

# East Bay Opportunities for the Green Industry

## 1. INTRODUCTION

There is a broad community of architects, environmental consultants, building owners, politicians and others in the East Bay who are active in promoting and developing this market. California's reputation of concern for the environment is largely centered in the San Francisco Bay Area and the East Bay plays a significant role in the development of this industry.

The public's awareness of the importance of this issue is reflected in state and local policies. An attachment is included that lists a number of federal, state and local incentives available in East Bay communities. Two year ago a poll ranked San Francisco, Berkeley and Oakland as the #1, #3 and #9 most sustainable cities in the nation.<sup>1</sup> Figuring into these ratings:

- San Francisco's \$100 M solar bond
- Berkeley's active green building program, and goal of cutting greenhouse gas emissions by 15% by 2010 – a standard exceeding that established by the Kyoto protocol
- Oakland's commitment to cut emissions 70% by 2050

The East Bay's largest utility, PG&E, has gained a national reputation for its support of renewable energy and recently signed a renewable energy deal with PPM Energy for an 85-megawatt wind project. At the state level the Economic and Technology Advancement Advisory Committee of the California State Air Resources Board recently announced it was seeking plans and products to increase renewable energy sources to boost the supply from that source from 18% to 50%.

It is not surprising, then, that there are a number of renewable energy equipment manufacturers in the region contributing to the growth of the industry. With one of the nation's largest windfarms located at the Altamont pass, the local industry cluster even includes specialized companies serving the wind turbine industry. The East Bay's PowerLight is one of the fastest growing photovoltaic companies in the nation.

But research and development may be an even larger East Bay industry contribution. At the three Department of Energy National Laboratories and the University of California Berkeley – all located in the East Bay -- new battery technologies, advanced materials for ultracapacitors, fuel cells, flywheel energy storage systems, energy capture from tidal motion, biofuels and other technologies join solar and wind power as subjects for research.

The research and development has benefitted from proximity to the world's largest venture capital cluster. During the first half of 2007 U.S. venture capital investors showed their increased enthusiasm for green or clean-tech deals by investing \$458 million in 26 deals across

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<sup>1</sup> SustainLane May 2005 poll, <http://www.sustainlane.com/cityindex/citypage.php?name=ranking>

the country. Over \$80 million of this investment and 6 of these deals went to East Bay companies for renewable energy and storage technologies.<sup>2</sup> In addition, during the first half of 2007 the East Bay's Berkeley Lab, under the direction of Nobel Laureate Steve Chu, attracted approximately \$920 million for biofuels research from government and private sources. In October San Rafael-based Nordic Windpower, a manufacturer of two-bladed utility-scale wind turbines, announced that it had received a "significant investment" from investment bank Goldman Sachs.

Over the years many companies have found it convenient to move to the Bay Area to make it easier for potential venture investors to sit on their boards of directors and to attract the researchers and graduate students with knowledge of these new technologies.

For their part, local communities have been eager to welcome these companies. Depending on location there are Enterprise Zones, Local Agency Military Base Recovery Areas and Redevelopment areas in the East bay offer various tax benefits. For manufacturers, the East Bay has been California's most successful in providing Industrial Development Bond financing – very attractive with rates that are generally about 2 % **below** prime. Employment Training Panel funds can provide up to \$5,000 per employee for training. Other programs such as special electricity rates are available to qualified businesses depending on the utility district serving the site. Manufacturers importing parts or products from overseas may wish to make use of Oakland's Foreign Trade Zone which allows the deferral or elimination of import tariffs. To assist you in understanding and receiving these benefits, city, East Bay EDA and state economic development officials are networked together to help you make the most of these opportunities.

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<sup>2</sup> VC Report for the first and second quarters of 2007 from PricewaterhouseCoopers/National Venture Capital Association MoneyTree(tm). Report based on data from Thomson Financial.

## 2. BUSINESS ASSISTANCE

Each site offers different opportunities for tax advantages and other benefits. For additional information, please contact city or East Bay EDA staff members. Below are some representative programs.

### a. R&D tax credit

<http://www.ftb.ca.gov/businesses/credits/rd/overview.html>

Companies planning to take advantage of the Bay Area's superior resources for research and development, will be interested to know that California offers one of the most generous research and development tax credits in the nation. Designed to encourage companies to increase their basic research and development activities in California, the R&D tax credit allows companies to receive a credit of 15 percent for qualifying in-house research expenses and 24 percent for basic research payments to an outside company or university. Qualifying expenses include:

- Employee wages for researchers, supervisors, and support services;
- Supplies used in conducting the research; and
- Amounts paid to outside consultants for the right to use personal property for research.

### b. California Energy Commission PIER Program

<http://www.energy.ca.gov/pier/>

The California Energy Commission's Public Interest Energy Research (PIER) Program supports research, development and demonstration (RD&D) projects that will help improve the quality of life in California by bringing environmentally safe, affordable and reliable energy services and products to the marketplace. The PIER Program annually awards up to \$62 million on a case-by-case basis for RD&D in a number of areas including end-use energy efficiency in buildings, energy systems integration, environmentally-preferred advanced generation, and renewable energy technologies. Commission staff are always looking forward to meeting with company officials to discuss the possibility of grants and loans. Please refer to the website for more information.

### c. Industrial Development Bond Program for Equipment and Facilities

[http://www.eastbayeda.org/business\\_resources\\_incentives/industrial\\_development\\_bond\\_financing\\_program.htm](http://www.eastbayeda.org/business_resources_incentives/industrial_development_bond_financing_program.htm)

The East Bay offers a tax-exempt Industrial Development Bond program that may be applied to equipment as well as assisting in the company's expanding space needs. Aimed at small and mid-sized projects, this program provides low-cost, long-term

financing for real estate and equipment projects that retain or create employment in Alameda or Contra Costa counties. The bond proceeds may be used for the financing of new capital projects including: land and building acquisition; construction; renovation; and new machinery and equipment.

IDB bond amounts usually start at around \$2 million up to a maximum of \$10 million for projects with total costs no larger than \$20 million. Repayment periods extend up to 40 years and interest rates are generally about 2% below prime. Although projects compete on a statewide basis, historically, the East Bay EDA has been one of the most successful issuers in the state – better than Los Angeles or San Diego.

**d. Enterprise Zones – Oakland, Pittsburg, Richmond**

Oakland: [http://www.oaklandnet.com/business/doingbus/doingbus\\_incen\\_oez.html](http://www.oaklandnet.com/business/doingbus/doingbus_incen_oez.html)

Pittsburg: <http://www.ci.pittsburg.ca.us/Pittsburg/Government/Departments/Economic+Development/ed-business-incent.htm>

Richmond: <http://www.ci.richmond.ca.us/index.asp?NID=298>

Enterprise Zones are created to stimulate business development in targeted areas with three located in the East Bay -- Oakland, Richmond and Pittsburg. Businesses located in an Enterprise Zone are eligible for substantial tax credits and benefits including:

- Up to 100% Net Operating Loss (NOL) carry-forward, up to 15 years;
- \$31,544 or more in state tax credits for each qualified employee hired;
- Sales tax credits on purchases of \$20 million per year of qualified machinery and machinery parts;
- Certain depreciable property can be expensed up-front and lenders to Zone businesses may receive a net interest deduction;
- Unused tax credits can be applied to future tax years, stretching out the benefit of the initial investment;
- Enterprise Zone companies can earn preference points on state contracts.

**e. LAMBRA (Local Agency Military Base Recovery Area) – City of Alameda**

<http://www.ci.alameda.ca.us/apb/lambra.html>

The LAMBRA program provides investment incentives, similar to those offered in Enterprise Zones, to businesses locating or expanding on former military base facilities. These benefits include:

- Up to 100% Net Operating Loss (NOL) carry-forward, up to 15 years;
- \$31,544 or more in state tax credits for each qualified employee hired up to \$2 million per year with a few provisions;

- Sales tax credits on purchases of \$20 million per year of qualified machinery and machinery parts;
- Up-front expensing of certain depreciable property, up to \$40,000 annually;
- Unused tax credits can be applied to future tax years, stretching out the benefit of the initial investment.

#### **f. Foreign-Trade Zone, Subzones**

<http://www.pac-am.com/services-ftz.html>

The East Bay EDA can assist in securing space and services at the Oakland Foreign Trade Zone (FTZ) or in the creation of an FTZ for the purpose of deferring, reducing or eliminating the amount of duty paid for components manufactured overseas. The advantage of a Foreign-Trade Zone is that for purposes of tariff assessment, products are treated as if they are outside the continental United States. Among other benefits, this means no duty is paid for the foreign components of any finished products manufactured in the zone and shipped overseas. Duty is only assessed when products enter the United States from the FTZ, but at that time the company may elect to pay duty on each constituent foreign part or on the finished product, whichever is less. As a result the following benefits accrue:

- *Deferral of Duties:* Customs duties are paid only when and if merchandise is transferred into U.S. Customs territory. This benefit equates to a cash flow savings that allows companies to keep critical funds accessible for their operating needs while the merchandise remains in the zone. There is no time limit on the length of time that merchandise can remain in a zone.
- *Reduction of Duties:* In a Foreign-Trade Zone, with the permission of the Foreign-Trade Zones Board, if the rate on the foreign inputs admitted to the zone is higher than the rate applied to the finished product, the FTZ user may choose the finished product rate, thereby reducing the amount of customs duty owed.
- *Elimination of Duties:* Customs duties are eliminated on foreign merchandise admitted to the zone but eventually exported from the FTZ. Generally, customs duties are also eliminated for merchandise that is scrapped, wasted, destroyed or consumed in a zone.
- *Labor, Overhead and Profit:* Customs duties are not owed on labor, overhead and profit attributed to production in a FTZ.
- *Taxes:* Tangible personal property imported from outside the U.S. and held in a zone, as well as that produced in the U.S. and held in a zone for exportation, are not subject to state and local ad valorem taxes.

U.S. quota restrictions do not apply to merchandise admitted to zones, although quotas will apply if and when the merchandise is subsequently entered into U.S. commerce. With the permission of the Foreign-Trade Zones Board, merchandise subject to quota

may be substantially transformed to a non-quota article free of quota restrictions. Quota merchandise may also be stored in a FTZ until a quota opens

**f. Recycling Market Development Zones (RMDZs)**

<http://www.ciwmb.ca.gov/RMDZ/>

The California Integrated Waste Management Board (CIWMB) the State agency responsible for managing California's waste stream, has created three Recycling Market Development Zones in the East Bay: Oakland/Berkeley, Contra Costa County (including the City of Richmond), and Southern Alameda County (Union City and Fremont). Within these zones, manufacturers that process materials for remanufacture or manufacture products from recycled materials are eligible for benefits including:

- Loans at below market, fixed rates
- Streamlined permitting and siting
- Technical assistance
- Marketing assistance

Loans can be obtained up to \$2 million for as long as 15 years at 5% (current Wall Street Journal prime rate is 8.25%) to purchase owner occupied property, equipment, recycled materials, or other approved uses. In addition, the CIWMB and StopWaste.org provide technical assistance as well as grants and mini-grants for qualifying reuse projects.

### **3. WORKFORCE TRAINING AND PREPARATION**

**a. Availability**

There should be a number of workers in the basic occupations listed in the request for information. The East Bay has the largest workforce in the Bay Area and the commute shed includes San Jose and San Francisco as well as the Central Valley to the East. Companies have often opened new facilities in the East Bay specifically to gain advantages in recruiting and retaining workers living in or near the East Bay.

**b. Targeted Recruitment and Training**

**State of California Employment Development Department (EDD) Job Service**

The Employment Development Department, the Workforce Development Branch and the Workforce Investment Division are available to assist companies desiring to expand operations and retain employment in California. Upon request, EDD's Job Service will recruit and assess candidates from all three of the Bay Area's major metropolitan areas and coordinate the activities of any of the service agencies or training institutions

required to meet your workforce needs. The local chapter of Experience Unlimited can provide professional, technical, managerial, or other skilled individuals to meet your needs. In addition, Job Service has access to a statewide database of nearly 1 million active resumes to provide the greatest possibility of filling all workforce needs.

After the initial request, Job Service is also prepared to provide subsequent and ongoing support through its Employer Contact Management System (ECMS) that enables staff to retain its understanding of company occupational qualification requirements and hiring procedures.

### **EAST BAY Works**

EAST BAY Works is a regional consortium of the Workforce Investment and Workforce Development Boards in the East Bay. Once a decision is made to locate in the East Bay, a further detailed discussion can be arranged between the company, the State and the appropriate WIB or WDB to determine the appropriate amount for a federal Workforce Investment Act training grant. Alameda County's Business Development Unit has been very active in securing grants on behalf of local companies and was one of five such organizations nationally to be awarded recognition for industry workforce development. Contra Costa's Workforce Development Board has received recognition for addressing workforce issues in the manufacturing sector. Services provided through the WIBs and WDBs include the following:

***Talent Acquisition:*** Recruit and screen highly skilled applicants for manufacturing, engineering, business and administrative positions utilizing one-stop career centers throughout the Bay Area.

***OJT:*** Provide On-The -Job (OJT) training funds to meet company training needs.

***Training Brokerage:*** Locate and arrange training provided by Community Colleges; California State University, East Bay; and the University of California, Berkeley Extension. Trained staff will work with your company to identify local education and training agencies qualified to meet your needs for training in basic skills, soft skills, management, and leadership.

***Coordination and Oversight:*** Coordinate all local workforce services to ensure a successful business partnership.

***Access to Talent:*** Engage the Rapid Response Unit along with its network of EAST BAY Works One-Stop Centers to give your company access to the region's pool of experienced highly skilled talent.

**(NOTE: OJT & WIA funds are contingent on availability of US Department of Labor funds)**

Any company establishing operations in the East Bay and desiring workforce assistance, can work directly with an assigned member of the WIB/WDB Business Services staff to tailor a customized workforce development program including: basic recruitment; company wide incentives for retraining and new hires; and any appropriate additional funding to underwrite these activities. In developing these programs, staff will work closely with your company to help select the appropriate training partners from among the many training providers in the East Bay.

**c. Employment Training Panel and the Alameda County WIB**

The Employment Training Panel (ETP) provides funds to train California's workforce in the skills necessary for local businesses to successfully compete in the global economy, and specifically targets manufacturers and their suppliers. ETP pays employers for the cost of providing training for existing or newly hired employees. ETP reimburses contractors for their costs based on the number of trainees, retention of trainees, the number of training hours, and the type of training. The training may be provided by the employer or through public or private training entities, and the employer decides on the training curriculum and the trainers. Although the average reimbursement for all ETP contracts last year exceeded \$1,000 per trainee, the actual reimbursement can reach \$5,000 or more based on the number of training hours or type(s) of training. ETP has paid out over \$800 million since it began in 1983, and has paid for the training of over 600,000 workers in more than 60,000 companies.

**4. PROSPECTIVE EMPLOYEE RESOURCE INFORMATION**

**a. East Bay K-12 Education**

Throughout the East Bay commute shed there are a number of school districts with a range of schools within each district. In general Alameda and Contra Costa county schools exceed the state average. By reputation, Piedmont and Orinda have excellent school systems, but there are excellent schools in the school systems throughout the East Bay. Below is a link to school district test scores from the California Department of Education:

<http://data1.cde.ca.gov/dataquest/>

## **b. Affordable Housing Programs**

First time home buyers can find assistance through a variety of sources. In addition to the programs listed below, some cities have their own programs to help workers who live in their city.

### **California Home Source Lease Purchase Program**

<http://www.calhomesource.org/index.html>

This is a program of the Association of Bay Area Governments (ABAG), a non-profit representing the local governments of the nine-county San Francisco Bay Area. The program applies to most types of housing.

### **CALHFA High Cost Area Home Purchase Assistance Program**

<http://www.calhfa.ca.gov/homeownership/programs/hicap.htm>

This program consists of two loans: a) a CALHFA below market rate first mortgage loan; and b) a deferred-payment low interest rate second loan up to \$25,000 to be used for downpayment assistance.

### **Homebricks**

<http://www.homebricks.com/>

HomeBricks is a not-for-profit organization, providing real estate and financial services to first time homebuyers, homeowners, cities and developers. This is an information service to put buyers in touch with affordable housing opportunities. Homebricks is sponsored by BRIDGE Housing Corporation, a non-profit developer of affordable housing.

### **Mortgage Credit Certificate (MCC)**

[http://www.co.alameda.ca.us/cda/mcc\\_program/index.htm](http://www.co.alameda.ca.us/cda/mcc_program/index.htm)

This is a federal program offered by various local governments with slightly different qualifications and terms in each jurisdiction. MCCs increase a buyer's ability to qualify for mortgages by reducing the "effective" (rate before taxes) interest rate approximately 1.5 %. MCC recipients take 15% of the annual mortgage interest payments as a dollar-for-dollar credit against their federal income taxes. The buyer decreases their federal income tax withholdings based upon the credit, increasing their net income available to pay a mortgage. Eligibility requirements and additional information for the Alameda County program are available on the website.

## 5. ADDITIONAL LOCAL RESOURCES

### East Bay Economic Development Alliance for Business (East Bay EDA)

<http://www.eastbayeda.org/>

The East Bay Economic Development Alliance (East Bay EDA) is a “network of networks” that serves as a liaison to connect your company to city, county, state and regional programs as requested. The EDA is also a representative and problem solver for East Bay companies and cities facing issues requiring regional coordination or scale. To talk to the East Bay EDA or to get assistance in contacting local officials in other governmental agencies or community organizations please contact EDA staff:

Bruce Kern, Executive Director	(510) 272-3874
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