Gavin Newsom
Governor

Dee Dee Myers
Director

Chris Dombrowski
Chief Deputy Director

Scott Dosick
Deputy Director, California Competes Tax Credit Program

Jee Liyanage
Assistant Deputy Director, California Competes Tax Credit Program

Governor's Office of Business and Economic Development
1325 J Street, 18th Floor
Sacramento, CA 95814
CalCompetes@gobiz.ca.gov
(916) 322-4051

California Competes

Committee Meeting

Thursday, April 21, 2022
1:00 p.m.
Culver City Hall, Council Chambers
9770 Culver Boulevard
Culver City, CA 90232

And (via teleconference)

State Treasurer's Office
915 Capitol Mall
Suite 110
Sacramento, CA 95814

And (via teleconference)

Department of Finance
1021 O Street
Suite 3110; Conference Room #3116
Sacramento, CA 95814

And via Live Stream at:
https://www.youtube.com/CityofCulverCityGov.

MEMBERS:

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

Fiona Ma
State Treasurer

Keely Bosler, *Director*
Department of Finance

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

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

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 1:03pm.

Members Present: Chair Dee Dee Myers, Madeline Janis (representing the Speaker of the Assembly), Todd Walters (representing the Senate Committee on Rules), Tim Schaefer (representing the State

Treasurer) via teleconference, and Gayle Miller (representing the Director of the Department of Finance) via teleconference.

Deputy Director Dosick stated that all members were present.

B. Approval of Minutes from November 4, 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 November 4, 2021 meeting. Deputy Director Dosick confirmed there were no public comments at the Culver City location. Members Schaefer and Miller confirmed there were no public comments at their respective locations. Chair Myers requested a motion for approval of Agenda Item B.

> **Action Moved/Seconded:** Members Miller/Schaefer
> **Yes:** Members Janis, Walters, Miller, Schaefer, Myers
> **No:** None

C. Deputy Director's Report

- **Agenda Overview**
  - **Agreements with 12 Businesses, Total Tax Credits $66,450,000**
  - **Agreements with 8 Businesses, Total Grants $120,000,000**

Deputy Director Dosick reminded the audience in Culver City that they could submit public comment by filling out one of the public comment cards located at the entrance of the council chambers. He reminded the public that if they submit a public comment, to include their name and organization for identification purposes only. He also stated that members of the public attending from either of the Sacramento locations could provide the same information to the committee member at that location. He stated that individuals who submitted public comments would be called upon to speak in the order they are received, and that public commenters would be requested to limit their comments to no more than 3 minutes.

Mr. Dosick stated that GO-Biz is recommending 12 tax credit awards today totaling $66.4 million. GO-Biz continues to see a rise in applications from inland parts of the state, areas of high unemployment and poverty, and increasing numbers from the green tech sectors. The 12 agreements for the Committee's consideration today represent commitments for a net increase of over 3,992 new full-time jobs and over $656 million of capital investments in California in exchange for $66.4 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, as he had mentioned at the last meeting, while the CalCompetes Tax Credit program has demonstrated tremendous success incentivizing businesses to choose California, many companies looking to expand or locate in California might not benefit from a non-refundable tax credit but could utilize a grant. Therefore, the California Competes Grant Program (CCGP) was created 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 stated that the grant program launched on January 3rd in conjunction with the tax credit program, utilizing the same online application portal. By the close of the application period, GO-Biz received over $3.4 billion in grant requests. Before the Committee today on the agenda are 8 businesses recommended for grant awards. These 8 businesses collectively are committing to create more than 7,615 new, full-time jobs and make over $3.3 billion in capital investments in the state.

Mr. Dosick thanked the CalCompetes team for their efforts to review both tax credit and grant applications over the last few months.

Mr. Dosick also thanked Culver City for making the chambers available to GO-Biz for the meeting and for handling all of the IT needs including connecting some Committee members remotely and livestreaming this entire meeting on YouTube. He also stated that he was thankful to meet with the Committee in-person again.

Member Janis asked Deputy Director Dosick to repeat the three grant qualifying criteria.

Member Miller requested to take matters regarding grant items second so she could recuse herself.

Chair Myers stated that the Committee would discuss the pulled items under Item D after consent and then the Committee would move on to the Grant Items. She asked Ms. Miller if it were permissible to discuss general questions about the grant program at this time.

Ms. Miller stated that was acceptable, provided the discussion was not regarding any specific business applying for the grant.

Mr. Dosick stated that the grant was created to help businesses that would not benefit from a nonrefundable income tax credit. The first type of businesses are those that receive significant amounts of Research and Development Tax Credits and/or have large net operating losses that result in little to no state income tax liability. The second type are startup businesses that are not yet profitable or are newly profitable, that often do not have tax liability because of previous net operating losses that carry forward for a number of years. The third type are smaller businesses that simply haven't made any significant profits yet. Mr. Dosick stated that this is an oversimplification of the tax code. He stated that when businesses in any of these situations are evaluating whether or not to come to California, the existing tax credit program is of no financial benefit.

Ms. Janis asked about the plan to recapture the grant. She stated that the tax credit program is designed in such a way as that a business does not get the credit until they create the jobs.

Mr. Dosick stated that the grant program was structured nearly identical to the tax credit program, in that, the Franchise Tax Board (FTB) still has the enforcement responsibility and oversight. The FTB will conduct the same books and records review of the grant recipients as it does for tax credit recipients. He stated that the FTB has all of the same powers to recover any grant funds that were not earned that it has to recover funds from a business that has a tax liability.

Ms. Janis asked if we were not giving the grant money up front.

Mr. Dosick stated that, in most cases, the grant funds will be disbursed as an advance payment but they will have to pay back any portion of the grant that is unearned over the five-year period.

Ms. Janis stated that recovering grant funds is easier said than done. She asked about the legal recourse that the FTB would have since this is a grant and not a tax.

Mr. Dosick stated that when the legislation was being developed, GO-Biz worked closely with the FTB and legislature to ensure that the FTB would have the authority. He noted that FTB would have the same tools to recover funds as they do for tax liabilities, including the ability to place liens on the business and their bank accounts.

Ms. Janis asked if the FTB could place a lien on a business without a court order.

Mr. Dosick stated that he would be happy to discuss further, as there is a PowerPoint on the CalCompetes website that reviews the FTB enforcement procedures. He reiterated that the FTB has the same tools to recover a debt to the state from a grant awardee as it has with a tax credit awardee.

Ms. Janis noted stated that she would like a plan for how we would recover funds for the grant program.

Mr. Dosick stated that he would be happy to set up meetings between individual Committee members and the FTB or have the FTB come to a meeting and present on its books and records review process.

D. Discussion and Approval of California Competes Tax Credit Agreements
Total Recommended Tax Credits: $66,450,000
Total Recommended Tax Credits after Adjusting for S-Corporation Law[1]: $66,450,000

Chair Myers proposed removing Agenda Items D-3 and D-9 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

[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)).

comments. Members Schaefer and Miller confirmed there were no public comments at their respective locations. Chair Myers called for a motion to approve all items under Agenda Item D except for items D-3 and D-9.

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

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

Total Tax Credits Recommended to be Recaptured:	**$38,460,728**
Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law[2]:	**$39,907,428**

Chair Myers asked if there were any comments from the public.

Director Dosick stated that we do have one public comment for this Item. He asked Avi Reichman to introduce himself and to identify his organization.

Mr. Avi Reichman introduced himself. He stated that he is a partner at the accounting firm of Frankel Reichman & Rizzo LLP. He wished to comment on the recapture of the credit that was awarded to his firm. His firm was awarded a $100,000 credit over five years and it met the milestones in full for the first three years and received $60,000 of the credit. He stated that they were short of the headcount for the last two years, though they did meet the investment requirement for the last two years. In light of employment challenges in the state and as well as the pandemic, that the firm has hired the requisite number of employees, but one of the employees went part-time because of COVID-19 and they have struggled to replace that employee. As a result, he indicated that the firm was just shy of the number of employees required for the 2020 and 2021 milestone. He also stated that he respectfully requested that the recapture be denied and the credit be approved. The company was had 8.03 employees on an annual full-time equivalent basis and the credit award was based on 9 employees for the 2020 and 2021 tax years.

Chair Myers thanked Mr. Reichman for the comment.

Member Janis requested to pull Item E-52 for further discussion.

[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)).

Chair Myers stated that they would pull Agenda Item E-52 from consent. She called for a motion to approve all items under Agenda Item E except for Agenda Item E-52.

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

E-52. Frankel Reichman & Rizzo LLP

Member Janis asked Mr. Reichman to confirm that they hired 8 people and that they were supposed to hire 9.

Mr. Reichman stated that the exact full-time equivalent was 8.03 based on the number of people employed at different times throughout the year.

Ms. Janis stated that 8.03 rounds down to 8. She asked if Mr. Reichman's firm received a proportional amount of the credit.

Mr. Reichman stated that they received no credit for 2020 and 2021.

Ms. Janis asked the total credit amount.

Mr. Reichman stated that the credit was $100,000 over five years.

Ms. Janis asked how much the firm received.

Mr. Reichman stated that they received $60,000 for the first three years. He stated that if the employee did not switch from full-time to part-time as a result of COVID-19, they would be at 9.

Ms. Janis asked Mr. Dosick to clarify the amount that was awarded.

Deputy Director Dosick stated that the agreement called for the business to grow from 4 employees to 9 employees over the five years, which is a net increase of 5 employees. The credit was allocated equally over the five years in the contract that was signed in 2017. The net increase over the five years in the agreement was 3, 3, 4, 5, 5. GO-Biz determined that the company achieved the milestones for the first three years, as its net increase was 4.03. He also stated that had the company achieved a net increase of 5 instead of 4, there would have been another $40,000 associated with achieving and maintaining that employment level.

Ms. Janis asked Mr. Reichman why the firm did not hire one more person. The firm would have received $40,000 if it had.

Mr. Reichman stated that the firm tried to hire the additional employee but it experienced some turnover. He stated that the company was open to an alternative solution, such as leaving the agreement open for another year or receiving partial credit in light of the efforts that were made.

Ms. Janis stated that the beauty and the challenge with the program is that if you don't meet the numbers, you don't get the credit. She thanked Mr. Reichman for coming today.

Mr. Reichman stated that he was under the impression that there could be some discretion applied when granting the credit. He stated that the contract doesn't specify the milestones for which discretion is warranted.

Ms. Janis stated that the company only achieved 4 out of 5 new jobs.

Chair Myers thanked Mr. Reichman for coming. Chair Myers called for a motion on Item E-52.

Member Miller stated that this discussion exemplifies why this tax credit program works unlike any other credit in the state.

Chair Myers called for a motion to approve the recommended partial recapture of the credit for agenda item E-52.

> **Action Moved/Seconded:** Members Miller/Schaefer
> **Yes:** Members Janis, Walters, Miller, Schaefer, Myers
> **No:** None

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

Total Recommended Tax Credits to be Recaptured:	**$145,000**
Total Recommended Tax Credits to be Recaptured after Adjusting for S-Corporation Law[3]:	**$126,667**

Chair Myers asked if there were any questions from Committee Members or public comments on Item F. Deputy Director Dosick confirmed there were no public comments at the Culver City location. Members Schaefer and Miller confirmed there were no public comments at their respective locations. Chair Myers requested a motion for approval of Agenda Item F.

[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)).

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

D-3. Burlington Distribution Corp.

At the request of Chair Myers, Deputy Director Dosick elaborated on Agenda Item D-3. He described the company and the proposed tax credit Agreement to the Committee. Agenda item D-3 is a California Competes Tax Credit Agreement with Burlington Distribution Corp. Burlington Distribution Corp (Burlington) is a national clothing retail distribution and order fulfillment company. In exchange for a $12 million credit, Burlington is proposing to create 1,289 new, full-time jobs and make $231,000,000 in investments. All of the proposed jobs will be related to expansion of Burlington's distribution center expansion, and none are associated with retail stores which are in a separate legal entity that is not a part of this application. Burlington has certified in its application that absent award of the California Competes Tax Credit, its project may occur in another state. The jobs Burlington is committing to create are in classifications such as, clerical, equipment operator, general warehouse, team lead, manager, and supervisor.

Burlington indicated that it operates five distribution facilities that ship merchandise to over 840 Burlington retail stores across the United States. It currently has two eastern distribution centers located in New Jersey and three western distribution centers located in California, specifically in San Bernardino, Redlands, and Riverside. According to Burlington, all five distribution centers ship approximately 99 percent of all merchandise to its Burlington retail stores. Burlington stated that its distribution centers support all retail stores and are not limited to any operational region. Burlington is proposing an expansion of its distribution capabilities by adding a new western distribution center to meet growing logistic demands from its retail stores nationally. It stated that it is considering multiple locations in California for the expansion including Perris, Hesperia, Jurupa Valley, or Shafter. Burlington indicated that it is alternatively considering Las Vegas, Nevada for its new western distribution center. The proposed project does not include any of Burlington's retail employees which are housed in a separate legal entity that is not a part of this application.

According to Burlington, it is evaluating the benefits and cost variances of all proposed locations and noted that key cost differentials between California and Nevada involve leasing, labor, and general/seismic risk mitigation costs. Burlington indicated that it projects the annual leasing costs to be $12 million in Nevada compared to $30 million in California. Additionally, it calculated the distribution center labor cost savings in Nevada to be $20 million compared to the California locations under consideration. Burlington stated that the combined annual cost premium to operate in California over Nevada leads to approximately $4 million in additional annual costs if it decides to place its distribution center expansion in California. Burlington stated that the requested tax credit will sufficiently outweigh the overall operational risk and cost factors in California such that it will commit to establishing this new facility here. Mr. Dosick introduced Shobna Daga, Senior Vice President of Tax & Risk Management; and Matthew Pasch, Senior Vice President of Human Resources, who were available to answer the Committee's questions.

Member Janis stated that she appreciated the details in the description provided by Burlington with respect to its efforts to create diversity and opportunities for employees to move up the ladder. The goal of this program is to create quality jobs with long-term career path potential. The minimum wages in the agreement are $37,000 and do not increase over the five years, and the average wages are $39,000, which implies that the salary range is from the mid-$30,000s to mid-$40,000s.

Mr. Pasch stated that the entry point described is accurate, but the company experienced about 49% turnover. The warehouse associates tend to come in at that rate. He stated that while the range does go higher than the $40,000s if an employee is with the company longer, but due to the turnover rate, it has so many new employees starting at the lower salary level that it brings the average down.

Ms. Janis asked if the company has done any analysis regarding its high turnover rate.

Mr. Pasch agreed that it is a high rate although it is comparable to other distribution center communities, especially in the last few years of a tight labor market where there are many other options for workers to find employment. He stated that Burlington has several initiatives to ensure its associates are happy, but 49% is not outside the norm.

Ms. Janis stated that there are horror stories about distribution centers like at Amazon, such as the speed of the work and the lack of breaks. She asked if Burlington has looked at those factors.

Mr. Pasch stated that it starts and ends with the associate. They are its number one resource. Burlington does an annual survey each year. This past year it had 33,000 respondents. He stated that the company takes that feedback and sets up small, informal meetings to make sure that the company is incorporating feedback from associates with respect to the environment at its distribution centers.

Ms. Janis asked for an example of feedback Burlington has received from associates that resulted in changes to their work environment.

Mr. Pasch stated that he does not have an example but Burlington looks at things like employee shift schedules, time off for lunches, and partnerships with local community colleges on the West Coast to help with topics such as English as a Second Language and time management skills.

Ms. Janis stated that the outreach language provided was very good but it is difficult to get a sense of training provided for employees to move up the ladder. She asked if Burlington would be offering these new employees training on how to be a forklift driver, as Burlington stated that it may do in its application.

Mr. Pasch stated that Burlington does and will offer it to associates. He stated that there is a clear pathway for associates in a large distribution center environment. A new, unskilled worker can move up to a more skilled position, such as a material handler, which doesn't require a lot of training. From there, an employee may become a coach or a trainer. Trainers can become leads, and leads can then become supervisors, which is the entry point into management. He stated that 70% of its management positions were filled from internal candidates who were general associates.

Ms. Janis stated that Burlington provides about $5,000 per year for health benefits. She asked if there are co-premiums for those benefits.

Mr. Pasch stated while he did not have the exact benefit information on hand, each year Burlington does a review to ensure that the medical, vision, and dental benefits that it offers are competitive.

Ms. Janis stated that she not interested in competitive benefits. She is interested in good benefits. She asked if there are co-premiums and if so, what they consist of.

Mr. Pasch stated that there are no co-premiums.

Ms. Janis expressed concern that $5,000 per year does not buy much.

Mr. Pasch stated that he is not in a position to answer that question as he did not have the information with him.

Ms. Janis asked if Burlington was non-union.

Mr. Pasch stated that was correct.

Member Miller stated that it is important to be aware of the purchasing power of a large company when it comes to health benefits when thinking of benefits as good. She wants to be careful in semantics regarding good versus competitive benefits.

Ms. Janis stated that because the health benefits are listed in the staff report, and when we talk about quality jobs, $5,000 is not enough annually to have a decent health plan. She stated that we should be clear that we are getting $18 per hour jobs with little benefits.

Ms. Miller stated that she agrees, but to the extent that we want to know additional information, she suggests that we ask the company in advance before the meeting.

Ms. Janis stated that she did provide her questions in advance to the company.

Chair Myers stated that the area where Burlington is proposing to add these jobs is one with lower wages and high unemployment. That is one factor for which this award was offered.

Member Walters asked about the cost of onboarding a new employee.

Mr. Pasch stated that they do not have that amount available to provide.

Mr. Walters asked if Burlington has looked into investing more into employee wages to help with employee retention.

Mr. Pasch stated that the company has made a significant investment in distribution center wages in the past two years.

Mr. Walters asked if those wage increases took place inside or outside of California.

Mr. Pasch stated that it was in both.

Mr. Walters stated that with wages rising in all sectors, even fast-food locations advertising $20 per hour in some places, he believes that Burlington will continue to struggle with retention.

Mr. Pasch stated that Burlington offers defined shifts for its employees, unlike most fast-food restaurants.

Mr. Walters stated that Burlington might lower its turnover if it offered trainings for employees that they could take with them, such as certifications.

Chair Myers asked if there were any questions from Committee Members or public comments on Item D-3. Deputy Director Dosick confirmed there were no public comments at the Culver City location. Members Schaefer and Miller confirmed there were no public comments at their respective locations. Chair Myers requested a motion for approval of Agenda Item D-3.

Action Moved/Seconded: Members Schaefer/Miller
Yes: Members Walters, Miller, Schaefer, Myers
No: None
Abstain: Member Janis

D-9. Viking River Cruises, Inc.

At the request of Chair Myers, Deputy Director Dosick elaborated on Agenda Item D-9. He described the company and the proposed tax credit Agreement to the Committee. Agenda item D-9 is a California Competes Tax Credit Agreement with Viking River Cruises, Inc. Viking River Cruises, Inc. (Viking) offers river and ocean cruise services to its customers. In exchange for a $3.9 million California Competes Tax Credit, Viking has committed to a net increase of 181 full-time employees and an investment of $9,000,000 as part of its call center and headquarters expansion. Viking has certified in its application that absent award of the California Competes Tax Credit, its project may occur in another state. The jobs Viking is committing to create are in classifications such as travel, reservations, sales, marketing, administrative, accounting, finance, human resources, and information technology.

Viking indicated in its application that it intends to expand the following departments: travel & reservations, sales & marketing, finance, and back-office support. Viking stated that its U.S. operations are headquartered in Los Angeles, but it is also considering other existing locations for the growth, such as Tempe, AZ and Boston, MA. Viking indicated that it performed a cost analysis between the three locations. Viking stated that it can save approximately $9.3 million in Boston or $12.4 million in Tempe over the next 5 years via lower labor and real estate costs. If awarded a California Competes Tax Credit, Viking stated that it would expand and create the new full-time jobs in California instead of Massachusetts or Arizona. Mr. Dosick introduced Linh Banh, Executive Vice President of Financial Planning & Analysis; Milton Hugh, Executive Vice President of Sales; Michelle Patterson, Senior Vice President of Corporate Controller; Gibi Lappin, Senior Tax Director; Raaj Kumar, Viking's Consultant; and Paul Kim, Viking's Consultant, who were available to answer the Committee's questions.

Member Janis stated that it appeared that the staff is more than 50% people of color, and 50% women. She asked if the employee training path is for someone working at minimum wage could be explained.

Mr. Hugh stated that Viking has an extensive training program. Viking is in the hospitality business. It wants to make sure that it has happy and confident employees. If the employees are not happy, it is reflected in the service, and the customers will therefore not be happy. He stated that employees have four weeks' classroom training before they ever speak with a client. Additionally, employees have four weeks of side-by-side training with supervisors. Viking also offers an online learning management system to enable employees to take courses, for example, an employee working in reservations can take courses in accounting. He stated that, in the hospitality industry, you have no choice but to constantly train employees.

Ms. Janis asked for a summary of Viking's COVID-19 protocols.

Mr. Hugh stated that Viking takes COVID-19 seriously, as it is the only ocean cruise line that built COVID labs on all of its ocean vessels. Viking conducts daily PCR tests of its passengers and staff. He stated that Viking asks that its guests test beforehand. Over 90% of its crew members are fully vaccinated and boosted, if eligible.

Chair Myers asked if there were any additional questions from Committee Members or public comments on Item D-9. Deputy Director Dosick confirmed there were no public comments at the Culver City location. Members Schaefer and Miller confirmed there were no public comments at their respective locations. Chair Myers requested a motion for approval of Agenda Item D-9.

> **Action Moved/Seconded:** Members Walters/Schaefer
> **Yes:** Members Miller, Janis, Walters, Schaefer, Myers
> **No:** None

G. Discussion and Approval of California Competes Grant Agreements
Total Recommended Grant Allocation: $120,000,000

Member Gayle Miller recused herself and Member Ryan Miller joined in her absence (via teleconference) to represent the Director of Finance.

Chair Myers proposed removing Agenda Items G-2, G-5, and G-7 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. Members Schaefer and Miller confirmed there were no public comments at their respective locations. Chair Myers called for a motion to approve all items under Agenda Item G except for items G-2, G-5, and G-7.

> **Action Moved/Seconded:** Members Walters/Janis
> **Yes:** Members Janis, Walters, Miller, Schaefer, Myers
> **No:** None

G-2. Netflix, Inc.

At the request of Chair Myers, Deputy Director Dosick elaborated on Agenda Item G-2. He described the company and the proposed Grant Agreement to the Committee. Agenda item G-2 is a California Competes Grant Agreement with Netflix, Inc. Netflix, Inc. (Netflix) is an online streaming media service provider. In exchange for a $26 million California Competes Grant, Netflix has committed to a net increase of 1,851 full-time employees and an investment of $177,000,000. Netflix has certified in its application that absent award of the California Competes Grant, its project may occur in another state; and, it may terminate all or a portion of its employees in California or relocate a portion of its employees in California to another state. The jobs Netflix is committing to create are in classifications such as finance, human resources, marketing, operations, information technology, legal, operations, content development, product development, and management.

Netflix indicated in its application that it plans to expand multiple divisions at the company—including visual effects, animation, post-production, and video games—collectively coined as the "Production Innovation Hub." Netflix stated that it has offices across the globe and can locate this hub in several locations. It has narrowed its options to either the New York City/New Jersey metropolitan area or an undetermined location in California. After conducting a cost analysis between the two locations, Netflix determined that it could save approximately $28 million through labor, real estate, taxes, and government incentives and credits over the next five years by locating in the New York/New Jersey metropolitan area instead of California. Netflix indicated that the grant would directly offset the cost difference between New York or New Jersey, and if awarded the grant, Netflix is willing to commit its growth to California. Mr. Dosick introduced Andy Fowler, VP Production Innovation; Lola Browne, Director of Human Resources; Kabi Gishuru, Director of Inclusion Recruiting Programs; Amy Lemisch, Director of Content & Studio Affairs; and Alex Tran, Netflix's consultant, who were available to answer the Committee's questions.

Ms. Lemisch stated that Netflix is a global streaming entertainment service. It competes for its subscribers' time over many other options. In order to compete, it must continually invest in new content. She stated that Netflix takes diversity and inclusion seriously, not because it is expected, but because they believe that having a diverse group of professionals improves its product that is ultimately viewed around the world.

Mr. Fowler described his role at Netflix working with the animation, gaming, digital effects, and engineering teams. He described some of the technical innovations that Netflix is working on. His team is accustomed to working with new technology, which ultimately not only benefits Netflix, but the entire entertainment industry. He stated that 4K technology is an example of that, where Netflix was instrumental in developing streamlining 4K, and now other streaming companies utilize it.

Chair Myers stated that innovations in the entertainment industry have been happening in California for more than a century and we wish that to continue.

Member Janis asked about the location of the project.

Mr. Fowler stated that Los Gatos, in Northern California, is home to much of the engineering team. Much of what it is proposing would need the collaboration of the engineering team, but it is considering sites in Southern California as well.

Ms. Janis asked if the new facility would be in Los Gatos.

Mr. Fowler stated locating the project in Southern California would provide Netflix with more access to talent. He stated that it will need to hire engineering workers in Northern California as well.

Ms. Janis asked if there were any specific sites it was considering. The project location says "Unknown."

Ms. Lemisch stated that at the time they applied for the grant, they did not know the project location but they have narrowed it down to the Greater Los Angeles Area.

Ms. Janis stated that technical production crews have recently struggled to secure better working conditions and breaks. She asked if these new employees would be part of a union.

Ms. Lemisch stated that she believed Ms. Janis was referring to the International Alliance of Theatrical Stage Employees (IATSE) labor negotiations. She stated that the innovation work at the corporate level are typically not union jobs. Netflix does a lot of production in California, which often uses union labor. She stated that the recent labor dispute between production studios and production labor was regarding weekend rest periods and time off between shifts. The recent collective bargaining agreement re-negotiated extended hours for those break periods. The studios also agreed to fund a deficit in the union's pension and health fund, and also agreed to annual wage increases for the three-year term of the agreement.

Ms. Janis asked what these new employees would be doing.

Mr. Fowler stated that the innovation jobs would be in animation, visual effects, imaging technology, research, and engineering.

Ms. Lemisch stated that in addition, there will also be support jobs like legal, human resources, and administrative workers.

Ms. Janis asked about the Dave Chappelle controversy and employees who got fired.

Ms. Browne stated she believes comedy is subjective. While Netflix supports artistic freedom, it also supports hearing its employees' points of view. She stated that no employees were fired due to the Dave Chappelle controversy.

Mr. Walters asked if Netflix has looked at ways to increase diversity and provide more opportunities to underrepresented communities.

Ms. Browne state that it has a robust diversity and inclusion program.

Ms. Gishuru stated that representation on screen starts with representation in the office. There is an Inclusion and Recruiting Programs Team within Talent Acquisition. This team aims to make sure that all of its recruiters and hiring managers are trained and equipped to ensure an inclusive and equitable hiring process. She stated that we host trainings for our recruiters to make sure they are creating diverse pipelines for candidates.

Ms. Browne stated that Netflix created the Netflix Fund of Creative Equity, which will give $100 million over five years to support underrepresented communities.

Chair Myers asked what the timeline is for these jobs.

Ms. Lemisch stated that Netflix is very excited to get moving on this project. It is ready to go immediately.

Chair Myers stated that Netflix has facilities around the world. She asked what the benefits were of bringing this project to California.

Ms. Lemisch stated that it has a strong footprint in California. While it also considers operating costs, there is a critical mass of talent that resides in California, and it is easier to recruit here.

Mr. Fowler stated that the talent is here.

Chair Myers asked if there were any questions from Committee Members or public comments on Item G-2. Deputy Director Dosick confirmed there were no public comments at the Culver City location. Members Schaefer and Miller confirmed there were no public comments at their respective locations. Chair Myers requested a motion for approval of Agenda Item G-2.

Action Moved/Seconded: Members Schaefer/Walters

Yes: Members Janis, Walters, Miller, Schaefer, Myers
No: None

G-5. Sparkz, Inc.

At the request of Chair Myers, Deputy Director Dosick elaborated on Agenda Item G-5. He described the company and the proposed Grant Agreement to the Committee. Agenda item G-5 is a California Competes Grant Agreement with Sparkz, Inc. Sparkz, Inc. (Sparkz) is a lithium battery manufacturer that develops American-made cobalt-free lithium-ion batteries. Eliminating cobalt from the batteries dramatically reduces the environmental impacts of battery production and increases end of life recyclability. In exchange for a $5 million California Competes Grant, Sparkz has committed to a net increase of 811 full-time employees and an investment of $718.9 million. Spark has certified in its application that absent award of the California Competes Grant, 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. The jobs Sparkz is committing to create are in classifications such as technician, maintenance, administration, management, engineering, and accounting.

Sparkz indicated that it is exploring establishing manufacturing facilities in California or the East Coast. Sparkz stated that award of the grant would play a significant role in its decision to set up its first pilot lithium-ion cell manufacturing facility in either San Joaquin or Stanislaus County. Award of the California Competes Grant will ensure that Sparkz will locate its lithium-ion battery manufacturing in California and spur domestic manufacturing for lithium batteries. Mr. Dosick introduced Mr. Sanjiv Malhotra, Chief Executive Officer/Founder; and Ms. Kelsey Livingston, Operations Manager, who were available to answer the Committee's questions.

Ms. Livingston thanked the Committee for its consideration.

Mr. Malhotra thanked the Committee. He stated that the company was created two and half years ago in Knoxville, Tennessee, with the sole purpose of creating a domestic supply chain for lithium-ion batteries in the U.S., which does not exist today. A key aspect of the supply chain is cobalt. He stated that 70% of cobalt mining is located in the Democratic Republic of Congo, and that most of the supply chain is controlled by China. In addition to the supply chain issues, he stated that there are serious environmental impacts of mining cobalt. There are small shafts in the ground in which children are sent to retrieve the cobalt. This revelation led to the founding of Sparkz, which intends to develop a lithium battery supply chain that is cobalt-free.

Member Janis noted that she supports this grant and is pleased with many of the projects on the agenda. She asked in what kinds of applications will these batteries be used and where will the lithium be sourced.

Mr. Malhotra stated that the product will be manufactured at a soon to be determined location in the Central Valley. Not only will this battery be cobalt-free, but it will also be nickel-free. There will be energy storage applications for the energy sector for storing energy from solar and wind power. He stated that the transportation applications of the batteries will be in delivery vehicles used by Amazon, UPS, and FedEx, and for Original Equipment Manufacturers (OEMs) that manufacture material handling vehicles like forklifts. He stated that regarding the lithium sourcing, Sparkz is considering Canada and Nevada, but it is also considering the Salton Sea. He stated that they are optimistic that it will be able to source lithium from California. Sparkz also will need iron from Minnesota, North Dakota, and New York. The last item is phosphate, which is found in the U.S.

Ms. Janis asked if Sparkz has thought about getting into OEMs that manufacture school buses, transit buses, garbage trucks, or contracting with OEMs that sell to public agencies.

Mr. Malhotra stated that it is in discussions with three manufacturers of school buses, as well as OEMs that manufacture yard equipment. He noted that with the cost of freight going up from overseas and the fragmentation of the supply chain, OEMs are looking for domestic suppliers. He stated that Sparkz is in an advantageous position to partner with OEMs across the board. He stated that he is hopeful that by this time in 2023, Sparkz will be shipping 100 amp/hour cells manufactured in California to OEMs.

Ms. Janis noted that something for the Committee to consider is to think of ways to link economic development policy and procurement policy to incentivize companies to source from in state.

Member Walters asked about the timeline of manufacturing.

Mr. Malhotra stated that the company moved from Tennessee late last year. He believes that by August or September 2022 that a 100 amp/hour pilot cell will be manufactured in Livermore. He stated that by early Q2/Q3 of 2023 that they will be in full production.

Member Schaefer recommended that Sparkz discuss with the Executive Team with the California Department of General Services to get on a preferred vendor list.

Mr. Malhotra thanked Mr. Schaefer for the suggestion.

Chair Myers asked if there were any questions from Committee Members or public comments on Item G-5. Deputy Director Dosick confirmed there were no public comments at the Culver City location. Members Schaefer and Miller confirmed there were no public comments at their respective locations. Chair Myers requested a motion for approval of Agenda Item G-5.

> **Action Moved/Seconded:** Members Janis/Walters
> **Yes:** Members Janis, Walters, Miller, Schaefer, Myers
> **No:** None

G-7. American Quartz Max Corp.

At the request of Chair Myers, Deputy Director Dosick elaborated on Agenda Item G-7. He described the company and the proposed Grant Agreement to the Committee. Agenda item G-7 is a California Competes Grant Agreement with American Quartz Max Corp. American Quartz Max Corp (American Quartz) is a quartz slab manufacturer. In exchange for a $5 million California Competes Grant, American Quartz has committed to a net increase of 147 full-time employees and an investment of $37.9 million. American Quartz has certified in its application that absent award of the California Competes Grant, 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. Further, American Quartz has certified that at least 75% of its net increase of full-time employees will work at least 75% of the time in Barstow. Barstow was an Area of High Unemployment and/or an Area of High Poverty at the time American Quartz submitted its application. The jobs American Quartz is committing to create are in classifications such as purchasing, warehouse, production, equipment maintenance, human resources, and sales & marketing.

American Quartz indicated in its application that if it is not awarded the grant the project will be at risk of occurring in Texas. It stated that it could save up to $9.16 million if it were to shift its focus for the new facility to Texas, including $3 million in construction costs, $1.8 million in labor costs, $2.36 million in raw material transportation costs, $1 million in incentives from Texas Enterprise Funds, and an exemption from franchise taxes. American Quartz stated that it is willing to commit to remaining in California for its expansion if awarded the $5 million CalCompetes Grant. American Quartz also indicated that as an early-stage manufacturer that is reinvesting profits in the business and has carryover losses that would prevent it from being able to take advantage of the non-refundable CalCompetes Tax Credit. Mr. Dosick introduced Qiaomin Hu, CEO & President; Yongming Pei, CFO & Vice President; Zhongzhao Pan, Secretary of Board Committee; and Charles Fan, Corporate Accountant, who were available to answer the Committee's questions.

Mr. Fan introduced his colleagues, including Guangqiu Su, Chief Technician. Mr. Fan stated that the company began in Bartsow in 2019. After two years, the construction is nearly fully completed. American Quartz currently has one production line and a second line is in the testing phase now. Due to the pandemic, all costs related to the project have increased. The company believes the grant will help it complete its current phase of the project.

Member Janis stated that she was appreciative of the company for committing this project in Barsotw which needs the jobs. She asked what the quartz slabs were used for.

Mr. Fan stated that the quartz slabs are mostly used for home improvement and also used for commercial applications like hotels.

Ms. Janis asked of opportunities increased during the pandemic.

Mr. Fan stated that domestic market share of quartz slabs did increase over the pandemic, but significant portion of the quartz sold in the United States is sourced from overseas.

Ms. Janis asked where American Quartz's quartz is being sourced from.

Mr. Su said that the quartz sand and powder come from Arkansas, and the resin and chemicals are from California.

Ms. Janis asked what these employees will be doing.

Mr. Fan stated that 70% of the employees will work on the production line. Each line has about twenty employees.

Chair Myers asked if Barstow has enough workers who need jobs there to accommodate a second shift.

Mr. Fan stated that currently they have one shift and they are planning to have a second shift. The 147 jobs by 2026 does not include the second production line. With the additional line, there will be more than that.

Ms. Janis asked if the company offers health benefits.

Mr. Fan stated that the company currently covers all benefits for all employees past their 90-day probation period. It also recently launched a 401k plan.

Chair Myers asked if there were any questions from Committee Members or public comments on Item G-7. Deputy Director Dosick confirmed there were no public comments at the Culver City location. Members Schaefer and Miller confirmed there were no public comments at their respective locations. Chair Myers requested a motion for approval of Agenda Item G-7.

> **Action Moved/Seconded:** Members Miller/Schaefer
> **Yes:** Members Janis, Walters, Miller, Schaefer, Myers
> **No:** None

H. Public Comment

Chair Myers asked if there were any other public comments. Deputy Director Dosick confirmed there were no public comments at the Culver City location. Members Schaefer and Miller confirmed there were no public comments at their respective locations.

Member Janis stated that she would like to have a conversation about our outreach to companies in strategic industries. She asked if we have a team that reaches out to specific businesses that might be interested in locating to California.

Chair Myers stated that there is a team at GO-Biz called the California Business Investment Services Group (CalBIS). Their job is to help businesses that want to locate, invest, grow, and add jobs in California. They do that in a number of ways such as site selection assistance and making businesses aware of incentives offered in California, including CalCompetes. She stated that we have team members located throughout the state. Many of the applicants are made aware of CalCompetes via the CalBIS team.

Ms. Janis requested that we place this discussion on an agenda for a future meeting.

Chair Myers stated that they will discuss it.

I. Adjournment

Chair Myers adjourned the meeting at 3:13 p.m.