

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Harbinger Motors Inc.
Application No. 24-SM013**

Tuesday, July 16, 2024

Prepared By: *Joel Schwartz, Technical Consultant, Blue Sky Consulting Group*

SUMMARY

Applicant – Harbinger Motors Inc.

Location – Garden Grove, Orange County

Industry – Electric Vehicle manufacturing

Project – New Medium Duty Electric Truck Manufacturing Facility (Advanced Transportation)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$64,153,481	\$5,414,554

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$18,268,371	3,374
Estimated Environmental Benefits	\$17,407,799	3,215
Additional Benefits	N/A	116
Total	\$35,676,170	6,705
Estimated Quantifiable Net Benefit	\$30,261,616	

Competitive Criteria Score – 145

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 8.44%.

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

Harbinger Motors Inc. (the “Applicant”) is a Delaware corporation that formed in 2021. The Applicant manufactures medium duty electric vehicles and is headquartered in Garden Grove.

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

John Harris (13.942%)
Phillip Weiker (13.942%)
William Eberts (13.942%)

The corporate officers of the Applicant are:

John Harris, Co-Founder, CEO
Phillip Weiker, Co-Founder, CTO
Phillip Weiker, Co-Founder, COO
Ben Dusastre, CFO
Michael Fielkow, General Counsel
Gilbert Passin, Chief Production Officer

THE PROJECT

The Applicant is requesting a sales and use tax exclusion (“STE”) award to build a new R&D and manufacturing facility for medium duty electric trucks located in Garden Grove. The Applicant manufactures not only the chassis, but also motors and batteries, and states it is the only EV truck company that can sell vehicles at the same cost as fossil fuel-powered alternatives because it is the only truck OEM in the USA making its own batteries and motors versus buying them from suppliers in China or elsewhere. According to the Applicant, its chassis is built to support all common medium duty body types such as commercial walk-in vans, recreational vehicles, box trucks, buses, emergency vehicles, etc. By 2027, the Applicant plans to produce 35,000 vehicles per year.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Battery & Drivetrain Machinery & Equipment	\$39,467,462
Battery, Drivetrain, Inverter, Chassis, Cab, Battery & Electrical Tooling	\$20,191,105
Facilities & Leasehold Improvements	\$4,485,534
Furniture & Fixtures	\$9,380
Total	<u>\$64,153,481</u>

Note: The Qualified Property purchases reported in the Application and shown here in staff’s report are estimated costs. In accordance with 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

According to the Applicant, Phase I (design and permitting) is complete; Phase 2 (design and additional permitting) is in review with Garden Grove; and Phase 3 and 4 (additional permitting and construction) have not started yet but are planned to be completed in April and November 2025, respectively. The facility's manufacturing line is currently in production at a production capacity of 500 vehicles/year and is expected to reach 2,000 vehicles/year in Q4 2025. Full manufacturing capacity (35,000 vehicles/year) is expected in 2027.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states that it has either applied for or received the following permits:

- Architecture/Structural (obtained as of October 2023)
- Mechanical (obtained as of August 2023)
- Electrical (obtained as of July 2023)
- Plumbing (obtained as of September 2023)

COMPETITIVE CRITERIA SCORE

The Applicant received 145 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 Orange County, which has an average annual unemployment rate of 3.4%.⁴ When compared to the statewide average annual unemployment rate of 4.6%, the Project location earned the Applicant zero points.
3. **Job Creation (30 of 75 points).** The Applicant anticipates the Project will support a total of 157 production-related jobs at its Facility. CAEATFA estimates that approximately 9.44 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.
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 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 2023.

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 6,705 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 3,215 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (3,374 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 \$18,268,371, resulting in a Fiscal Benefits score of 3,374.
- B. **Environmental Benefits (3,215 points).** The Project is anticipated to result in \$17,407,799 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 3,215 points. These benefits derive from electric trucks replacing diesel trucks.
- C. **Additional Benefits (116 points).** Applicants may earn additional points for their Total Score. The Applicant received 116 additional points.
 1. **Production Jobs (30 of 75 points).** The Applicant anticipates the Project will support a total of 150 production-related jobs at its Facility. CAEATFA estimates that approximately 9.44 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 (20 of 75 points).** The Applicant anticipates the Project will support a total of 96 construction jobs at its Facility. CAEATFA estimates that approximately 5.76 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 20 points.
 3. **Unemployment (0 of 50 points).** The Applicant's Project is located in Orange County, which has an average annual unemployment rate of 3.4%. When

compared to the statewide average annual unemployment rate of 4.6%, 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 \$175,194.97, 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 electric truck manufacturing.
6. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides health, medical, dental, and vision benefits, as well as bonuses 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 STE Program regulations,⁵ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$256,613.92.

RECOMMENDATION

Staff recommends the approval of Resolution No. 24-SM013-01 for Harbinger Motors Inc.'s purchase of qualifying tangible personal property in an amount not to exceed \$64,153,481, anticipated to result in an approximate STE value of \$5,414,554.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH HARBINGER MOTORS INC.**

July 16, 2024

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Harbinger Motors 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 \$64,153,481 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.