Agenda Item – 4.A.9
Resolution No. 26-SM030-01

CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY

Board Meeting Date: Tuesday, September 15, 2026

Request to Approve Project for a Sales and Use Tax Exclusion[1]

Archer Aviation, Inc and Archer Air LLC.
Application No. 26-SM030

Prepared By: *Willy Chen, Program Analyst*

SUMMARY

Applicant: Archer Aviation, Inc. and Archer Air LLC

Location: Salinas, Monterey County; San Jose, Santa Clara County
Industry: Electric Aircrafts

Project: Update and Expansion of Existing Electric Vertical Take-Off and Landing Aircrafts Manufacturing Facilities (Advanced Transportation)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion ("STE") Amount[2]
$176,000,000	$14,960,000

Estimated Net Benefit[3]	Dollar Value	Points Earned
Estimated Fiscal Benefits	$13,867,062	927
Estimated Environmental Benefits	$3,532,767	236
Additional Benefits	N/A	120
Total	**$17,399,829**	**1,283**
Estimated Quantifiable Net Benefit	$2,439,830	N/A

Previous Awards and Status: Three previous awards

- Award 1: Application No. 22-SM044, Award Year 2022, 100% Expended, Status: Complete, Compliant on Required Reports
- Award 2: Application No. 24-SM025, Award Year 2024, 66% Expended, Status: Active, Compliant on Required Reports

[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).)

- Award 3: Application No. 25-SM030, Award Year 2025, 15% Expended, Status: Active, Compliant on Required Reports

Competitive Criteria Score: 183

Staff Recommendation: Approval

THE APPLICANT

Archer Aviation, Inc. and its wholly owned subsidiary Archer Air LLC (collectively the "Applicant") are headquartered in San Jose. Archer Aviation, Inc., incorporated in 2018, is publicly traded on the New York Stock Exchange under the ticker ACHR. Archer Air LLC, formed in 2022, holds the Applicant's FAA certifications, and will operate the Applicant's air taxi operations. The Applicant is focused on developing, manufacturing, and commercializing electric vertical takeoff and landing ("eVTOL") aircraft and next-generation hybrid-electric VTOL platforms. Its aircraft are designed to be safe, quiet, and sustainable, with the production model optimized for short-distance urban air mobility trips, and its hybrid-electric platforms intended to support extended-range operations in both commercial and defense applications.

The corporate officers of the Applicant are:

- Adam Goldstein, Founder & CEO
- Priya Gupta, Interim Chief Financial Officer
- Eric Lentell, Chief Legal and Strategy Officer
- Benjamin Lyon, President of Aircraft OEM

THE PROJECT

Archer Aviation, Inc and Archer Air LLC. requests a sales and use tax exclusion ("STE") award to upgrade and expand its existing electric aircraft manufacturing facilities located in Salinas and San Jose (the "Project").

The Applicant's flight-testing facility near the Salinas Municipal Airport remains the central location for Archer's expanding test program, supporting ongoing certification-path testing of its Midnight aircraft as well as autonomous and hybrid-electric propulsion system development. The site continues to serve as the operational foundation for Archer's planned commercial air service and supports flight-readiness evaluations, route validation, and demonstration activities for federal, state, and industry partners.

Archer's integrated manufacturing and R&D facility in San Jose remains the company's primary hub for engineering, propulsion development, aircraft assembly, and systems integration. Planned upgrades and additional Qualified Property will support continued assembly of conforming aircraft for Federal Aviation Administration (FAA) certification and further development of hybrid-electric aircraft intended for longer-range commercial and government missions.

To accommodate growth, the Applicant has leased additional facilities in Newark, Santa Clara, and nearby locations to expand engineering, testing, and logistical support.

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases	Cost
Manufacturing and Production Equipment & Machinery	$82,000,000
Testing and Quality Control Equipment & Related Property	$11,000,000
Research & Development, Design, Engineering Property	$30,000,000
Buildout/Construction of Facilities, Upgrades and Improvements to Real Property	$50,000,000
IT, Computer, and Electronic Property	$2,000,000
Storage Systems, Logistics and Related Property	$1,000,000
Total	**$176,000,000**

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
The Applicant will continue purchasing and installing Qualified Property at its California facilities through 2027. Flight testing is ongoing at Salinas toward FAA certification. Midnight aircraft are progressing through validation and compliance testing as of January 2026.

Status of Permits/Other Required Approvals
The Applicant does not require additional certifications, permits, or approvals to conduct research, development, testing, production, or flight operations already underway. The Applicant has already obtained a Special Airworthiness Certificate from the Federal Aviation Administration (FAA) for its first Midnight aircraft, which allows it to conduct ongoing flight test operations in California. In mid-2024, the Applicant received its Part 135 Air Carrier and Operator Certificate from the FAA, enabling it to begin operating its aircraft commercially to refine flight systems and procedures in preparation for the launch of Midnight into commercial service. Most recently, in January 2026, the Applicant received full acceptance of its FAA Means of Compliance, clearing the way for final certification testing.

COMPETITIVE CRITERIA SCORE

The Applicant received 183 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 (38 of 50 points).** The Applicant's Project's primary Facility is located in Monterey County, which has an average annual unemployment rate of 7.5%.[4] When compared to the statewide average annual unemployment rate of 5.5%, the Project location earned the Applicant 38 points.

3. **Job Creation (30 of 75 points).** The Applicant anticipates the Project will support a total of 1,032 production-related jobs at its Facilities. CAEATFA estimates that approximately 36 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 maintains its Corporate Headquarters in San Jose, California, 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, as defined by CAEATFA, therefore, zero points are awarded.

PROJECT EVALUATION

Project Benefits

The Project received a Total Score of 1,283 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 236 points, which exceeds the 20-point threshold.

[4] Unemployment rates are based on data available in March 2026.

1. **<u>Fiscal Benefits (927 points)</u>.** 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 $13,867,062, resulting in a Fiscal Benefits score of 927.

2. **<u>Environmental Benefits (236 points)</u>.** The Project is anticipated to result in $3,532,767 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 236 points. These benefits derive from replacing fossil fuel powered vehicle trips with flights powered by electric aircraft.

3. **<u>Additional Benefits (120 points)</u>.** Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 120 Additional Benefits points.

   A. **<u>Production Jobs (30 of 75 points)</u>.** The Applicant anticipates the Project will support a total of 1,032 production-related jobs at its Facilities. CAEATFA estimates that approximately 36 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.

   B. **<u>Construction Jobs (0 of 75 points)</u>.** The Applicant anticipates the Project will support a total of 23 construction jobs at its Facilities. CAEATFA estimates that approximately one 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.

   C. **<u>Unemployment (38 of 50 points)</u>.** The Applicant's Project is located in Monterey County, which has an average annual unemployment rate of 7.5%. When compared to the statewide average annual unemployment rate of 5.5%, the Project location earned the Applicant 38 points.

   D. **<u>Non-CA Environmental Benefits (2 of 40 points)</u>.** The Applicant's total value of out-of-state non-greenhouse gas emissions pollution benefits are valued at $62,416.73 resulting in a Non-CA Environmental Benefits Score of 2 points for the Project.

   E. **<u>Research and Development Facilities (25 of 25 points)</u>.** The Applicant has verified that it has a facility located in California that performs research and development functions related to the production of its electric aircraft prototypes.

   F. **<u>Benefits and Fringe Benefits (25 of 25 points)</u>.** The Applicant states it provides medical, health, dental & vision benefits, retirement contributions, education reimbursement, and paid leave to its employees, earning the Applicant 25 points.

LEGAL STATUS 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.

WORKFORCE REQUIREMENT
The Applicant, individually or with its parent corporation and subsidiaries, employs 500 or more employees, and has certified that it, along with its contractors, will do all of the following:

(1) Provide comparatively good wage and benefits to the employees of the applicant or its subcontractors, relative to the industrial sector of the applicant or its subcontractors, occupation, and labor market of those employees.

(2) Invest in employee training, growth, and development, such as through comprehensive workforce training programs or apprenticeship programs.

(3) Adopt mechanisms to include worker voice and agency in the workplace.

CAEATFA FEES
In accordance with STE Program regulations,[5] the Applicant paid CAEATFA an Application Fee of $10,000 and will pay CAEATFA a total Administrative Fee of up to $350,000 should the Applicant be approved for an award. Upon execution of the Regulatory Agreement, the Applicant shall pay $175,000.

RECOMMENDATION
Staff recommends the approval of Resolution No. 26-SM030-01 for Archer Aviation, Inc. and Archer Air LLC's purchase of qualifying tangible personal property in an amount not to exceed $176,000,000 anticipated to result in an approximate STE value of $14,960,000. The initial term of the Regulatory Agreement will be for a period of five years, until September 15, 2031, and the full term shall be for a period of 12 years, until September 15, 2038, for providing annual compliance reports.

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

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

September 15, 2026

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority") has received the **Archer Aviation, Inc. and Archer Air LLC** (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 $176,000,000 over a period of five (5) 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 that do not affect eligibility, 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 for up to an additional thirty (30) days, if necessary.