



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: 23-532

June 27, 2023

Introduced: 6/13/2023

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

Consider adopting a resolution establishing a Capital Investment Incentive Program (CIIP) and authorize the County Administrative Officer or Designee to negotiate a Community Services Agreement with Joby Aviation Inc. (Joby); Provide direction to staff.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Consider adopting a resolution establishing a Capital Investment Incentive Program (CIIP) and authorize the County Administrative Officer or Designee to negotiate a Community Services Agreement with Joby Aviation Inc. (Joby); Provide direction to staff.

SUMMARY & BACKGROUND:

The County of Monterey has worked closely with Joby Aviation Inc. (Joby) for several years and has provided support through various departments. Joby issued a request for proposals (RFP) for a competitive site selection for a 600,000+ square foot aircraft production and testing facility in December 2022. Several local partners (California State University Monterey Bay, City of Marina, County of Monterey Economic Development, County of Monterey Workforce Development Board, Monterey Bay Drone Automation & Robotic Technologies, Monterey Bay Economic Partnership, University of California Santa Cruz) came together to form a working group to respond to the Joby RFP. The group setup weekly meetings to discuss programs and incentives applicable to Joby. The group submitted a response to the RFP at Joby headquarters in Santa Cruz on March 3, 2023.

On March 8, 2023, economic development staff provided a quarterly recap of activities for FY22-23 Q2 to the Economic Development Committee, which included a brief overview of the Joby RFP. Jonathan Brown, representing the labor industry for the Economic Development Committee made a motion to draft a letter of support to Joby. Following this motion Supervisor Alejo, Vice Chair of the Economic Development Committee requested that the working group make a presentation to the Board of Supervisors at an upcoming Board Meeting.

On April 18, 2023, the Joby Retention Team (County of Monterey Economic Development Division, County of Monterey Workforce Development Board, California State University Monterey Bay, City of Marina, Monterey Bay Drone Automation & Robotic Technologies, Monterey Bay Economic Partnership, University of California Santa Cruz, and the Governor's Office of Business and Economic Development) provided a presentation to the Board of Supervisors regarding the response to Joby's RFP. Along with the motion to receive the report Supervisor Askew included that the County would review several incentive and support requests through Economic Development and the Economic Development Manager would bring back findings as soon as possible for further discussion and

review.

Following the Board presentation, the Joby Retention Team regrouped and worked closely with the State of California Governor's Office for Business and Economic Development (GO-Biz) on the Capital Investment Incentive Program (CIIP) to incentivize Joby to locate its manufacturing facility in Monterey County.

Capital Investment Incentive Program (CIIP)

Enacted in 1997 and extended in 2018, Government Code Section 51298-51298.5 established the CIIP to provide local government agencies with opportunities to attract large manufacturing facilities to invest in their communities and to encourage industries, such as high technology, aerospace, automotive, biotechnology, software, environmental sources, and others, to locate and invest in those facilities in California.

The CIIP is an existing program that enables local governments to offer a partial property tax rebate for up to 15 consecutive years for qualified manufacturing facilities for assessed property values in excess of \$150 million (must exceed \$150 million).

Any city or county seeking to offer assistance under the CIIP must first adopt a resolution by its governing body authorizing its staff to work with the State of California (GO-Biz) in participating in the CIIP and offering this incentive to qualified businesses. Companies seeking assistance under the CIIP must make a written request to the County of Monterey (County), provide a detailed description of the investment being contemplated and specify the number and types of jobs being created.

There are currently two CIIP projects publicly available that have taken place in the County of Los Angeles. An example of one project is provided below.

Ex. On June 30, 2015, the County of Los Angeles Board of Supervisors voted to execute a community services agreement with Lockheed Martin Corporation. Under this 15-year agreement, Lockheed Martin would invest approximately \$385,000,000 in new facilities and equipment at its Palmdale Location should it secure the Department of Defense contract to manufacture the Advanced Strategic Aircraft Program. This investment would add 1,100 direct high-skilled and high-paying jobs.

Should a resolution be approved, the local government agency (County) would then be able to submit the resolution to GO-Biz informing them that the County is interested in working with their office on the CIIP. This would begin the process allowing the County to engage with a potential qualified business regarding a community services agreement. The community services agreement would be a binding agreement between a qualified business and the County detailing the terms and conditions. This community services agreement would be negotiated and reviewed by the County Administrative Officer or Designee and brought back to the Board of Supervisors for review and approval at a date to be determined.

Joby Request & Estimates

Joby has requested assistance under the CIIP and intends to implement a major expansion of its facilities at the Marina Municipal Airport. This is estimated to include construction of a new

580,000 square foot building for the manufacturing and assembly of their eVTOL product. The investments in real and business personal property necessary for the full and normal construction and operation of the facility is an estimated \$585 million. Joby has projected a new facility would employ a total of 1,800 employees. Jobs created will generally be managers, analysts, engineers, software developers, technicians, assemblers, machinists, maintenance, and other support personnel.

This investment would provide new property tax revenue to the County. Under the CIIP, the County would assess the potential property in question to determine the base property tax. Once the base property tax is determined Joby's investment would need to result in an assessed valuation of greater than \$150 million plus the base to initiate the incentive. The assessed value above \$150 million plus the base would then be subject to a 75 percent property tax rebate. The amount of the property tax revenue generated by the new development must be reduced by the hierarchy of payments required by the Redevelopment Dissolution Act, which includes pass-through payments to the affected taxing entities before the remaining property tax revenue, known as residual revenue, can be distributed to the affected taxing agencies, including the County.

If a total of \$585 million is invested into the property, the County will continue to receive its current allocation of property tax, plus the County's portion of the ad valorem value of the next \$150 million in investment (the Base) before property tax will be subject to incentive payments. Joby's incentive payment, which is 75 percent of the net property tax received above the Base for a period of 15 years, is estimated to be \$13.2 million. The County would receive the remaining 25 percent for a period of 15 years, which is estimated at \$250,000 annually or \$3.7 million in total, in addition to the base property tax. At the end of the 15-year period, the incentive payments would terminate, and the County would receive its entire allocation of property tax.

Joby is in the final stages of selecting a location for the expansion of their manufacturing facility and the City of Marina has been identified as a potential location. This manufacturing project would create the first electric vertical take-off and landing aircraft (eVTOL).

The City of Marina City Council has recently passed a similar resolution to begin the CIIP process and begin discussions with GO-Biz and Joby Aviation.

Next Steps

Following the approval of this resolution the next step would be to implement the CIIP. The County and Joby Aviation could begin negotiations and potentially enter into a community services agreement subject to Board of Supervisors approval. The community services agreement would require Joby to commit to certain obligations, including a job creation plan specifying the number of jobs to be created with compensation ranges greater than the state average weekly wage; payment of an annual community services fee equal to 25 percent of the capital investment incentive amount; and other provisions.

The County Administrative Officer or Designee will notify GO-Biz upon the establishment of the CIIP Resolution.

OTHER AGENCY INVOLVEMENT:

Staff has consulted with County Counsel, Assessor County Clerk-Recorder, and Budget Director.

FINANCING:

If the development moves forward as indicated in the report and the Board approves the capital investment incentive program, property valuation at this location will increase by an estimated \$580 million and the corresponding property tax would also increase by an estimated \$5.8 million per year. The County's share of this annual amount is estimated at \$1,048,524 if no investment incentive program existed. The resulting net amount offered as a credit to Joby Aviation for the 15-year duration of the program is estimated at \$13,206,221. The County will also see increased property taxes estimated at \$250,000 annually for the duration of the incentive program. After the incentive program ends, the increased estimated annual property tax amount received by the County is estimated at \$1,411,179 assuming a 2% growth in property tax valuation for 15 years. In addition, the County will also receive economic benefit by helping to the growth of local jobs available to its residents.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Receiving this presentation supports the Board approved strategic initiatives.

Mark a check to the related Board of Supervisors Strategic Initiatives

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Approved by: Nick Chiulos, Assistant County Administrative Officer

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Attachments:

- Board Report
- Resolution
- Request for CIIP
- CIIP Estimate
- CIIP Manual
- CIIP PowerPoint