

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Archer Aviation, Inc.
Application No. 22-SM044**

Tuesday, June 21, 2022

Prepared By: *Ashley Emery, Program Manager*

SUMMARY

Applicant – Archer Aviation, Inc.

Location – Palo Alto, Santa Clara County

Industry – Electric Vertical Takeoff and Landing (“eVTOL”) Aircraft Production

Project – New eVTOL Aircraft Production Facility (Advanced Transportation)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$44,360,877	\$3,770,675

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$22,165,537	5,878
Estimated Environmental Benefits	\$2,973,327	789
Additional Benefits	N/A	121
Total	\$25,138,864	6,788
Estimated Quantifiable Net Benefit	\$21,368,189	

Competitive Criteria Score – 170

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

Archer Aviation, Inc. (the “Applicant”) is a Delaware corporation that formed in 2020 and is publicly traded on the New York Stock Exchange under the symbol ACHR. The Applicant is a vertically integrated urban air mobility company headquartered in Palo Alto, designing, manufacturing, and operating eVTOL aircraft.

The corporate officers of the Applicant are:

- Adam Goldstein, Chief Executive Officer
- Geoff Bower, Chief Engineer
- Mark Mesler, Chief Financial Officer
- Andy Missan, Chief Legal Officer
- Tom Muniz, Chief Operating Officer
- Tosha Perkins, Chief People Officer

THE PROJECT

Archer Aviation, Inc. is requesting an STE award to build a new eVTOL aircraft production facility located in Palo Alto (the “Project”). The Applicant explains its eVTOL aircraft is an alternative to ground rideshare services and will be able to carry four passengers for 60 miles at speeds of up to 150 miles per hour while producing minimal noise. According to the Applicant, the aircraft will have tiltrotor functionality, with the rotors tilting 90 degrees to the vertical position during take-off and landing, while rotating to the forward position to operate as a fixed-wing aircraft during travel. Additionally, the Project will use custom batteries designed for greater energy density and proprietary avionics.



Figure 1: Archer Aviation, Inc., eVTOL aircraft



Figure 2: Archer Aviation, Inc., eVTOL aircraft test flight

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Stress test equipment	\$5,700
CAD Equipment	\$741,800
Electrical wiring interconnection system and circuit breakers	\$375,250
Battery cells	\$4,068,500
Flight test equipment	\$4,293,836
Production equipment, milling equipment, clay oven, etc.	\$40,000
Aircraft simulators, flight control system integration and testing	\$356,725
Chase aircraft	\$1,502,360
Hardware for pilot simulator, computer hardware	\$583,110
Lab buildout equipment	\$24,326,102
Furniture and fixtures for materials and processes lab	\$600,000
Laptops, decks, monitors	\$1,552,000
Engineering software and simulating models	\$640,494
Electric propulsion units, motor, inverters and test rigs	\$2,091,750
Tools and Equipment and testing parts	\$1,329,250
Laser Scanner, measuring equipment	\$1,854,000
Total	<u>\$44,360,877</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 that its facility is already constructed and operational, having been working on its prototype over the past few years, and will not require additional significant construction to install the Qualified Property. The Applicant explains it is still considering out-of-state locations for its main production facility but anticipates deciding soon and having the facility online by Q2 2023.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states its facility will not require additional permitting, but the Applicant will require a license from the Federal Aviation Administration to perform test flights, which is currently in progress.

COMPETITIVE CRITERIA SCORE

The Applicant received 170 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 (0 of 50 points)**. The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 4.9%.⁴ When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant zero points.
3. **Job Creation (55 of 75 points)**. The Applicant anticipates the Project will support a total of 557 production-related jobs at its Facility. CAEATFA estimates that approximately 33 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 55 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 Facility/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.

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

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 6,788 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 789 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (5,878 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 \$22,165,537, resulting in a Fiscal Benefits score of 5,878.
- B. **Environmental Benefits (789 points)**. The Project is anticipated to result in \$2,973,327 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 789 points. These benefits derive from the production of electric aircraft because these vehicles deliver a net reduction in energy consumption and carbon dioxide emissions relative to gasoline powered vehicles.
- C. **Additional Benefits (121 points)**. Applicants may earn additional points for their Total Score. The Applicant received 121 additional points.
 1. **Production Jobs (55 of 75 points)**. The Applicant anticipates the Project will support a total of 557 production-related jobs at its Facility. CAEATFA estimates that approximately 33 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 55 points.
 2. **Construction Jobs (0 of 75 points)**. The Applicant anticipates the Project will not support construction jobs at its Facility. Therefore, the Applicant earned zero points.
 3. **Unemployment (0 of 50 points)**. The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 4.9%.

When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant zero points.

4. **Non-CA Environmental Benefits (16 of 40 points)**. The Applicant's total value of out-of-state non-greenhouse gas emissions pollution benefits are valued at \$123,999.51 resulting in a Non-CA Environmental Benefits Score of 16 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 eVTOL aircraft production.
6. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental, vision, retirement contributions, education reimbursement, and paid leave benefits to its employees, earning the Applicant 25 points.

LEGAL QUESTIONNAIRE

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the 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 \$177,443.51.

RECOMMENDATION

Staff recommends the approval of Resolution No. 22-SM044-01 for Archer Aviation, Inc.'s purchase of qualifying tangible personal property in an amount not to exceed \$44,360,877 anticipated to result in an approximate STE value of \$3,770,675.

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

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

June 21, 2022

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Archer Aviation, 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 \$44,360,877 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

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.