

**CALIFORNIA ALTERNATIVE ENERGY AND  
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

*Request to Approve Project for SB 71 Sales and Use Tax Exclusion (STE)<sup>1</sup>*

**ELECTRIC VEHICLE INTERNATIONAL, LLC  
Application No. 12-SM010**

**Tuesday, October 16, 2012**

Prepared By: *Deana Carrillo*

**SUMMARY**

**Applicant** – Electric Vehicles International, LLC

**Location** – Stockton (San Joaquin County)

**Industry** – Electric Vehicle Manufacturing

**Project** – New Electric Vehicle Manufacturing Facility to Produce Medium-Duty Trucks

**Value of Qualified Property** – \$5,744,962

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$465,342

**Estimated Net Benefits** - \$524,512

**Application Score<sup>3</sup>** -

Fiscal Benefits Points:	1,948
<u>Environmental Benefits Points:</u>	<u>179</u>
<b>Net Benefits Score:</b>	<b>2,127</b>
<u>Additional Benefits Points:</u>	<u>72</u>
<b>Total Score:</b>	<b>2,199</b>

**Staff Recommendation** – Approval

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<sup>1</sup> All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

<sup>2</sup> This amount is calculated based upon the average statewide sales tax rate of 8.1%.

<sup>3</sup> Point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

**THE APPLICANT**

Electric Vehicles International, LLC (“EVI” or “Applicant”) was incorporated in October 1996 in Indiana and is headquartered in Stockton, California. EVI has over 20 years of experience in alternative energy vehicle research, development and deployment. In 2009, EVI relocated its headquarters from Mexico to a facility in Stockton, California.

Carl Berg is the majority owner (99%) of EVI.

**THE PROJECT**

In its Stockton facility, EVI intends to commercialize and produce two pure electric medium duty trucks under this Project, and eventually a range of hybrid medium duty advanced transportation trucks.

EVI represents that its innovative manufacturing process will revolutionize the manufacturing of medium- and heavy-duty alternative energy vehicles (AEVs) by developing automated manufacturing and assembly techniques and complete component manufacturing under one roof. In May 2011, EVI was awarded a \$3.9 million grant from the California Energy Commission<sup>4</sup> to expand and modernize its facility – which will assist in financing this Project – and demonstrate lower production costs for AEVs.



In 2010, EVI and UPS worked together to develop an alpha-prototype vehicle to meet the needs of the parcel delivery service. In August 2011, EVI was awarded a purchase order from UPS for 100 pure electric commercial delivery vehicles for deployment in locations throughout California. In addition, in March 2012 EVI was awarded a purchase order from PepsiCo’s Frito-Lay.

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<sup>4</sup> EVI has received two grants from the California Energy Commission (CEC), both of which include cost-share components that were provided by EVI’s majority owner, Carl Berg: the \$11,107,319 Manufacturing Modernization Grant (\$3,881,238 provided by the CEC), and the \$5,404,135 Range Extended Electric Vehicle Grant (\$2,569,367 provided by the CEC).

EVI plans to begin production using its new state-of-the-art production line later this year, as soon as testing the manufacturing equipment and the calibration of the production line is complete.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

<b><u>Evt - Engineering Validataion Testing</u></b>	
High Voltage Battery System	\$86,160
Battery Boxes And Brackets	13,151
Traction Motor And Inverter	25,920
Generating Set Electric Motor & Controller	25,030
Transmission & Reduction Gearing	9,376
<b><u>Dvt - Design Validation Testing</u></b>	
High Voltage Battery System	134,560
Battery Boxes And Brackets	28,725
Traction Motor And Inverter	41,388
Generating Set Electric Motor & Controller	41,388
Transmission & Reduction Gearing	18,750
<b><u>Pvt - Pilot Validation Testing</u></b>	
High Voltage Battery System	592,681
Battery Boxes And Brackets	98,000
Traction Motor And Inverter	139,632
Generating Set Electric Motor & Controller	140,522
Transmission & Reduction Gearing	65,625
<b><u>General Equipment</u></b>	
2 Post Vehicle Lift	15,678
4 Post Vehicle Lift	52,707
Meterology Equipment	15,000
Welding Equipment	7,000
Chassis Dynamometer And Ancilliary Equipment	429,190
Battery Simulator	316,950
Emissions Testing Equipment	9,800
Data Logging Equipment	30,000
Cnc Mill	652,025
Cnc Turning Center/Lathe	328,750
Tooling Jigs/Visse	51,846
Software Package	9,605
Conventional Lathe/Mill (Including Tooling)	49,788
Welding Equipment	11,359
Robotic Automation	166,500
Momentary Conveyor Lines	67,549
Winding Tables	36,250

**Agenda Item – 4.B.1**  
**Resolution No. 12-SM010**  
**Application No. 12-SM010**

Imprex Machine	50,000
Wheel Abrator	129,975
Imprex Oven	29,987
Annealing Ovens	220,013
Press	10,000
Op Benches	100,000
Gantry Crane	59,988
Linear Production Line Frame Work	98,012
Vehicle Assembly Hand Tools And Storage Units	25,000
Tooling	105,921
Cmm Machine	150,000
Quality Gauges And Tools	16,637
Tow Motor	59,054
Layout Table And Quality Gauges	8,000
Dynamometer For Motor Calibration Measurement	278,000
Dynamometer For End Of Line Vehicles	191,001
Dc Power Supplies	67,000
Charge/Discharge Stations	24,000
Air Compressor	24,964
Battery Charge Discharge Station	25,000
2 Post Lift	33,538
Hydraulic Sheer	57,500
Drill Press	9,500
Punch Machine	35,000
Band Saw	8,845
Press Brake	55,820
GRP Battery Box Tooling	39,079
High Voltage/Low Voltage Test Equipment	28,000
Battery Crimping Stations	6,863
Weighing Scale For Vehicle Certification	15,000
4 Post Lift	72,362
<b>Total</b>	<b><u>\$5,744,962</u></b>

*Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the conveyance/reconveyance agreement a finalized Project equipment list will be prepared detailing the value of the Project equipment conveyed and reconveyed and detailing the actual tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variations from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons.*

## **TIMELINE**

EVI expanded its production facility to a total of 80,000 square feet in early 2012. The Applicant has purchased most of the equipment required to fulfill its existing orders and anticipated demand. EVI is in the process of testing and calibrating the manufacturing systems, and intends to put in the equipment and manufacturing line into use in the fourth quarter of 2012.

## **PROJECT EVALUATION**

### **NET BENEFITS**

The total cost of the Qualified Property purchases is anticipated to be \$5,774,962 and the total net benefits are valued at an estimated \$524,512 for the Project. The Project received a Total Score of 2,199 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 179 points, which exceeds the 100 point threshold.

- A. Fiscal Benefits (1,948 points).** The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant’s sales taxes, personal income taxes paid by the firm’s employees, firm taxes on profits, property taxes and other indirect fiscal benefits of the Applicant which amounts to an estimated \$906,571 resulting in a Fiscal Benefits Score of 1,948 points for the Project.
- B. Environmental Benefits (179 points).** The Project will result in an estimated \$83,283 of total pollution benefits over the lifetime of the Qualified Property resulting in an Environmental Benefits Score of 179 points for the Project. These benefits derive from the manufacturing of electric vehicles since these vehicles deliver a net reduction in energy consumption and CO2 emission relative to a comparable gasoline powered vehicle.
- C. Additional Benefits (72 of 200 points).** Applicants may earn up to 200 additional points for their Total Score. The Applicant submitted information and received zero additional points.

  - 1. Permanent Jobs (30 of 40 points).** The Applicant’s Project will support a total of 104 permanent jobs at its Facility. CAEATFA estimates that seven (7) of these jobs will be attributable to a marginal increase in jobs created due to the approved STE. Thirty points were awarded because the marginal increase in jobs surpasses the required threshold.
  - 2. Construction Jobs (0 of 20 points).** The Applicant’s Project will support a total of 10 construction jobs at its Facility. CAEATFA estimates that approximately one job will be attributable to a marginal increase in jobs created due to the approved STE. Zero points were awarded because the marginal increase in jobs does not meet the required threshold.

3. **Non-CA Environmental Benefits (10 of 40 points).** The Applicant’s total value of out-of-state non-greenhouse gas pollution benefits are valued at \$8,904 resulting in a Non-CA Environmental Benefits Score of ten (10) points for the Project.
  
4. **Unemployment (32 of 40 points).** The Applicant’s Project is located within the San Joaquin County Enterprise Zone which has an unemployment rate of 17%. This is above 110% of the statewide unemployment average which is currently 12% resulting in an Unemployment score of 32 points for this Project.

### **STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

EVI has obtained all necessary permits and approvals for the Project.

### **LEGAL QUESTIONNAIRE**

Staff reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

### **CAEATFA FEES**

In accordance with CAEATFA Regulations,<sup>5</sup> the Applicant has paid CAEATFA an Application Fee of \$2,872.48 and will pay CAEATFA an Administrative Fee up to \$22,979.85.

### **RECOMMENDATION**

Staff recommends approval of Resolution No. 12-SM010 for Electric Vehicles International, LLC’s purchase of Qualified Property in an amount not to exceed \$5,744,962 anticipated to result in an approximate sales and use tax exclusion value of \$465,342.

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<sup>5</sup> California Code of Regulations Title 4, Division 13, Article 2, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A TITLE  
CONVEYANCE AGREEMENT WITH ELECTRIC VEHICLES INTERNATIONAL,  
LLC**

October 16, 2012

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Electric Vehicles International, LLC** (the “Applicant”), for financial assistance in the form of a conveyance/reconveyance of title agreement (the “Agreement”) regarding tangible personal property for the design, manufacture, production, or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems (“Qualified Property”) as more particularly described in the staff summary and in the Applicant’s Application to the Authority (collectively, the “Project”); and

WHEREAS, the Applicant has requested the Authority to enter into the Agreement transferring title of Project equipment with an estimated cost not to exceed \$5,744,962 over a period of three years; and

WHEREAS, the Agreement will provide that the Applicant will, prior to any use of the Qualified Property, transfer title at no cost to the Authority from time to time as purchases of Qualified Property are made and the Authority will then transfer title back to the Applicant without having taken possession of the Qualified Property; and

WHEREAS, the Applicant believes that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Qualified Property pursuant to California Revenue and Taxation Code Section 6010.8; and

WHEREAS, approval of the terms of the Agreement and authority for the Executive Director, Deputy Executive Director, or Chair of the Authority to execute the necessary documents to effectuate the Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Project constitutes a “project” within the meaning of Public Resources Code Section 26003(g)(2).

Section 2. The requested conveyance agreement constitutes “financial assistance” within the meaning of Public Resources Code Section 26003(e)(2).

Section 3. The Applicant is a “participating party” within the meaning of Public Resources Code Section 26003(f).

Section 4. The Executive Director, Deputy Executive Director, or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Executive Director shall deem appropriate, provided that the amount of the Qualified Property to be purchased may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Agreement between the Applicant and the Authority, as filed with the Authority prior to this meeting, is hereby approved. The Authorized Signatories are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Applicant the Agreement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as the Authorized Signatory executing the same may require or approve, and with particular information inserted therein in substantial conformance with the staff summary and in the Applicant’s Application to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Agreement, the obligations of the Applicant may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including (without limitation) the execution and delivery of any and all documents and certificates they may deem necessary or advisable in order to consummate the Agreement and otherwise effectuate the purposes of this resolution.

Section 7. The Applicant shall assure CAEATFA that all Qualified Property conveyance pursuant to the Agreement shall be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Agreement shall only apply to Qualified Property that the Applicant certifies will be installed, maintained and operated at facilities within the State of California.

Section 9. The adoption by the Authority of this Resolution for the Applicant shall not be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement, as defined in CAEATFA Regulations Section 10035(A), is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty days if necessary.