

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

Ampaire, Inc.
Application No. 22-SM032

Tuesday, June 21, 2022

Prepared By: *Stefani Wilde, Program Analyst*

SUMMARY

Applicant – Ampaire, Inc.

Location – Hawthorne, Los Angeles County; Camarillo, Ventura County

Industry – Aircraft Hybrid Electric Powertrain Production

Project – Expansion of Existing Electric Powertrain Facility (Advanced Transportation)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$29,889,143	\$2,540,577

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$4,413,720	1,737
Estimated Environmental Benefits	\$13,497,790	5,313
Additional Benefits	N/A	146
Total	\$17,911,510	7,196
Estimated Quantifiable Net Benefit	\$15,370,933	

Competitive Criteria Score – 178

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.5%.

³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)

THE APPLICANT

Ampaire, Inc. (the “Applicant”), is a California corporation that formed in 2016. The Applicant is currently engaged in research, design, and development of a first-of-its-kind commercial hybrid electric aircraft at its headquarters in Hawthorne.

The major shareholders (10.0% or greater) of the Applicant are:
Cory Combs (18%)
Kevin Noertker (26%)

The corporate officers of the Applicant are:

Kevin Noertker, Co-founder and CEO
Cory Combs, Co-founder, Secretary, CFO and Executive Tech fellow
Ed Lovelace, CTO
Doug Shane, General Manager
Susan Ying, VP of Global Partnerships

THE PROJECT

Ampaire, Inc. is requesting an STE award to expand its existing aircraft hybrid electric powertrain production facility located in Hawthorne (the “Project”).

The Applicant states it is in the process of researching, designing, developing, and producing a first-of-its-kind nine seat commercial hybrid electric aircraft, called the EcoCaravan, that will transport passengers and cargo regionally. The Applicant currently operates out of hangar space at Hawthorne airport, as well as Camarillo Airfield, where the Applicant conducts flight testing. According to the Applicant, due to its powertrain technology, which includes an innovative propulsion system from its signature electrification platform, the EcoCaravan will introduce new powertrain technologies into commercial aviation powertrain processes. The Applicant explains the electrification platform is a combination of a downsized sustainable aviation fuel engine, an electric motor, power electronics, software, and a high voltage lithium battery system. The Applicant states these technologies are anticipated to result in savings of up to 50% on fuel use and emissions, as well as up to a 25% reduction in operating costs as compared to its conventional counterparts.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Thermal Management, Thermal Environment Measurement, Thermal Testing of Equipment, Thermal Recording of Equipment	\$133,990
Additional Testing Equipment for FAA Certification	\$10,920,000
Data Collection and Synthesis Equipment	\$77,190
Electrical Measurement & Electric Motor Testing Equipment	\$1,807,995
Mechanical Testing & Measurement Equipment	\$270,000
Energy Storage Pilot Production Machinery & Equipment	\$10,000,000
Power Analysis & Power Supplies for Testing of Electric Power Systems	\$4,597,368

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Safety Equipment	\$1,000,000
Battery Assembly & Testing Equipment	\$1,082,600
Total	<u>\$29,889,143</u>

Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance 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 over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

TIMELINE

The Applicant states it expects to start expanding its existing space at Hawthorne airport beginning July 1, 2022, with improvements and some equipment placed in service by the end of the year. Additional expansion at that facility is anticipated in 2023. The Applicant anticipates completing the rest of the expansion and ordering the remaining equipment in 2023, and having all equipment in service by the first quarter of 2024.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states it requires permits through Southern California Edison for facility power upgrades, which the Applicant plans to receive in the next year, prior to its planned upgrades.

COMPETITIVE CRITERIA SCORE

The Applicant received 178 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Application has a Project that produces an Advanced Transportation Technology, and, therefore, 100 points are awarded.
2. **Unemployment (33 of 50 points)**. The Project's primary Facility is located in Los Angeles County, which has an average annual unemployment rate of 10.5%.⁴ When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 33 points.
3. **Job Creation (30 of 75 points)**. The Applicant anticipates the Project will support a total of 96 production-related jobs at its Facilities. CAEATFA estimates that approximately 5.89 of these jobs will be attributable to a marginal increase in jobs

⁴ Unemployment rates are based on data available in December 2021.

created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 30 points.

4. **California Headquarters (15 of 15 points)**. The Applicant has a California Corporate Headquarters, and, therefore, 15 points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant's Facilities due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.
6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (0 of 50 points)**. The Applicant is eligible to use one or more of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, zero points are awarded.
7. **Emerging Strategic Industry (0 of 75 points)**. The Project's industry is not in an Emerging Strategic Industry, and, therefore, zero points are awarded.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 7,196 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 5,313 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (1,737 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$4,413,720, resulting in a Fiscal Benefits score of 5,313.
- B. **Environmental Benefits (5,313 points)**. The Project is anticipated to result in \$13,497,790 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 5,313 points. These benefits derive from the production of hybrid electric aircraft, as these vehicles deliver a net reduction in energy consumption and carbon dioxide emissions relative to gasoline powered vehicles.
- C. **Additional Benefits (146 points)**. Applicants may earn additional points for their Total Score. The Applicant received 146 additional points.
 1. **Production Jobs (30 of 75 points)**. The Applicant anticipates the Project will support a total of 96 production-related jobs at its Facilities. CAEATFA

estimates that approximately 5.89 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 30 points.

2. **Construction Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of six construction jobs at its Facilities. CAEATFA estimates that approximately 0.37 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.
3. **Unemployment (33 of 50 points)**. The Applicant's Project is located in Los Angeles County, which has an average annual unemployment rate of 10.5%. When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 33 points.
4. **Non-CA Environmental Benefits (7 of 40 points)**. The Applicant's total value of out-of-state non-greenhouse gas emissions pollution benefits are valued at \$36,630 resulting in a Non-CA Environmental Benefits Score of 7 points for the Project.
5. **Research and Development Facilities (25 of 25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to hybrid electric aircraft.
6. **Industry Cluster (25 of 25 points)**. The industry associated with this Application has been identified by Los Angeles County Economic Development Corporation as an industry cluster of the region of the Project's location.
7. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental, vision, bonuses, retirement contributions, education reimbursement, employee discounts, and paid leave benefits to its employees, earning the Applicant 25 points.

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,⁵ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$119,556.57.

RECOMMENDATION

Staff recommends the approval of Resolution No. 22-SM032-01 for Ampaire, Inc.'s purchase of qualifying tangible personal property in an amount not to exceed \$29,889,143 anticipated to result in an approximate STE value of \$2,540,577.

⁵ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH AMPAIRE, INC.**

June 21, 2022

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Ampaire, Inc.** (the “Applicant”) for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$29,889,143 over a period of three (3) years; and

WHEREAS, the Applicant asserts 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 Project pursuant to Revenue and Taxation Code Section 6010.8; and

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

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

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The 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 Authorized Signatories deem appropriate, provided that the amount of the

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qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may 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 to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to 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 is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.