

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Aptera Motors Corp.
Application No. 23-SM012**

Tuesday, July 18, 2023

Prepared By: *Stefani Wilde, Program Analyst*

SUMMARY

Applicant – Aptera Motors Corp.

Location – Carlsbad, San Diego County; Vista, San Diego County

Industry – Solar Electric Vehicle and Related Components Manufacturing

Project – Upgrade of Existing Solar Vehicle Manufacturing Facilities
(Advanced Transportation)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$81,180,644	\$6,786,702

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$6,934,479	1,022
Estimated Environmental Benefits	\$1,815,971	268
Additional Benefits	N/A	131
Total	\$8,750,450	1,421
Estimated Quantifiable Net Benefit	\$1,963,748	

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 8.36%.

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

Aptera Motors Corp. (the “Applicant”) is a Delaware corporation that formed in 2019. The Applicant is a solar mobility company that produces innovative, efficient solar-electric vehicles at its locations in Carlsbad and Vista.

The Applicant received a grant from the California Energy Commission (“CEC”) for \$22 million to support its solar electric vehicle manufacturing facilities. The Applicant entered into an agreement with the CEC in March of 2023.

The major shareholders (10.0% or greater) of the Applicant are:

- Michael Johnson Properties, Ltd. (27.38%)
- Chris Anthony (26.92%)
- Steve Fambro (26.92%)
- Patrick H. Quilter Trust (10.27%)

The corporate officers of the Applicant are:

- Chris Anthony, Co-Chief Executive Officer
- Steve Fambro, Co-Chief Executive Officer & Secretary
- Dong Lui, Director
- Brian W. Snow, Director

THE PROJECT

The Applicant is requesting a sales and use tax exclusion (“STE”) award to upgrade its existing solar electric vehicle manufacturing facilities located in Carlsbad and Vista. (the “Project”). The Applicant states its solar electric vehicle requires no charging for most daily use, which reduces environmental impact. According to the Applicant, its Project aims to manufacture an affordable vehicle that can deliver up to 40 miles of grid-free daily driving and up to a 1,000-mile range. According to the Applicant, it has a large group of subject matter experts which will contribute to the Project’s production line manufacturing, as well as mechanical, and electrical capabilities. The Applicant states its goal is to have its semi-automated line installed and online for high volume manufacturing of 10,000 vehicles per shift per year, including subassembly manufacturing. With two shifts held per day, the Applicant will be able to produce an average of 20,000 vehicles per year when at full capacity.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Wheel Pants, Powertrain, Thermal, Vision Systems, Accessories, Integration, Warehouse, Restraint System.	\$4,541,885
Closure Mechanism Production Tooling	\$1,605,000
Central Infotainment Display Tooling and Equipment	\$1,806,000
Tooling for Trim	\$2,028,840
AVG Lines, Tire Assembly & Final Inspection Station	\$3,058,000
Tooling for Light Series Installation	\$3,115,100
Interior Cross Car Beam Tooling, Seatbelt	\$13,129,262
Full Solar Program	\$22,683,314

Battery Module Assembly and BMS Tooling

	<u>\$29,213,243</u>
Total	<u>\$81,180,644</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 the Project is currently partially constructed and operational as it has been working on prototypes for the last few years. Additional construction build out will not be required to install the requested Qualified Property and the Applicant anticipates having the facility online by Q3 of 2024.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, additional building permitting will not be required, although an EPA emissions sticker will be required for each vehicle that is produced and that process has been started.

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 Project, and, therefore, 100 points are awarded.
2. **Unemployment (0 of 50 points)**. The Applicant's Facilities are located in San Diego County, which has an average annual unemployment rate of 3.5%.⁴ When compared to the statewide average annual unemployment rate of 4.3%, 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 584 production-related jobs at its Facilities. CAEATFA estimates that approximately 45.78 of these jobs will be attributable to a marginal increase in jobs

⁴ Unemployment rates are based on data available in October 2022.

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 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 1,421 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 268 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (1,022 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 \$6,934,479, resulting in a Fiscal Benefits score of 1,022.
- B. **Environmental Benefits (268 points)**. The Project is anticipated to result in \$1,815,971 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 268 points. These benefits derive from the manufacturing of solar electric vehicles since these vehicles deliver a net reduction in energy consumption and CO₂ emissions relative to comparable gasoline powered vehicle.
- C. **Additional Benefits (131 points)**. Applicants may earn additional points for their Total Score. The Applicant received 131 additional points.
 1. **Production Jobs (55 of 75 points)**. The Applicant anticipates the Project will support a total of 584 production-related jobs at its facilities. CAEATFA

estimates that approximately 45.78 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 support a total of 25 construction jobs at its facilities. CAEATFA estimates that approximately 1.96 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 (0 of 50 points)**. The Applicant’s Facilities are located in San Diego County, which has an average annual unemployment rate of 3.5%.⁵ When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant zero points.
4. **Non-CA Environmental Benefits (1 of 40 points)**. The Applicant’s total value of out-of-state non-greenhouse gas emissions pollution benefits are valued at \$17,433.93 resulting in a Non-CA Environmental Benefits Score of one point 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 the production of solar electric vehicles.
6. **Workforce Partnerships (25 of 25 points)**. The Applicant has a partnership with National Society of Black Engineers, Mira Costa College, Urban Teens Exploring Tech, for the purpose of assisting in the training of potential future workers, including workers from disadvantaged communities consisting of women and racial minorities.
7. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental, and vision benefits, bonuses, retirement contributions, profit sharing, transportation subsidies, retirement contributions, profit sharing, education reimbursement, employee discounts and paid leave 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.

⁵ Unemployment rates are based on data available in October 2022.

CAEATFA FEES

In accordance with STE Program regulations,⁶ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$324,722.58.

RECOMMENDATION

Staff recommends the approval of Resolution No. 23-SM012-01 for Aptera Motors Corp.'s purchase of qualifying tangible personal property in an amount not to exceed \$81,180,644 anticipated to result in an approximate STE value of \$6,786,702.

⁶ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH APTERA MOTORS CORP.**

July 18, 2023

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Aptera Motors Corp.** (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 \$81,180,644 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

Agenda Item – 4.A.21
Resolution No. 23-SM012-01

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.