



GOVERNOR'S OFFICE OF BUSINESS
AND ECONOMIC DEVELOPMENT



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**MINUTES OF THE
CALIFORNIA COMPETES
TAX CREDIT PROGRAM
COMMITTEE MEETING**

For the meeting held on
January 15, 2015
California Environmental Protection Agency
1001 I Street, 2nd Floor
Byron Sher Auditorium
Sacramento, CA 95814

MEMBERS:

Michael E. Rossi, Chair
*Senior Advisor to the Governor
of California,
Delegate to the Director,
Governor's Office of Business &
Economic Development*

John Chiang
State Treasurer

Michael Cohen, Director
Department of Finance

Denise Zapata, Appointee of
the Senate Committee on Rules

Greg Conger, Appointee of the
Speaker of the Assembly

A. Call to Order and Roll Call

Chairman Michael Rossi called the meeting of the California Competes Tax Credit Committee (Committee) to order at 1:41 p.m.

Members Present: Michael Rossi, Alan Gordon (representing the State Treasurer), Eraina Ortega (representing the Director of the Department of Finance), Denise Zapata

Members Absent: Greg Conger

B. Approval of Minutes

Chairman Rossi called for any questions or comments from the Committee or the public regarding Agenda Item B. Hearing none, he requested a motion to approve Agenda Item B.

Action: Moved/Seconded: Member Gordon/Member Zapata

Yes: Members Michael Rossi, Alan Gordon, Eraina Ortega, Denise Zapata

Absent: Member Greg Conger

C. Deputy Director's Report

Deputy Director Will Koch provided an overview of the Governor's Economic Development Initiative (GEDI) and more specifically discussed the California Competes Tax Credit application and evaluation process.



GOVERNOR'S OFFICE OF BUSINESS
AND ECONOMIC DEVELOPMENT



Deputy Director Koch also discussed the following:

- The California Competes Tax Credit Program has a unique definition of small business. Per the program's statutes and regulations, a small business is defined as a business that has gross receipts greater than \$0 but less than \$2 million for the business's tax year prior to the tax year in which the business applies for the California Competes Tax Credit. Under this definition and nuances found in California tax law, in some instances applicants that appear to be large businesses can still qualify as small businesses for this program.
- The Governor's Office of Business and Economic Development IT staff, in conjunction with the California Department of Technology, has continued to make adjustments to the online application to improve user experience.
- California Competes Tax Credit staff conducted a dozen application workshops statewide stretching from Eureka to El Centro, with stops in the Bay Area, Stockton, Fresno, Visalia, Palmdale, Carson, Fontana and other locations. In addition, California Competes Tax Credit staff hosted three online webinars with approximately 150 participants per webinar.
- The California Competes Tax Credit award distribution map was presented to the Committee (see Attachment 1). This map represented the geographic distribution of the project locations for the proposed agreements. Furthermore, it confirmed staff outreach is working and provided insights on possible locations for future workshops.
- The second application period for fiscal year 2014-15 opened January 5, 2015 and will close on February 2, 2015.

Deputy Director Koch allocated a portion of the Deputy Director's Report time to Grace Arupo-Rodriguez, Deputy Director of Legal Affairs for the Governor's Office of Businesses and Economic Development, who provided a summary of the Bagley-Keene Open Meeting Act and its applicability to this Committee. Further, Deputy Director Arupo-Rodriguez highlighted the conflict of interest requirements and the obligation for Committee members to recuse themselves, if necessary, from specific agenda items.

Deputy Director Koch concluded the report by informing the Committee that agenda Item D-19 (Crystal Geysers Water Company) was removed from the agenda at the applicant's request.

D. Discussion and Approval of Applications for the California Competes Tax Credit from Businesses other than Small Businesses

Chairman Rossi called for any questions or comments from the Committee or the public regarding Agenda Item D. Hearing none, he requested a motion to approve Agenda Items D-1 through D-32, excluding D-19 (which was withdrawn at the request of the applicant).

Action: Moved/Seconded: Member Gordon/Member Ortega

Yes: Members Michael Rossi, Alan Gordon, Eraina Ortega, Denise Zapata

Absent: Member Greg Conger



GOVERNOR'S OFFICE OF BUSINESS
AND ECONOMIC DEVELOPMENT



E. Discussion and Approval of Applications for the California Competes Tax Credit from Small Businesses

Chairman Rossi called for any questions or comments from the Committee or the public on Agenda Item E. Hearing none, Chairman Rossi requested a motion to approve Agenda Items E-2 through E-25, excluding Agenda Item E-1 to be heard following this action.

Action: Moved/Seconded: Member Gordon/Member Ortega
Yes: Members Michael Rossi, Alan Gordon, Eraina Ortega, Denise Zapata
Absent: Member Greg Conger

Chairman Rossi asked if there were any other comments from members of the public and three individuals came forward to speak.

Doug Bloch, Teamsters Joint Council 7, was in strong support of the approval of the California Competes Tax Credit for Arkay Acquisition, LLC. In addition, Mr. Bloch was supportive of the California Competes Tax Credit program because it supports the creation of good jobs that pay a living wage and environmentally conscious businesses.

Sara Flocks, California Labor Federation, supported the transparency of the California Competes Tax Credit program, as well as, the applicant Arkay Acquisition, LLC.

Linzie Kramer, Remark Enterprises, LLC President, was extremely thankful for the Governor's Office of Business and Economic Development staff support and easy to use online application.

E-1. Discussion and Approval of BYD Motors, Inc. for the California Competes Tax Credit

At the request of the Chair, Deputy Director Koch elaborated on Agenda Item E-1. He informed the Committee that in exchange for the California Competes Tax Credit, BYD, Motors, Inc. will expand its business by investing \$51,000,000 in its research and development, management, and manufacturing divisions. As part of this commitment, BYD will have a net increase of 590 full-time employees over the next five years, largely comprised of line workers and engineers, who will have an average annual salary of \$41,200 to \$45,000.

Committee Member Gordon requested clarification on issues that were discussed in a letter submitted to the Committee by Jobs to Move America. Specifically, Committee Member Gordon inquired about the applicant's proposed minimum salaries and future unionization of the organization.

Mark Weideman, an authorized representative of BYD Motors, Inc., addressed Committee Member Gordon's concerns, stating the lowest salary provided to employees will be \$12 per hour and an average wage of \$31,500 per year. The company is currently unionized in China and has been



GOVERNOR'S OFFICE OF BUSINESS
AND ECONOMIC DEVELOPMENT



involved in continuous discussions with labor interest groups in the United States. Mr. Weideman claimed BYD, Motors, Inc. is encouraged by this ongoing dialogue.

Committee Member Zapata inquired about BYD Motors, Inc.'s employee retirement plan. She discussed her initial concerns that the wages and benefit packages were not competitive enough without a retirement plan in place. Mr. Weideman responded that BYD Motors, Inc. does offer a 401K plan to its employees. Committee Member Zapata acknowledged this development, but cautioned that all employees should have access to the 401K plan.

Chairman Rossi called for any additional questions or comments from the Committee or the public on Agenda Item E-1. Hearing none, he asked for a motion to approve Agenda Item E-1.

Action: Moved/Seconded: Member Gordon/Member Ortega

Yes: Members Michael Rossi, Alan Gordon, Eraina Ortega, Denise Zapata

Absent: Member Greg Conger

F. Public Comment

Chairman Rossi called for any other questions or comments from the public or the Committee.

Committee Member Zapata requested the Governor's Office of Business and Economic Development increase outreach efforts in Fresno and Salinas to improve awareness and visibility of the California Competes Tax Credit program. Deputy Director Koch confirmed such efforts were already under way and announced the upcoming California Competes Tax Credit workshop scheduled at Fresno City Hall on January 20, 2015.

G. Adjournment

After asking if there were any additional comments from members of the public or the Committee, and seeing none, Chairman Rossi asked for a motion to adjourn the meeting.

Action: Moved/Seconded: Member Gordon/Member Ortega

Yes: Members Michael Rossi, Alan Gordon, Eraina Ortega, Denise Zapata

Absent: Member Greg Conger

Chairman Rossi adjourned the meeting at 2:01 p.m.



Attachment 1

California Competes Tax Credit Distribution



Fiscal Year 2014-2015 Application Period 1

Statewide Distribution

