee of*
the Senate Committee on Rules

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

MINUTES

A. Call to Order and Roll Call

Chair Avdis called the meeting of the California Competes Tax Credit Committee (Committee) to order at 1:39 p.m.

Members Present: Panorea Avdis, Steve Juarez (representing the State Treasurer), Jacqueline Wong-Hernandez (representing the Director of the Department of Finance), Madeline Janis, and Denise Zapata via teleconference.

B. Approval of Minutes from November 17, 2016, Committee Meeting

Chair Avdis called for any questions or comments from the Committee or public regarding Agenda Item B. Hearing none, she requested a motion to approve Agenda Item B.

Member Janis stated that the minutes were the best, most concise minutes since the inception of the program.

Action: Moved/Seconded: Member Janis/Member Juarez

Yes: Members Avdis, Janis, Juarez Wong-Hernandez, and Zapata

No: None



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C. Deputy Director's Report

- **Agenda Overview – Agreements with 114 Businesses, Total Tax Credits \$91,410,355**

Deputy Director Kristen Kane provided the Committee with the following updates:

- To date, GO-Biz staff has conducted 133 public workshops across the state and 32 webinars. Over the next few months, GO-Biz will be conducting approximately 30-40 workshops and 8 webinars with a particular focus on high need areas of state, such as Imperial County, the Inland Empire, the Central Valley, Salinas, North state, and other locations.
- There are 114 agreements before the Committee, representing a net increase of over 8,200 full-time jobs and \$828 million of investments in California; and, the total recommended tax credits is approximately \$91.4 million.
- Agenda Item F contains four previously approved agreements that are recommended for termination by GO-Biz. Each of the four businesses associated with these agreements voluntarily requested termination due to reasons referenced in the agenda.
- The program has new regulations that became effective January 1, 2017. The amendments to the regulations added a new question to the application requiring applicants to describe their efforts to recruit and hire a diverse and inclusive workforce. Additionally, the application has a place to indicate if the applicant is operating in an area of high unemployment or high poverty. The new regulations allow applicants that operate, or propose to operate, in an area of high unemployment or high poverty to advance from Phase I of the evaluation process to Phase II of the evaluation process automatically. This change will give these applicants an advantage in the evaluation process. Finally, the regulations require GO-Biz to indicate which awardees are in an area of high unemployment or high poverty and which awardees applied as small businesses on the publicly posted awardee list.

Member Janis asked if the diverse workforce section in the staff report was a summary of what the businesses stated in the application or if it was a direct quote from the application.

Deputy Director Kane stated that if it was a short response, the language was quoted directly, but if it was a lengthy response, GO-Biz staff captured the essence of what was written.

Member Janis stated that if all of the information written in the application is not included in the staff report, it will be hard to create programs to help businesses develop a plan. Member Janis requested if all of the information that businesses provided about their diversity plans could be included in the staff report. She also asked if there is anything that staff is doing with the information to adjust workshops and webinars.



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Chair Avdis said that it is possible to copy and paste the information into the staff report, but there is also an additional eleven factors of evaluation that must be considered. She said if it is desired, staff can include all of the information and it may not be an exact reflection of the applicants' diversity plans.

Deputy Director Kane stated that GO-Biz staff has kept staff reports to one page for the sake of time and clarity, but GO-Biz staff can include that going forward. She stated that the high poverty and unemployment areas are targeted for outreach and in many cases there is overlap between these areas and minority communities.

Member Janis stated that a new study has shown that only 7% of people in middle-skill manufacturing positions are women. She also said that she is looking for new ways of getting more women into this type of work, and that the program should look at the data as it comes in and look to adapt and provide more resources.

Deputy Director Kane stated that California Competes partners with women business organizations and minority business organizations during the program's outreach in order to make sure that the workshops reach a diverse population.

Chair Avdis called for any additional questions or comments from the Committee or public regarding the Deputy Director's Report. Hearing none, she moved on to Agenda Item D.

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

Total Recommended Tax Credits: **\$70,877,755**
Total Recommended Tax Credits after Adjusting for S-Corporation Law¹: **\$74,324,422**

Chair Avdis called for any questions or comments from the Committee or the public regarding Agenda Item D. Deputy Director Kane stated Agenda Items D-1, D-2, D-3, D-15, and D-18 were removed from consent for further discussion after Agenda Item D.

Chair Avdis moved forward with the request and asked for a motion to approve all items under Agenda Item D except for items D-1, D-2, D-3, D-15, and D-18.

Action Moved/Seconded: Member Wong-Hernandez/Member Juarez

Yes: Members Avdis, Janis, Juarez, Wong-Hernandez, and Zapata

No: None

Chair Avdis called for agenda items to be taken out of order. Agenda items E-F were reordered for discussion prior to the discussion of the remaining items under agenda item D.

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)).



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

Total Recommended Tax Credits:	\$15,319,100
Total Recommended Tax Credits after Adjusting for S-Corporation Law²:	\$17,085,933

Chair Avdis called for any questions or comments from the Committee or public regarding Agenda Item E. Hearing none, she requested a motion to approve Agenda Item E.

Action Moved/Seconded: Member Wong-Hernandez/Member Juarez
Yes: Members Avdis, Janis, Juarez, Wong-Hernandez, and Zapata
No: None

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

Total Tax Credits Recommended to be Recaptured:	\$730,000
Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law³:	\$730,000

Chair Avdis asked for any comments from the Committee. Member Juarez asked if the recaptured funds are able to be reallocated or if there is a time limit on using the funds. Deputy Director Kane stated that it goes into the next fiscal year allocation amount.

Chair Avdis asked if the businesses will still carry forward with their projects even though the tax credit was recaptured. Deputy Director Kane stated that it depends on the reason for withdrawal — some businesses will continue with their projects, but other businesses may not be able to implement their projects.

Chair Avdis, asked for public comment on this item; hearing none she moved to consideration of the remaining items under agenda item D.

Chair Avdis requested a motion to approve Agenda Item F.

Action Moved/Seconded: Member Wong Hernandez/Juarez
Yes: Members Avdis, Janis, Juarez, Wong-Hernandez, and Zapata
No: None

The following Agenda Items were discussed further:

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 See footnote 2.



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D-1. General Motors Company

At the request of Chair Avdis, Deputy Director Kane elaborated on Agenda Item D-1. Deputy Director Kane stated that General Motors Company (GM) is proposing to research, develop, and design autonomous and zero emission vehicles in San Francisco through its wholly owned subsidiary GM Cruise LLC (GM Cruise). In exchange for an \$8,000,000 California Competes Tax Credit, GM has committed to a net increase of 1,163 full-time employees and an investment of \$14 million. The jobs GM is committing to create come with an average salary of \$116,000 per year, extensive health and dental benefits, generous leave packages, and 401k contributions. GM proposes to locate its engineering and development laboratory in San Francisco. The laboratory will focus mainly on altering GM vehicles to integrate self-automation software and hardware. The project will include designing, building, installing, and testing the physical devices and computer programs that enable a vehicle to be autonomous.

Rebecca Mark from Cruise Automation thanked the Committee for having them. She stated that she is joined by Kevin Kelly, GM's Senior Manager for Advanced Technology Communications and Troy Kennedy, GM's Senior Property Tax and Incentive Manager.

Chair Avdis asked if Mark would like to add anything to the description Deputy Director Kane provided. Mark stated that she has nothing to add, but will answer any specific questions that the Committee has.

Member Zapata stated that she has two concerns. She asked what are the plans, if any, to make sure things are different from 2007-2009 because a lot of consumers' confidence in buying cars was shaken due to the housing crisis. She stated that she wants to know if there are any plans to address that. Second, she asked about the state of GM's pension funding in order to prevent it from turning negative in the future.

Kelly stated that they have delivered record profitability for the past three years. He also states that their financial position is very strong right now, the market remains very strong for automobiles, and GM will meet all of their commitments in terms of their financial responsibilities.

Member Zapata asked if Kelly had heard about a report regarding future systemic risk in the economy. She asked what GM is doing about the unknown in the future to make sure it doesn't happen again.

Kelly stated that GM is in a position of a strong cash balance and will be able to fund anything that it needs to in the foreseeable future. He stated that GM expects this year to remain strong and does not see anything in the marketplace that will hinder them from meeting their objectives.



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Member Janis expressed concern about the extent to which driverless cars will eliminate jobs. She asked if any of the 1,100 new jobs will be in production and if all jobs will be located in San Francisco.

Mark stated that the projected positions are going to be a variety of operations and technical positions and are all to be based in California.

Janis asked if there are going to be any production jobs or just positions focused on engineering and technology.

Mark stated that these jobs are more technical and research and development driven jobs. Kelly stated that GM Cruise will test the autonomous technology on the Bolt EV, which is manufactured in Michigan.

Member Janis asked if GM could elaborate more on the hiring practices to create a diverse workforce. Mark stated that there is management coaching and various learning and development programs to promote internal mobility and career development. She also stated that 30% of their workforce was promoted to new roles in 2016. Mark said that they support ongoing education, including books, conferences, and trainings, and also promote internally when possible. She stated that GM works with several agencies that focus on diverse hiring, and it reviews all job postings to see if they are suitable to diverse applicants and encourage more women to join its team.

Member Janis asked which agencies does GM work with. Mark stated that they work with Triplebyte and Interviewing.io.

Member Janis asked if the new employees will be employed by GM or by GM Cruise. Mark stated they will work for Cruise Automation, which is a wholly-owned subsidiary of GM.

Member Janis asked how many of the 485 employees at GM Cruise are women. Mark clarified that there are 139 employees currently in California. Deputy Director Kane stated that the 485 employees shown in the staff report represent all of the California employees at GM, and GM Cruise is only a portion of that. Deputy Director Kane stated that 485 employees is the level that GO-Biz expects GM to maintain throughout California in addition to the growth in San Francisco.

Member Janis asked if GM knew the number of women out of the 485 employees. Mark stated that the number is not public, but GM is actively recruiting women and looking to partner with more groups to ensure more women become part of the STEM workforce.

Member Janis asked if the workers will be represented by UAW. Mark responded that it is premature to discuss the representation of the employees.



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Member Janis asked if GM will implement its training and apprenticeship programs in San Francisco like it does in Detroit. Mark stated that GM provides multiple programs to help employees get promoted and increase their skills.

Chair Avdis asked for any questions from public.

Sara Flocks, the California Labor Federation's Policy Coordinator, expressed her excitement to see GM come back to California. Flocks expressed her disappointment when the plant closed in 2010 because of its productivity and high quality. She asked if GM is going to be doing production in California because the highly-skilled workers that worked in the plant originally are still in the Bay Area. Flocks also stated that the California Labor Federation currently has a program with the Machinists union, which trains auto mechanics, in order to provide these resources to companies that need to recruit and retain a skilled workforce.

Chair Avdis called for any additional questions or comments from the Committee or the public regarding Agenda Item D-1. Hearing none, she requested a motion to approve Agenda Item D-1.

Action Moved/Seconded: Member Wong-Hernandez/Member Juarez

Yes: Members Avdis, Janis, Juarez, Wong-Hernandez, and Zapata

No: None

Chair Avdis thanked GM Cruise for the opportunity to work with them and for future growth opportunities. She stated that they would contribute to growing the network of autonomous vehicle development in California.

Member Janis stated that the unwillingness to say how many women are working in the plant is concerning and that the Committee needs to ask things like this in order to promote real diversity and ensure proper spending of taxpayer dollars. Member Juarez asked if Deputy Director Kane could ask GM for this number. Deputy Director Kane stated that she can ask for this number on behalf of the Committee.

D-2. Proterra, Inc.

At the request of Chair Avdis, Deputy Director Kane elaborated on Agenda Item D-2. Deputy Director Kane stated that Proterra, Inc. (Proterra) is a manufacturing company that designs and manufactures zero emission vehicles and fast-charging in-depot systems. In exchange for a \$7,500,000 California Competes Tax Credit, Proterra committed to a net increase of 432 full-time employees and an investment of over \$85 million. The jobs that Proterra is committing to create come with an average salary of \$71,000 per year, extensive health and dental benefits, and 401k contributions.



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Proterra has stated the credit will help increase and accelerate its manufacturing of zero emission vehicles and help it reach its goal of manufacturing 150 buses by 2018 and 400 buses by 2021. These buses will reduce the amount of carbon dioxide released into the atmosphere by hundreds of millions of pounds over their useful life.

Proterra, like all awarded a credit under this program, must meet its hiring and investment goals prior to taking any part of the allocated credit. Proterra has received strong letters of support from Assemblymember Kevin Mullin and the Silicon Valley Leadership Group.

Kent Leacock, Proterra's Director of Government Relations and Public Policy, thanked GO-Biz to enable them to hire more than 430 new employees, provide living wage jobs, and invest over \$85 million into the California economy. Leacock stated that the buses are deployed at nearly 40 transit stations throughout the U.S. and the zero emission buses provide an opportunity for all Californians to ride in a zero emission vehicle. Leacock also said that due to California programs like the California Competes Program and the Cap and Trade Program, Proterra has recently moved its headquarters from the east coast to Burlingame and moved manufacturing to the City of Industry. Leacock stated that Proterra is excited to design and manufacture in the City of Industry and help the economically disadvantaged communities in the surrounding area.

Member Juarez asked Proterra to respond to the letter from the United Steel Workers. Leacock stated that the letter did not have complete information because Proterra is on track to make its investment commitment and is looking to reach employment goals in the next 10 years. He stated that they are actively recruiting for the South Carolina facility and their customer base is rapidly growing, which will require growth in the facility. Leacock stated that the agreements at the time were very forward thinking, and the electric bus market is a different market now than it was back then.

Member Janis asked about the specifics of the subsidy package from South Carolina. Leacock stated that he was not sure what the amount was, but the subsidy was based on employment and capital investment. He stated that Proterra is on track for meeting capital investment and is working on achieving the employment figure. Leacock said that Proterra is backlogged a year on bus orders and will require an increase in workforce and production at that facility.

Member Janis asked if the 1,300 jobs referenced in the newspaper article mentioned in the United Steel Workers' letter was accurate. Leacock stated that he was not sure if it was perfectly accurate, but he did recall there was a potential for a thousand jobs. He stated that Proterra had hoped to meet that goal, but had not done so yet. He noted that these projections were made by prior management. Leacock said that the electric bus market is very different now, demand is much higher, and with continued growth in the marketplace they will reach the employment numbers.

Member Janis asked if Proterra has a contract with the state of South Carolina for nineteen million. Leacock confirmed that Proterra has a contract with South Carolina and stated that it is currently in



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discussion with the state, is not in breach of the contract at this time, and reaffirmed that they are on track to meet the capital investment portion of the contract.

Member Janis noted that the California Competes program is primarily a job creation program and the job creation goals are crucial to its success. She then asked if Proterra was in compliance with the hiring goals of the South Carolina contract and if Proterra would be able to show the committee the contract. Leacock stated that the contract has not expired, so it was not yet in breach of the contract and that the contract itself is a public document.

Chair Avdis stated that the California Competes Tax Credit cannot be claimed until job and investment goals are met.

Member Janis stated that this has come up in the past, and it is the responsibility of the Franchise Tax Board to check for compliance. She stated that it does not appear that there is deep accountability at this time.

Deputy Director Kane stated that this tax credit has more accountability than any tax credit that she has worked with. She stated that in addition to the self-certification, the Franchise Tax Board reviews include EDD information, filings, site visits, and a complete books-and-records review. She stated it is not just a paper review but an in-depth evaluation. Deputy Director Kane further stated that the credit would be recaptured in the event that the goals are not met. She affirmed that both the California Competes Program and the Franchise Tax Board are committed to ensuring that the compliance reviews are thorough and accurate.

Member Juarez asked if Proterra has a plan to provide jobs to the underserved communities around the facility.

Leacock stated that Proterra is working with the L.A. County Supervisors and Workforce Development Agency to come up with a direction for the program. Also, Leacock stated that Proterra worked with: America's Job Center of California to publicize job fairs that Proterra is holding at local community colleges. Further, he indicated that Proterra is working with Rio Hondo College to offer on-the-job training programs and for curriculum for ongoing hiring; Goodwill Services Group for job fairs and publicity; Mount San Antonio College for on-the-job training and development; and Proterra will participate in a Veterans' job fair in West Covina.

Member Janis asked how many employees are located in the City of Industry and how many are located in Burlingame. Leacock said that there are 78 employees in Burlingame and approximately 20 in the City of industry, with approximately another 60 to be added to the City of Industry by the end of the year.

Member Janis asked how many of the 432 jobs will be middle-skill jobs in the City of Industry.



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Leacock responded that at least 50% of the jobs will be in the City of Industry in 2017, and the proportion of jobs in the City of Industry will grow as they scale up the production lines.

Member Janis stated that she sees an issue with these numbers because Proterra will be dealing with a Latino community with not a lot of skills, but Proterra is offering high-tech positions. She asked Proterra if the people from the local area will have the skills to build electric buses.

Leacock responded that Proterra is working with colleges to allow under-skilled workers to transition into skilled positions and providing on-the-job training will be part of its strategy to ensure that the workers are properly trained. He noted that there are three levels for each position at Proterra, and people start in the lowest classification and can work their way up.

Member Janis asked if Proterra was planning to set aside positions for people of need in that community.

Leacock responded that Proterra is recruiting in the community and is working with people in that community to hire people from that community.

Member Zapata asked if Proterra has reached out to United Steel Workers to work with one of the local branches, and if Proterra is doing anything to allow people to afford to work in Burlingame. Leacock stated that Proterra has a manufacturing group in Burlingame that is currently hiring, with employees making thirty dollars or more an hour, and the CEO specifically located their office next to a BART station and a Caltrain line so that people who need to use public transportation can get there. Also, he stated that he would be happy to contact United Steel Workers about the positions available.

Member Janis asked how many women work at Proterra. Leacock stated that he does not know the total number, but 50% of the engineers are women at the Burlingame location.

Member Janis asked if the entire bus will be made in California. Leacock stated that the bus would be made entirely in California, with the battery pack being made in the Burlingame facility, body of the bus being sourced from Adelanto, and assembled in the City of Industry plant. He also stated that certain components are taken from suppliers in other parts of the U.S., but the largest components are from California.

Member Janis asked if Leacock was aware of the Buy America law and that the requirement was raised from sixty percent of parts from the U.S. to seventy percent. Leacock stated that Proterra's buses exceed seventy-five percent.

Member Janis stated that at the American Public Transportation Association meeting, a Proterra representative was strongly against the increase. Leacock stated that he was unaware of this, but Proterra does exceed the Buy America criteria.



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Chair Avdis asked for any comments from the public.

Moises Hernandez, representing United Steel Workers Local 675, expressed concern with Proterra being considered for the tax credit allocation. He stated that in 2010, Proterra was awarded several million dollars in state tax credits and grants by South Carolina in exchange for creating 1,300 jobs over seven years. When Proterra moved its headquarters to California in 2015, it only had 200 employees at that location. Hernandez stated that while United Steel Workers understands that Proterra will need to meet its job commitments before taking the California Competes Tax Credit, it believes more scrutiny is needed before awarding Proterra. Hernandez noted that Proterra was awarded an incentive by the energy commission where it agreed to employ local workers at the City of Industry location. He stated that these commitments, while admirable, will be hollow if there is no plan to support this. He also said that United Steel Workers is not asking the Committee to deny Proterra's award, but wanted further research to be done on their recruiting and retention plans before making a decision in light of these events.

Sara Flocks, the California Labor Federation's Policy Coordinator, stated that she was interested in the job training opportunities Proterra offered. She also stated that she was unaware that Proterra was publicly against Buy America, and the California Labor Federation is in strong support of Buy America. Flocks asked if any tax dollars would ever be able to be used for lobbying against Buy America. Deputy Director Kane stated that since this is a tax credit program and not a grant program, the credit can only be used for the purpose of relieving income tax liability.

Member Juarez stated that his understanding of Proterra's position on Buy America was that they were against the raising of the percentage, and not against Buy America as a whole. Member Janis stated that the bill would up the percentage for Buy America from 60% to 65% by 2018 and increase to 70% by 2020. She said that she heard a discussion where Proterra was planning to lobby against the increase.

Chair Avdis asked Leacock if he would like to respond to the job training program question. Leacock stated that Proterra is extensively working with the community, colleges, and programs to develop on-the-job training, actively recruit in job fairs and veterans' job fairs, and working with L.A. County to grow a strategy.

Chair Avdis asked how Proterra informs communities that these opportunities are available. Leacock stated that Proterra has a relationship with the L.A. County Supervisors to disseminate information of the programs through all of the community colleges in the area. Leacock also stated that Proterra has had conversations with the people developing the programs to ensure that the training programs are ready as soon as possible and preferably by the fall semester.



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Chair Avdis asked if Proterra would be opposed to other methods to get the word out about the training programs available. Leacock stated that Proterra is willing to use whatever options are available to actively recruit.

Member Janis asked if it was correct to assume that the reason Proterra could not reach its goal of 1,300 jobs is because they didn't receive the number of orders anticipated. Leacock stated that it is a fair assumption, and Proterra did not reach the sales figure it had anticipated. He also said that Proterra is now exceeding its predicted increase and is currently at a 12 to 15 month backlog. Leacock stated that Proterra has open positions because they are trying to ramp up production.

Member Janis asked Deputy Director Kane if it was correct to assume that the funds recommended for award to Proterra will not be available to other businesses over the next five years if the company is awarded. Deputy Director Kane said that this is correct.

Member Janis replied that if the projections of the company are fanciful and it does not meet those projected goals, then there is a five year opportunity cost in awarding the funds to the company. Deputy Director Kane stated that the California Competes program takes the evaluation process very seriously, with a ninety day evaluation process that includes reviewing the feasibility of the goals. She said that she believes Proterra's projections are feasible.

Member Janis asked if Deputy Director Kane was aware of the South Carolina situation. Deputy Director Kane stated that she was aware.

Leacock stated that he expects Proterra to meet every milestone and even exceed certain milestones. He stated that Proterra did a very careful projection based on the company's experience. He stated that when Proterra entered into the South Carolina agreement, Proterra was a startup with little experience. He continued that Proterra has been in business for years and is much more experienced at setting achievable goals.

Member Juarez stated that he is comforted by the fact that each business goes through background checks and hopes that Proterra gets extra attention in light of what has happened. He stated that he encourages Proterra to respond fully to the claims in the letter and to meet with representatives from United Steel Workers.

Chair Avdis stated that the Governor has laid out aggressive plans to reduce greenhouse gas emissions, and companies like BYD and Proterra will help California improve its air quality. She stated that she understands that there are concerns raised by the letter, but the credit can only be accessed if the jobs are created and the investments are made. Chair Avdis asked Deputy Director Kane what happens if Proterra does not meet their goals in a particular year.



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Deputy Director Kane stated that they have the full 5 years to meet their goals, and if they miss their goals, they can be met in later years. She said that this gives them flexibility, but also holds them to the overall commitments.

Chair Avdis asked if the Franchise Tax Board does an audit on every business. Deputy Director Kane stated that all large businesses are audited, and small businesses are reviewed at the FTB's discretion.

Member Janis stated that she believes it is a good idea to get more information on why Proterra's growth in California will be different from the growth in South Carolina. She requested that Proterra's vote be pushed to the next committee meeting with more information from Proterra about South Carolina.

Chair Avdis stated that the credit is something that Proterra is relying upon for their growth, and the Governor has a specific interest in renewable and clean technology. She asked how the growth plan would be affected if the approval were pushed back to the next meeting.

Leacock stated that it is not just the change of management; it is the change of the marketplace and a change of the financial situation of the company. He said that Proterra is exceeding its expectations, is raising a significant amount of money, and these numbers are all based on order numbers and data they actually have. He stated that they have raised \$150 million to grow the business, and that they are planning an IPO in 2018. Leacock also stated that he thinks that the committee and staff have done an excellent job reviewing Proterra, and that Proterra is completely different in terms of financial viability than the Proterra from 2010, when they entered into the South Carolina agreement.

Member Zapata stated that she believes everyone has done their due diligence, and she noticed that Proterra just appointed Jennifer Granholm. She also said that the committee is seeking the ability to create these jobs and she is glad to see someone at Proterra with the credentials that she has.

Member Janis asked why Proterra needs the credit with an IPO coming up. Leacock stated that the IPO will allow Proterra to reach the investment level that it needs in order to claim the tax credit. Proterra can then use the money offset by the credit and put it back into the company.

Chair Avdis stated that she trusts the staff and all of their hard work, she trusts this company to help California meet its environmental goals, and she would like to move approval of this project.

Action Moved/Seconded: Chair Avdis/Member Wong-Hernandez

Yes: Members Avdis, Juarez, Wong-Hernandez, and Zapata

No: Member Janis



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D-3. Renovate America, Inc.

At the request of Chair Avdis, Deputy Director Kane elaborated on Agenda Item D-3. Kane stated that Renovate America, Inc. (Renovate) operates the Home Energy Renovation Opportunity (HERO) website. Through the HERO program, Renovate partners with cities and counties to provide homeowners with financing options for energy efficient home upgrades, such as solar panels, double pane windows, and insulation. In exchange for a \$5,475,000 credit, Renovate has committed to a net increase of 542 employees and an investment of over \$24 million. The jobs Renovate is committing to create are in classifications such as: administrator, service representative, client account manager, sales and marketing associate, and software engineer.

Renovate received strong letters of support from:

- City of San Diego – Mayor, Kevin Faulconer
- BOE Vice Chair (4th District) – Diane Harkey
- City of Modesto – City Councilmember, Tony Madrigal
- Kern County – County Administrative Officer, John Nilon
- LA Area Chamber of Commerce – President, Gary Toebben
- Local Government Commission – Executive Director, Kate Meis
- City of Mission Viejo – Mayor, Frank Ury
- Western Riverside Council of Governments – Executive Director, Rick Bishop
- San Bernardino Associated Governments – Deputy Executive Director, Duane Baker
- Yuba County – CDSA Director, Kevin Mallen

Chair Avdis invited the representatives from Renovate to introduce themselves and add anything they needed.

Alex Tran with Moss Adams introduced himself as a representative for Renovate, followed by Blair McNeill, Renovate's Vice President of Market Development, and Mackenzie Ferguson, Renovate's Manager of People and Culture.

Ellen Qualls, Renovate's Senior Vice President of Market Development, stated that Renovate is a young company, is growing fast, and is spreading a California public policy idea to other states. She also stated that she is happy to talk about the Property Assessed Clean Energy program and thanked the California Competes staff.

Member Juarez stated that he has served on CAEATFA, which is the proprietor of the loan loss reserve program under PACE, and that PACE has been subject to some level of controversy. He asked if the jobs would be deployed into the current PACE program, or if there were any plans to grow into unsecured financing or commercial financing.



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Qualls stated that PACE needs local government approval in order to expand into the area. She said that the level of service it has to provide to its clients to ensure that people feel confidence in how homeowners are being treated is high and very labor intensive. Also, Qualls stated that there is a small commercial division, but Renovate is the PACE leader and Renovate plans on doubling down on the PACE program. She said that Renovate is in California, Missouri, launching in Florida soon, and hopes to be in 2 to 3 more states by the end of 2018.

Member Juarez asked if the tax credit would in part be used to increase the level of compliance.

Member Janis asked for clarification on what compliance exactly is. Member Juarez stated that compliance is often related to correct contractor estimates, because customers don't think they received proper services from the contractor, but the PACE payment is still due because it is on customers' property tax bills, which can create a lien against the customer. In some cases Renovate has been accused of helping their customers to make the first payments for the PACE program to ensure they don't have a lien filed. Member Juarez stated that although this sounds like a good thing, it could be in violation of some laws and this practice is the subject of a lawsuit.

Qualls stated that she would respond to the compliance issue. She stated that because they deal with consumers and contractors, they will always need a compliance team since there will always be contractor issues regardless of how the contract work was paid for. There is now a compliance form that they use to ensure that all people are aware of their rights in the PACE program. Additionally, there are also live recorded phone calls with consumers to make sure they understand the PACE terms.

Member Juarez asked how the court case would impact Renovate's financial viability if the case was lost. Qualls stated that Renovate's legal team believes it will not have a financial impact on the company. She also said that the lawsuit recently had a portion of the allegations dropped, meaning it is less significant now, and Renovate contests all of the remaining claims.

Member Janis asked how many women Renovate employs. Ferguson stated that Renovate employs 282 women, which is approximately fifty percent of the company.

Chair Avdis called for any further questions or comments from the Committee or the public regarding Agenda Item D-3. Hearing none, she requested a motion to approve Agenda Item D-3.

Action Moved/Seconded: Member Juarez/Member Janis

Yes: Members Avdis, Janis, Juarez, Wong-Hernandez, and Zapata

No: None



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D-18. The New IEM LLC

Member Janis stated that given the time, she would forego her questions for Agenda Item D-18.

Chair Avdis called for any further questions or comments from the Committee or the public regarding Agenda Item D-18. Hearing none, she requested a motion to approve Agenda Item D-18 prior to discussing Agenda Item D-15.

Action Moved/Seconded: Member Janis/Member Wong-Hernandez

Yes: Members Avdis, Janis, Juarez, Wong-Hernandez, and Zapata

No: None

D-15. Vege Mist, Inc.

At the request of Chair Avdis, Deputy Director Kane elaborated on Agenda Item D-15. Kane stated that Vege Mist, Inc. (Vege Mist) is a designer and manufacturer of display fixtures for retail stores with a focus on produce departments in grocery stores. Vege Mist certified that 75% or more of its net increase in employees will occur in Compton, California, an area of high unemployment and poverty. While considered a large business for the purpose of our program, Vege Mist is a small California manufacturer. In exchange for a \$1,250,000 California Competes Tax Credit, Vege Mist has committed to a net increase of 32 employees and an investment of over \$5,000,000. The jobs Vege Mist is committing to create are in classifications such as assembly staff, controller, and sales and marketing representative. Entry level manufacturing jobs at Vege Mist do not require a high school diploma, and these employees are given the opportunity to promote. These entry level jobs have the ability for advancement and the company offers an average salary \$37,000 per year. This is well in excess of the median wage of \$27,913 paid to production employees in the LA Metropolitan area. Vege Mist has a strong letter of support from Assemblymember Gipson.

Sam Cohen, Vege Mist's President, thanked Deputy Director Kane and the California Competes team. He stated that he was originally exposed to the program through a seminar, and thanked the Committee for consideration.

Member Janis stated that she is happy that Vege Mist is located in Compton. She said that she is concerned that Vege Mist is paying minimum wage as the minimum salary. Member Janis asked how many of the additional 32 employees are going to be paid minimum wage. Cohen stated about half would be paid minimum wage, but salaries improve over time and through performance.

Member Janis asked if Vege Mist's employees had high out-of-pocket costs for benefits or if most of the employees are on Medi-Cal. Cohen stated that most of the minimum wage employees are on Medi-Cal. He also stated that Vege Mist had a profit sharing and benefits plan that ended in 2016, but Vege Mist is looking to create a new program that will hopefully take effect by the end of 2017.



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Chair Avdis stated that it is great that Vege Mist hires people without high school diplomas. She asked if Cohen knew the percentage of employees that rise up in the company.

Cohen stated that he did not know the exact number, but believes it is a high percentage. He also said that Vege Mist employees stay for a long time and reach managerial positions.

Chair Avdis called for any further questions or comments from the Committee or the public regarding Agenda Item D-15. Hearing none, she requested a motion to approve Agenda Item D-15.

Action Moved/Seconded: Member Wong-Hernandez/Member Juarez

Yes: Members Avdis, Janis, Juarez, Wong-Hernandez, and Zapata

No: None

I. Adjournment

Chair Avdis adjourned the meeting at 3:35 p.m.