

**Local Economic Development Act Hearing**

Case #2022-5

**LEDA-22-4:** Pajarito Powder LEDA Project

**REQUEST:** Approving an Ordinance for Pajarito Powder, LLC Pursuant to the Local Economic Development Act

**PROJECT SUMMARY:**

Pajarito Powder, LLC (“Pajarito Powder”), a New Mexico limited liability company legally registered and headquartered in New Mexico, is seeking the City of Albuquerque to be the fiscal agent for State LEDA funds to be used for the acquisition and construction of a catalyst manufacturing facility (the “Project”). Pajarito Powder has been approved for \$250,000 in State LEDA funds and seeking \$25,000 in City LEDA funds for the Project. The City will act as fiscal agent for the State’s LEDA funds.

Pajarito Powder anticipates occupying and operating its Project facilities and will hire and retain at least 51 employees as outlined in the Project Participation Agreement (PPA). Many of these jobs will provide opportunities and training for low/moderate income residents. The total payroll over ten (10) year will be \$3.47 Million. Pajarito Powder will maintain the Project’s operations in Albuquerque for a minimum of ten (10) years.

The ordinance would allow reimbursement of approved Project costs so Pajarito Powder can undertake the acquisition and construction for its new distribution facility located in Albuquerque of up to \$275,000. The total investment in the acquisition and construction for its new distribution facility is estimated at \$7,100,000.

Pajarito Powder, LLC is a venture-backed manufacturer of advanced catalysts for PEM and alkaline fuel cells and electrolyzers. Our primary products include Platinum Group Metal (PGM) catalysts and Engineered Catalyst Supports™ (ECS products) for Fuel Cell Electric Vehicles (FCEV), advanced catalysts for electrolyzers, Engineered Electrolyzer Catalysts™ (EEC products), and Precious Metal Free™ (PMF) catalysts that are entirely free of PGMs. Our proprietary VariPore© manufacturing platform provides the basis for high-performing, high-durability catalyst products, manufacturable at scale, today.

Pajarito Powder will be expanding and relocating its catalyst manufacturing facility from its current location in Albuquerque to another location within the city limits of Albuquerque. Pajarito Powder will be expanding and relocating its catalyst manufacturing facility from its current location in Albuquerque to another location. The expectation is that that new facility will be operational and fully qualified for customer shipments by the end of 2022. Internal build-out of existing buildings will be used exclusively for the Project

Pajarito Powder provides well-paid employment and opportunities to gain highly sought-after experience through on-the-job training. The jobs provided will exceed median wages for the industry in Albuquerque and are considered full-time positions, with full employee benefits.

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Pajarito Powder offers health insurance, and dental and vision insurance, 80% paid by the company for the employee and 50% paid by the company for spouse and dependents. The company also offers unit (stock) options for all employees in the company. Life insurance and AD&D coverage for employees will be implemented in 2022.

The Project will generate additional benefits and costs for local taxing districts, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages. Overall, the City will receive approximately \$471,398 in cumulative net benefits over the 10-year period. Pajarito Powder will maintain the Project's operations in Albuquerque for a minimum of ten (10) years.

The State of New Mexico and its local governments are empowered to offer discretionary incentives to companies that support economic development projects that foster, promote, and enhance local economic development efforts. Qualifying entities for these projects include:

**A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:**

**A business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in paragraph E of this definition; not including businesses primarily engaged in the sale of goods or commodities at retail;**

The LEDA application, as shown in Exhibit 1, provides details of the project and the number and types of jobs to be created.

Exhibit 2 delineates the required Project Participation Agreement ("PPA") between Pajarito Powder and the City. The PPA is summarized in Section V.

This project includes a fiscal impact analysis provided to the City from the New Mexico Economic Development Department, utilizing the IMPACT DataSource economic impact model. The fiscal impact determination of the project is from information the company provided. The analysis shows that the company will be making a substantive contribution to the community.

### **FINDINGS:**

1. LEDA 22-4 is a qualified project as defined by the State's Local Economic Development Act and the City enabling legislation (F/S O-04-10); and
2. LEDA 22-4 would make positive substantive contributions to the local economy and community by creating 51 base jobs; and

3. Subject to the development of acceptable security documents, LEDA 22-4 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including remaining in operation for 10 years; and

4. Subject to the development of acceptable security documents, LEDA 22-4 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects, including the requirement that the City recoup the value of its investment within 10 years.

**PROJECT ANALYSIS:** The project, as proposed in the project application, will be analyzed in accordance with the City's LEDA project evaluation criteria.

## **I. PROJECT ELIGIBILITY**

### **1. QUALIFYING ENTITY**

City enabling legislation (F/S O-04-10), as well as the State Local Economic Development Act, establishes a definition for a "Qualifying Entity" eligible for LEDA funding assistance. Pajarito Powder qualifies under the Act and the Ordinance by meeting the following definition:

**As stated in the Summary, qualifying entities for these projects include**

**A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:**

**1. An industry for the manufacturing, processing, or assembling of any 16 agricultural or manufactured products;**

### **2. ECONOMIC DEVELOPMENT POLICIES AND OBJECTIVES**

The City's enabling legislation also states that applications for LEDA assistance, which meet the policies and objectives of the City's community economic development plans, shall receive priority. Pajarito Powder qualifies as the type of project that meets the City's identified economic development priorities under (F/S O-04-10) in the following categories:

**(2) Private companies seeking to build, expand or relocate facilities;**

**(3) Private companies which provide facilities or services which enhance the ability of Albuquerque businesses to operate;**

**(6) Projects in industry clusters listed above are particularly encouraged,**

## **II. LAND USE, PLAN AND DESIGN ELEMENTS**

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### 1. PLAN & ZONING:

Current proposed site is an existing vacant building in Northeast Albuquerque. Legal address is 5555 McLeod NE. Legal description: LOT 3 OF TRACT S-1 OF THE LAND OF ASSOCIATED INVESTORS A CO-PARTNERSHIP. Note that this is currently under negotiation and if negotiations fall through, a different location will need to be secured.

The development site for Pajarito Powder is currently zoned as NON-RESIDENTIAL – BUSINESS PARK ZONE DISTRICT (NR-BP). IDO Zone District is MX-H, IDO District Definition is High Intensity

The project also conforms to the City’s Economic Development strategies:

Smart Recruitment, Retention, and Expansion – The Economic Development Department (EDD) is focused on recruiting companies from specific industries that build upon Albuquerque’s existing assets. The EDD supports new enterprise creation, cluster development, and strategic attraction and recruitment of businesses that align with and complement existing strengths.

### 2. LAND USE:

The proposed site is currently a vacant building that had been originally designed as a fitness club then refurbished as a school. It will be renovated on the inside to support the operations of the company. The new facility will allow expansion of the business to meet the current sales demand, allow the hiring of 51 new employees over the next 10 years, and ensure the continued viability of the company.

### 3. INFILL:



### 4. DESIGN AND CONSERVATION:

Manufacturing process is currently using 3,200 liters per month (850 gallons/month). With increases in production under the project, this will increase to 320,000 liters per month (85,000 gallons/month) before water reduction and re-use initiatives. Coupled with the increases in manufacturing we will both implement re-cycling programs and investigate the ability to directly re-use water.

No individuals, families, or businesses will be displaced by the activities outlined in this plan.

5. RENEWABLE ENERGY:

Pajarito Powder is a renewable energy technology company. All its products will ultimately be used in equipment for the generation or use of renewable energy, specifically electrolyzers for hydrogen generation, and fuel cells for zero emission hydrogen consumption for transportation, back-up and stationary energy applications.

**III. ECONOMIC BENEFITS**

6. COMPETITION:

There are no local companies that could potentially be considered as competitive with Pajarito Powder.

7. JOBS:

The salaries for the 51 jobs profiled meet or exceed the average for similar positions within the community.

These employment classifications, salaries, and benefits are more fully detailed below and attached as an exhibit to the application.

Pajarito Powder estimates that the majority of the new permanent jobs will be filled by current Albuquerque residents. No jobs will be relocated from another location. The jobs will exceed the median wages for the industry within the community and will match the skills of current city residents.

During the onboarding process, employees receive general company training as well as position-specific training. The duration of the training can vary and is based on the specific requirements of the position.

8. LOCAL PURCHASES

Current estimated annual expenditures subject to NM GRT: \$138,000. In the first full year after implementation of the project, this is expected to increase to approximately \$200,000, with an annual increase of 20% per year thereafter.

#### **IV. PROJECT FEASIBILITY**

**9. COST/ FEASIBILITY/ FINANCING:**

The Pajarito Powder project will be capitalized with the following capital structure:

- o Equity - \$2,650,000
- o Debt - \$460,000
- o Total Project Costs - \$3,110,000

Funding is subject to City Council approval.

**10. DEVELOPER'S RECORD:**

The developer has a demonstrated track record of success and growth. Find more information at: [www.pajaritopowder.com](http://www.pajaritopowder.com)

**11. EQUITY:**

Based upon financial information provided, the company appears capable of managing and completing the project. The company is venture-backed. Verge I II Combined is a venture capital fund, which makes investments into various companies.

**12. MANAGEMENT:**

Based on the description given in the project plan, management appears to be qualified to manage the project.

Owners over 20%:

Verge I II Combined, L.P.

Officers:

Thomas J. Stephenson, CEO and Chairman

Barr Zulevi, President and CTO

Managers (equivalent to directors in an LLC):

Christian Mohrdieck

Paul Short

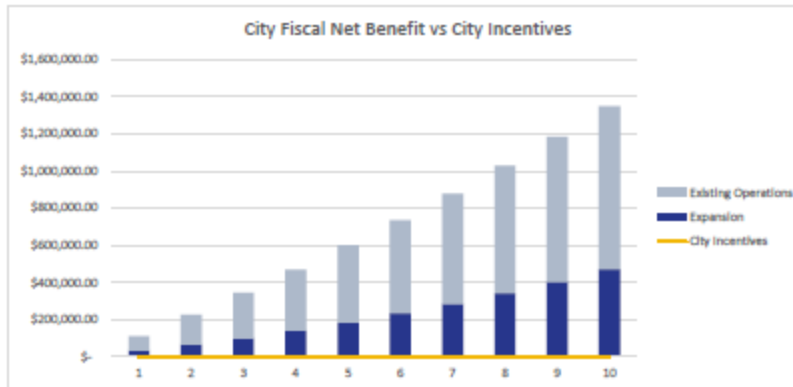
Thomas J. Stephenson (Chairman)

Sukhwan Yun

**13. FISCAL IMPACT ANALYSIS**

This project includes a fiscal impact analysis provided to the City from the New Mexico Economic Development Department, utilizing the IMPACT DataSource economic impact model.

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Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 32,094	\$ 949	\$ 31,145	\$ 31,145
2	\$ 33,774	\$ 1,455	\$ 32,319	\$ 63,464
3	\$ 38,301	\$ 1,973	\$ 36,328	\$ 99,792
4	\$ 43,395	\$ 2,745	\$ 40,650	\$ 140,442
5	\$ 47,266	\$ 3,292	\$ 43,974	\$ 184,416
6	\$ 52,104	\$ 3,972	\$ 48,132	\$ 232,548
7	\$ 57,312	\$ 4,668	\$ 52,645	\$ 285,193
8	\$ 62,497	\$ 5,379	\$ 57,118	\$ 342,311
9	\$ 68,047	\$ 6,106	\$ 61,941	\$ 404,252
10	\$ 73,996	\$ 6,850	\$ 67,146	\$ 471,398

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 140,234	\$ 29,658	\$ 110,576	\$ 110,576
2	\$ 144,262	\$ 30,811	\$ 113,452	\$ 224,027
3	\$ 151,195	\$ 31,989	\$ 119,207	\$ 343,234
4	\$ 168,754	\$ 33,436	\$ 125,318	\$ 468,552
5	\$ 165,150	\$ 34,674	\$ 130,476	\$ 599,028
6	\$ 172,575	\$ 36,060	\$ 136,515	\$ 735,543
7	\$ 180,436	\$ 37,478	\$ 142,958	\$ 878,501
8	\$ 188,338	\$ 38,927	\$ 149,411	\$ 1,027,912
9	\$ 196,673	\$ 40,409	\$ 156,263	\$ 1,184,175
10	\$ 205,476	\$ 41,925	\$ 163,551	\$ 1,347,726

**V. PROJECT PARTICIPATION AGREEMENT**

Pursuant to the Local Economic Development Act, Sections 5-10-1 to 5-10-13 NMSA 1978 ("LEDA"), the City adopted Ordinance No. F/S 04-10 (the "LEDA Ordinance"), approving an economic development plan for the City and authorizing the City to consider applications for economic development assistance. The Ordinance calls for the preparation and approval of a Project Participation Agreement (PPA), which is the formal document, which states the contributions and obligations of all parties in the LEDA project. The agreement must clearly state the following items:

- (1) The economic development goals of the project;**
- (2) The contributions of the City and the qualifying entity;**
- (3) The specific measurable objectives upon which the performance review will be based;**

- (4) A schedule for project development and goal attainment;**
- (5) The security being offered for the City's investment;**
- (6) The procedures by which a project may be terminated and the City's investment recovered; and,**
- (7) The time period for which the City shall retain an interest in the project. Each project agreement shall have a "sunset" clause after which the City shall relinquish interest in and oversight of the project.**

**B. Each project participation agreement shall be adopted as an ordinance and adopted by the Council at a public hearing.**

The primary terms of the Pajarito Powder Project Participation Agreement are summarized and attached as an Exhibit.

1. Goals and Objectives. The goals and objectives of the Project are to create and support an economic development project that fosters, promotes, and enhances local economic development efforts. The goal is that the Project will provide job growth and career opportunities for Albuquerque-area residents and otherwise make a substantive contribution to the community as set forth in this Agreement and in the Pajarito Application.
2. Company Contribution. Pajarito shall undertake certain acquisition, renovations and improvements to the Project Facility; and anticipates occupying and operating the Project Facility commencing on or about \_\_\_\_\_, 2022, contingent upon the requisite Certificate of Occupancy from the City; will use the Project Facility for the research, development, and manufacturing of green energy technology including catalyst manufacturing; and will hire and retain employees as contemplated by this Agreement, all in accordance with the schedule and other terms and conditions set forth in this Agreement. Pajarito will maintain the Project's operations in Albuquerque for a minimum of ten (10) years. Pajarito will comply with all applicable laws in connection with the operation of the Project Facility and will timely pay all applicable property taxes with respect thereto.
3. The State Contributions; Procedure for Disbursement of the State Contributions. The City anticipates that the State Contribution of \$250,000 will be delivered to the City for subsequent disbursement to Pajarito, following enactment of the Project Ordinance and execution of this Agreement and an intergovernmental agreement between the State and the City. The City will submit an invoice to the State and request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contribution to Pajarito in the manner described in this Agreement. The State Contribution will be distributed upon achieving certain benchmarks.



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\$150,000 in Project reimbursement distributed upon Pajarito obtaining an occupancy permit for the Project Facility.

\$100,000 in Project reimbursements distributed upon hiring an additional 8 employees on or before January 31, 2023 bringing total employment to 18.

Pursuant to Section 11, reimbursement requests shall include a copy of Pajarito's most recent quarterly Department of Workforce Solutions 903A, or its equivalent, to substantiate current employment levels. Payments may be withheld if Pajarito is not in good standing with City, State, or Federal agencies.

4. The City Contribution. Pursuant to the Project Ordinance and the LEDA Ordinance, the City has committed the amount of \$25,000 for use in connection with the Project. As required by the LEDA Ordinance, the City will deposit the proceeds of the City Contribution into a clearly identified separate account, which account will be subject to an annual independent audit. City funds will be dispensed upon Pajarito obtaining an Occupancy Permit for the Facility and hiring \_\_\_\_\_ additional full-time employees by January 31, 20\_\_, bringing total employment to \_\_\_\_\_.

5. Time Commitment. Pajarito intends to invest approximately [\$1,250,000] for the acquisition, renovation, and improvement of the Project Facility and completion of the Project. Increased operations at the Project Facility are expected to begin following completion of renovations and improvements or as soon thereafter as possible. Pajarito will continue to occupy the Project Facility and diligently conduct operations in the Project Facility in the manner contemplated by this Agreement at least through January 31, 2032.

5. Use of Public Contributions. Pajarito will be eligible for reimbursement of up to \$250,000 for costs of the acquisition, renovation and improvement actually incurred after the date hereof and paid for, subject to the receipt by the City of the State Contribution. The City will make payment to Pajarito following submission to the City of documentation reasonably satisfactory to the City evidencing receipt of the Occupancy Permit with respect to the Project, and meeting the occupancy operations, and job creation targets.

No Project funds will be used to reimburse expenses from any individuals or a company that has a financial interest in Pajarito or its employees.

6. Job Commitment and Clawbacks.

A. Number of Jobs. Pajarito will employ at least at least the following: 2023-8 new employees for total employment of 18, 2024-4 new employees for total employment of 22, 2025-4 new employees for total employment of 26, 2026-6 new employees for total employment of 32, 2027-4 new employees for total employment of 36, 2028-5 new employees for total employment of 41, 2029-5 new employees for total employment of 46, 2030-5 new employees for total employment of 51, 2031-5 new

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employees for total employment of 56, and 2032-5 new employees for total employment of 61, at an average salary of at least \$63,000 plus benefits, and maintenance of at least 90% of projected employees through January 31, 2032 as measured for the preceding year on an annual basis beginning January 31, 2023. A Job will represent an employment position for a person for at least one pay period consisting of at least 32 hours of work per week and offering the employee the full range of benefits offered to other similarly situated Pajarito employees. Positions filled by contract, part-time and temporary workers will not be considered Jobs. All references herein to “employees” mean employees in Jobs as contemplated by this Section 8.A.

B. Wages and Benefits. Pajarito anticipates that the Jobs will fall within the wage ranges and will come with the benefits shown on Exhibit B. However, failure to meet the wage and benefit projections shown on Exhibit B shall not constitute an Event of Default (defined below) or form the basis for any clawback payment as long as the wage and benefit projections fall within 90% of those projected in Exhibit B.

C. Performance Clawbacks. If Pajarito does not employ and maintain at least 90% of the required number of full-time employees as set forth in Section 8.A herein by January 31, 2023, or by January 31 of any year thereafter through the year 2032, then subject to the remainder of this Section 8.C, Pajarito will repay to the City, within sixty (60) days of the due date of the annual report referred to in Section 12 below, the State Contribution paid on behalf of Pajarito pursuant to this Agreement that has already been disbursed to Pajarito for such year as of the date of repayment (the “Performance Clawback”) in accordance with the following table:

<b>Job Creation Commitment and Schedule</b>						
<u>Year</u>	<u>Annual Full Time Job Creation Target</u>	<u>Min Job* (90% of target new jobs)</u>	<u>Cumulative Payroll for New Jobs</u>	<u>Job Determination Period</u>		<u>%-Clawback</u>
1	10+8=18	10+8=18	\$988,432	Ordinance Date	1/31/22	100%
2	18+4=22	18+3=21*	\$1,418,125	01/01/22	1/31/23	100%
3	22+4=26	21+4=25	\$1,690,048	01/01/23	1/31/24	100%
4	26+6=32	25+5=30*	\$1,967,623	01/01/24	1/31/25	100%
5	32+4=36	30+4=34	\$2,132,575	01/01/25	1/31/26	75%
6	36+5=41	34+4=38*	\$2,384,512	01/01/26	1/31/27	50%
7	41+5=46	38+5=43	\$2,644,627	01/01/27	1/31/28	50%
8	46+5=51	43+4=47*	\$2,913,130	01/01/28	1/31/29	25%

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9	51+5=56	47+5=52	\$3,190,238	01/01/29	1/31/30	25%
10	56+5=61	52+4=56*	\$3,476,173	01/01/30	1/31/31	25%
<i>Total</i>	10 + 51 = 61					
Additional Notes: Starting Headcount 10 as of 1/31/2022 as defined by ES903A or its equivalent shown as Exhibit B						

For the purposes of this table:

(i) The “Clawback Penalty” is a penalty that Pajarito will be required to pay to the City upon Pajarito’s failure to meet the Job Target on or before the conclusion of the applicable Job Determination Period, if such Job Target is not otherwise reached by Pajarito during the Cure Period. The Clawback Penalty shall be equal to the product of the Percentage Hiring Shortfall (as defined herein), multiplied by the total amount of funds paid under this Agreement to Pajarito as of that time. For purposes of this subsection, the “Percentage Hiring Shortfall” shall be the quotient of (i) the Minimum Full-Time Job Creation for the applicable Job Determination Period, minus the actual number of jobs Pajarito maintains at the Project Facility at that time, divided by (ii) the Minimum Full-Time Job Creation for the applicable Job Determination Period. See Exhibit D hereto for examples of Clawback Penalty Calculations. Notwithstanding anything herein to the contrary, in no event shall the aggregate Clawback Penalty paid by Pajarito exceed the total amount of funds paid under this Agreement.

(ii) “Cure Period” is the period of 180 days after the end of each Job Determination Period during which time Pajarito shall have the opportunity to cure any shortfall in meeting the Minimum Full-Time Job Creation. For the avoidance of doubt, if Pajarito meets the Minimum Full-Time Job Creation at any time during the Cure Period, Pajarito shall have no obligation to pay a Clawback Penalty corresponding to the applicable Job Determination Period. If Pajarito fails to reach the Job Target during the Cure Period, Pajarito shall pay the City a Clawback Penalty determined in accordance with the table set forth above.

(iii) A “Job” means a permanent, full-time employment position (at least 32 hours per week) offering the employee the full range of benefits offered to other full-time employees of Pajarito.

Notwithstanding the foregoing, if Pajarito fails to employ the required full-time employees as identified in Section 7.A herein, and believes Business Climate Changes were the cause for its failure to meet such requirements, Pajarito will so advise the City and State EDD in writing describing the Business Climate Changes in detail. “Business Climate Changes” mean substantial changes outside of the control of Pajarito, in the segment of the business management and support industry in which Pajarito operates, that cause a significant decrease in the amount of sales Pajarito is able to achieve. The

shifting of Pajarito operations to another Project, whether within or outside of Albuquerque, will not constitute a Business Climate Change.

If the State determines that Business Climate Changes affect the ability of Pajarito to maintain employment levels, it may waive or modify the Performance Clawback. Any Performance Clawback due will be paid within 15 days after the State EDD notifies Pajarito of its decision. If Pajarito does not attribute the failure to meet employment requirements to Business Climate Changes, the payment of any Performance Clawback due will be submitted to the City within ten (10) days after the due date of the annual report reflecting the failure to maintain the required employment level.

D. **Project Closure Clawback.** Should Pajarito cease operation, or notify the City and State of its intent to cease operation, of the Project (i.e., cease to conduct operations at the Project Facility) before January 31, 2032, Pajarito shall, within ninety (90) days of the cessation of operations, pay to the City, in cash, an amount equal to a specified percentage of the amount of the State Contribution paid pursuant to this Agreement, with the specific percentage based on the date of cessation of operations in accordance with the following table (each percentage inclusive of any Performance Clawback already paid by Pajarito):

Date of Cessation of Operations	Percent of Public Contributions to be Repaid
Years 1-5 (Year 1 shall commence on the first of the year of the date of passing of this Ordinance. All subsequent years are based on that anniversary date.)	100%
Year 6	75%
Year 7	50%
Year 8	25%
Year 9	25%
Year 10	25%

Winding down of the Company’s operations at the Project in preparation for a cessation of operations may be considered a cessation of operations, and any such determination will be made by the State in its sole reasonable discretion.

E. Maximum Clawback; Unpaid Payments. Notwithstanding anything herein to the contrary, the maximum aggregate clawback payable hereunder will

be \$250,000, not including interest. Any clawbacks not paid when due shall bear interest at the Prime Rate plus 2% per annum from the due date until paid. "Prime Rate" means the U.S. prime rate as reported from time to time in *The Wall Street Journal* in its Bonds, Rates and Yields table, or successor table.

7. Security. To secure the performance of its obligations under this Agreement, prior to Pajarito receipt of any part of the State Contribution, Pajarito shall furnish the City with a surety bond, or some alternative form of security in a form mutually acceptable to the parties (the "Security"). The maximum obligation secured by the Security (the "Maximum Obligation") will be \$250,000.

8. Events of Default and Remedies.

A. Failure to Comply with Obligations. Failure by Pajarito to comply with any obligation under this Agreement, including without limitation, the failure to make timely payment of any clawback payment due hereunder, shall be an Event of Default. Notwithstanding the foregoing, failure to meet employment projections or failure to meet wage and benefit projections shall not be considered an Event of Default; however, the failure to make timely payment of any clawback payment due as a result thereof shall be an Event of Default.

B. Notice of Event of Default. If any Event of Default occurs, the City shall notify Pajarito in writing specifying the alleged failure's nature and, where appropriate, how the alleged failure may be cured, and Pajarito shall have thirty (30) days in which to cure such Event of Default; but if the Event of Default is of a nature requiring more than thirty (30) days to cure, Pajarito shall have up to an additional sixty (60) days to cure the alleged failure unless the City agrees to provide Pajarito with additional time to cure the alleged failure. If the Event of Default is not cured within such thirty-day period, the City shall have and may exercise any remedies available at law or in equity.

9. Fees. Pajarito will promptly pay or reimburse the City for all reasonable third-party expenses incurred by the City in connection with this Agreement and the Project, provided, however, that Pajarito shall not be liable for costs incurred by the City that are the responsibility of the City in the ordinary course of business. If so determined by the City, in its sole discretion, such third-party expenses may be offset against or reimbursed from the State Contribution. Although the City does not anticipate incurring significant third-party expenses during the term of this Agreement, such expenses shall consist of expenses associated with performance reviews or audits with respect to the Project and legal fees for outside counsel in the event of any proposed amendment to this Agreement or any necessary enforcement action with respect to this Agreement.

10. Annual Reporting Requirement, Performance Review and Termination. Annually (beginning in 2023), on or before April 1 or other date specified by the City, Pajarito will provide to the City data for the previous calendar year regarding its workforce and such other information necessary for the City or its independent contractor to determine whether Pajarito has met its obligations under this Agreement. As required by the LEDA Ordinance, the Project will be subject to an annual performance review conducted by City staff, which will evaluate whether the Project is attaining the goals and

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objectives set forth in Section 1 of this Agreement. This review shall be presented to the City administration and the City Council. If the goals and objectives are not being attained, the City Council at a public hearing may terminate assistance to the Project by passage of an ordinance which terminates this Agreement and specifies the disposition of all assets and obligations of the Project, after satisfying this Agreement and all rights of the parties arising under this Agreement through the date of such termination. In addition, pursuant to LEDA, the City may enact an ordinance terminating the LEDA Ordinance and dissolving or terminating any or all projects. In the event that the City terminates the LEDA Ordinance or this Agreement, the City will specify the disposition of all assets and obligations of the Project after satisfying this Agreement and all rights of the parties arising under this Agreement through the date of such termination.

Additionally, Pajarito will provide to the State EDD their most recent quarterly Department of Workforce Solutions 903A Report or its equivalent on a quarterly basis beginning with January 31, 2023 and continuing on April 30, July 31, and October 31 of each year until the completion of this agreement.

### **FINDINGS:**

1. LEDA 22-4 is a qualified project as defined by the State's Local Economic Development Act and the City enabling legislation (F/S O-04-10); and
2. LEDA 22-4 would make positive substantive contributions to the local economy and community by creating 51 base jobs; and
3. Subject to the development of acceptable security documents, LEDA 22-4 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including remaining in operation for 10 years; and
4. Subject to the development of acceptable security documents, LEDA 22-4 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects, including the requirement that the City recoup the value of its investment within 10 years.

### **STAFF RECOMMENDATION:**

Based on the above findings, staff recommends approval of LEDA 22-4 as proposed in the project plan application.

Economic Development Department



9/8/2021

## FISCAL IMPACT ANALYSIS AND ECONOMIC IMPACT OF THE CURRENT OPERATIONS AND EXPANSION OF PAJARITO POWDER

Prepared by:

New Mexico Economic Development Department  
Joseph Montoya Building  
1100 S. St. Francis Drive  
Santa Fe, New Mexico 87505





## Purpose and Limitations:

This report and analysis, provided by the New Mexico Economic Development Department, relies on prospective estimates of business activity. These estimates, which are provided by the company, may not be realized due to unforeseen events that are outside the control of the company and unknown to the New Mexico Economic Development Department.

The New Mexico Economic Development Department made reasonable efforts to ensure that the estimates provided by the company, are realistic estimates of future activity.

The model was created by the New Mexico Economic Development Economists and used assumptions to generate the final report. The report and analysis provided by the New Mexico Economic Development Department is not a guarantee that any of the estimates or results contained in this report will actually be achieved.



## Introduction:

This report and analysis presents the results of an economic impact analysis performed using a model developed by the New Mexico Economic Development Department. The report estimates the impact that a potential project may have on the state and local economies and estimates the costs and benefits for the state and local economies over a 10-year period. The report and analysis uses RIMS II Multipliers produced by the U.S. Bureau of Economic Analysis (BEA).

Most projects produce a growth in population and/or a growth in the workforce in a City, County and the State of New Mexico. All growth comes at a cost, the additional economic activity and population growth stimulated by the project will generate additional costs in terms of providing basic infrastructure (roads and utilities) and public services (including public safety and schools). For example, if the applicant hires employees from outside the State, County and City, those workers who end up relocating their residence to within one or all of those areas, the population for which the government must provide services also increases. The costs associated with the expansion are broken down into two categories: 1) New residents to the State, County and City. 2) New Mexican residents hired to work for the company. The analysis assumes that all workers will live in the area of the expansion.

## Description of the Company:

Pajarito Powder, LLC is a venture-backed manufacturer of advanced catalysts for PEM and alkaline fuel cells and electrolyzers. Our primary products include Platinum Group Metal (PGM) catalysts and Engineered Catalyst Supports™ (ECS products) for Fuel Cell Electric Vehicles (FCEV), advanced catalysts for electrolyzers, Engineered Electrolyzer Catalysts™ (EEC products), and Precious Metal Free™ (PMF) catalysts that are entirely free of PGMs. Our proprietary VariPore© manufacturing platform provides the basis for high-performing, high-durability catalyst products, manufacturable at scale, today.

## Description of the Project:

Pajarito Powder will be expanding and relocating its catalyst manufacturing facility from its current location in Albuquerque to another location within the city limits of Albuquerque.



# Total Impacts

## Fiscal Impact of Existing and Expanded Operations Over the Next Ten Years

### Cumulative Net Benefits

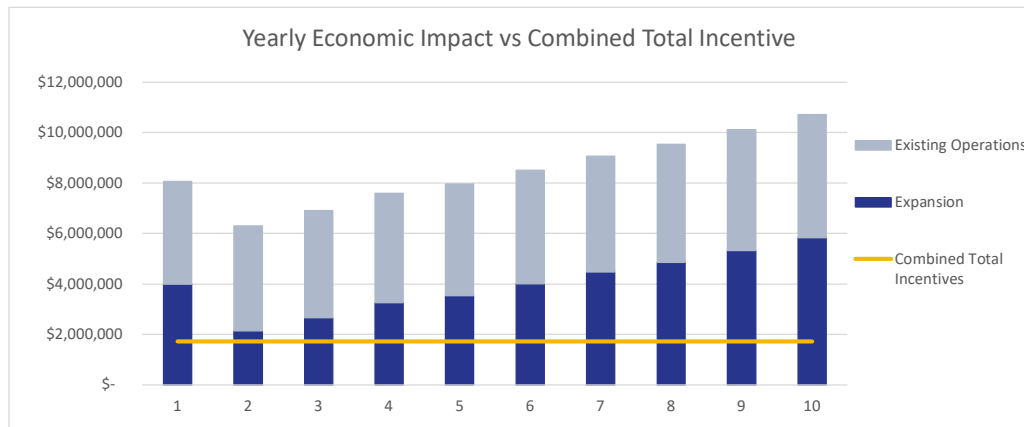
	Existing Operations	Expansion	Existing & Expanded Operations	Present Value of Net Benefits*
State of New Mexico	\$ 1,942,503	\$ 3,126,621	\$ 5,069,124	\$ 3,861,074
County	\$ 472,370	\$ 248,883	\$ 721,253	\$ 576,507
City	\$ 876,328	\$ 471,398	\$ 1,347,726	\$ 1,073,362
School District	\$ 77,324	\$ 67,097	\$ 144,420	\$ 118,898
Special Taxing District	\$ 74,546	\$ 61,721	\$ 136,267	\$ 112,112
<b>Total</b>	<b>\$ 3,443,071</b>	<b>\$ 3,975,719</b>	<b>\$ 7,418,790</b>	<b>\$ 5,741,952</b>

\* The Present Value of Net Benefits expresses the future stream of net benefits received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.

\*\* In the cumulative net benefits of the existing and expanded operations for the State of New Mexico, corporate income tax has been removed from the existing operations total to avoid double counting.

### Total Economic Impact

	Total
Combined Estimated Economic Impact Over 10 Years:	\$ 84,771,664
Combined Total Incentive Over 10 Years:	\$ 1,728,754
Economic Impact Rate of Return:	4,804%

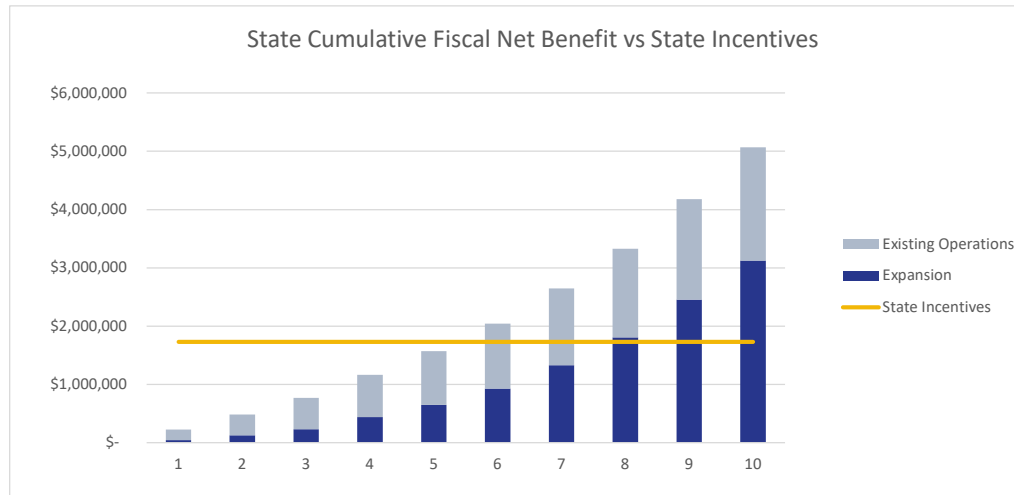


### Workers and New Residents over 10 years

	Direct	Indirect and Induced
Number of Jobs Created:	51	72
Estimated Number of Construction Workers:	0	
Estimated Number of New Residents to the State:	5	
Estimated Number of New Residents to the County:	9	
Estimated Number of New Residents to the City:	9	

# State Impacts





### Incentives

Total State Incentive:	\$ 1,728,754
State Incentive Per Job:	\$ 33,897

### Combined Payback and Return

State Payback Period Combined:	5.33 Years
State Rate of Return Combined:	123%

### Expansion Only Payback and Return

State Payback Period Expansion:	7.83 Years
State Rate of Return Expansion:	33%

### State Net Benefits Of Current Operations

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 203,448	\$ 27,681	\$ 175,767	\$ 175,767
2	\$ 207,925	\$ 28,304	\$ 179,620	\$ 355,387
3	\$ 212,506	\$ 28,941	\$ 183,565	\$ 538,952
4	\$ 217,195	\$ 29,592	\$ 187,603	\$ 726,554
5	\$ 221,994	\$ 30,258	\$ 191,736	\$ 918,290
6	\$ 226,907	\$ 30,939	\$ 195,968	\$ 1,114,258
7	\$ 231,935	\$ 31,635	\$ 200,300	\$ 1,314,558
8	\$ 237,083	\$ 32,347	\$ 204,736	\$ 1,519,295
9	\$ 242,353	\$ 33,075	\$ 209,278	\$ 1,728,573
10	\$ 247,749	\$ 33,819	\$ 213,930	\$ 1,942,503

### State Net Benefits Of Expansion

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 50,202	\$ 915	\$ 49,287	\$ 49,287
2	\$ 82,744	\$ 1,403	\$ 81,341	\$ 130,628
3	\$ 103,857	\$ 1,902	\$ 101,955	\$ 232,583
4	\$ 209,316	\$ 2,647	\$ 206,670	\$ 439,253
5	\$ 217,286	\$ 3,174	\$ 214,112	\$ 653,366
6	\$ 282,984	\$ 3,830	\$ 279,155	\$ 932,520
7	\$ 405,297	\$ 4,500	\$ 400,797	\$ 1,333,317
8	\$ 481,339	\$ 5,186	\$ 476,152	\$ 1,809,470
9	\$ 648,772	\$ 5,888	\$ 642,885	\$ 2,452,354
10	\$ 680,871	\$ 6,605	\$ 674,266	\$ 3,126,621

### State Combined Net Benefits

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 253,649	\$ 28,596	\$ 225,053	\$ 225,053
2	\$ 290,669	\$ 29,707	\$ 260,962	\$ 486,015
3	\$ 316,363	\$ 30,843	\$ 285,520	\$ 771,535
4	\$ 426,511	\$ 32,239	\$ 394,272	\$ 1,165,807
5	\$ 439,280	\$ 33,432	\$ 405,849	\$ 1,571,656
6	\$ 509,891	\$ 34,769	\$ 475,123	\$ 2,046,779
7	\$ 637,233	\$ 36,136	\$ 601,097	\$ 2,647,876
8	\$ 718,422	\$ 37,533	\$ 680,889	\$ 3,328,764
9	\$ 891,125	\$ 38,962	\$ 852,163	\$ 4,180,927
10	\$ 928,620	\$ 40,424	\$ 888,196	\$ 5,069,124

### State Breakdown of Combined Benefits, Costs, and Net Benefits Over the Next 10 Years

#### Taxes and Revenue

Gross Receipt Taxes	\$ 2,016,735
Personal Income Taxes	\$ 2,859,733
Corporate Income Taxes	\$ -
Misc. Taxes and Revenue	\$ 535,297
<b>Subtotal of Benefits</b>	<b>\$ 5,411,765</b>

#### Costs

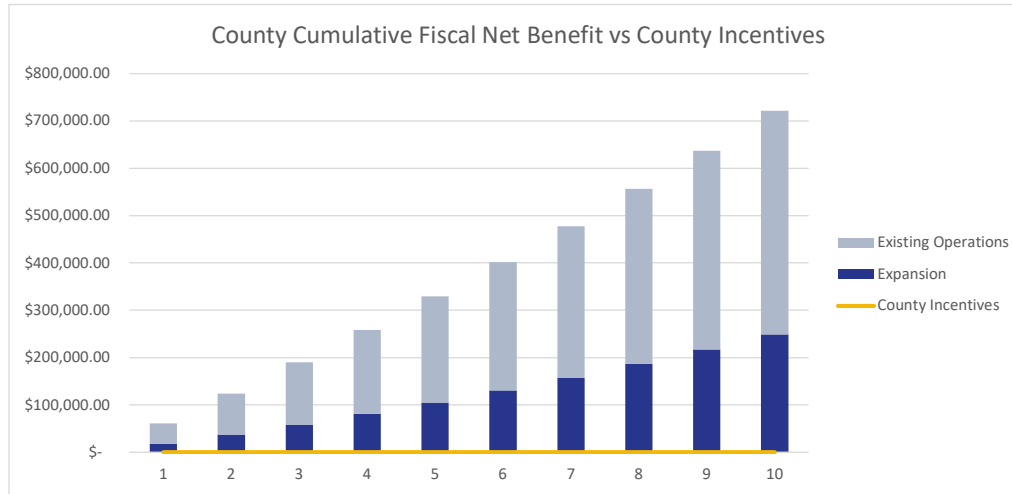
Costs	\$ 342,641
<b>Subtotal of Costs</b>	<b>\$ 342,641</b>

#### Net Benefits

<b>Net Benefits</b>	<b>\$ 5,069,124</b>
<b>Present Value</b>	<b>\$ 3,861,074</b>

# County Impacts





### Incentives

Total County Incentive:	\$	-
County Incentive Per Job:	\$	-

### Combined Payback and Return

County Payback Period Combined:	-	Years
County Rate of Return Combined:	N/A	

### Expansion Only Payback and Return

County Payback Period Expansion:	-	Years
County Rate of Return Expansion:	N/A	

### County Net Benefits Of Current Operations

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 46,131	\$ 3,190	\$ 42,941	\$ 42,941
2	\$ 47,094	\$ 3,262	\$ 43,833	\$ 86,773
3	\$ 48,082	\$ 3,335	\$ 44,747	\$ 131,520
4	\$ 49,094	\$ 3,410	\$ 45,684	\$ 177,204
5	\$ 50,132	\$ 3,487	\$ 46,645	\$ 223,850
6	\$ 51,196	\$ 3,565	\$ 47,631	\$ 271,480
7	\$ 52,287	\$ 3,646	\$ 48,641	\$ 320,122
8	\$ 53,405	\$ 3,728	\$ 49,678	\$ 369,799
9	\$ 54,552	\$ 3,811	\$ 50,741	\$ 420,540
10	\$ 55,728	\$ 3,897	\$ 51,831	\$ 472,370



### County Net Benefits Of Expansion

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 17,677	\$ 105	\$ 17,571	\$ 17,571
2	\$ 19,902	\$ 162	\$ 19,740	\$ 37,311
3	\$ 21,307	\$ 219	\$ 21,088	\$ 58,400
4	\$ 23,108	\$ 305	\$ 22,803	\$ 81,203
5	\$ 24,299	\$ 366	\$ 23,933	\$ 105,136
6	\$ 25,907	\$ 441	\$ 25,465	\$ 130,601
7	\$ 27,710	\$ 519	\$ 27,191	\$ 157,792
8	\$ 29,273	\$ 598	\$ 28,676	\$ 186,468
9	\$ 30,988	\$ 678	\$ 30,309	\$ 216,777
10	\$ 32,867	\$ 761	\$ 32,106	\$ 248,883

### County Combined Net Benefits

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 63,807	\$ 3,295	\$ 60,512	\$ 60,512
2	\$ 66,996	\$ 3,423	\$ 63,573	\$ 124,085
3	\$ 69,389	\$ 3,554	\$ 65,835	\$ 189,920
4	\$ 72,202	\$ 3,715	\$ 68,487	\$ 258,407
5	\$ 74,431	\$ 3,853	\$ 70,578	\$ 328,985
6	\$ 77,103	\$ 4,007	\$ 73,096	\$ 402,081
7	\$ 79,997	\$ 4,164	\$ 75,833	\$ 477,914
8	\$ 82,679	\$ 4,325	\$ 78,353	\$ 556,267
9	\$ 85,540	\$ 4,490	\$ 81,050	\$ 637,317
10	\$ 88,595	\$ 4,658	\$ 83,936	\$ 721,253

### County Breakdown of Combined Benefits, Costs, and Net Benefits Over the Next 10 Years

#### Taxes and Revenue

Gross Receipt Taxes	\$ 614,070
Misc. Taxes and Revenue	\$ 11,543
Property Taxes	\$ 135,125
<b>Subtotal of Benefits</b>	<b>\$ 760,738</b>

#### Costs

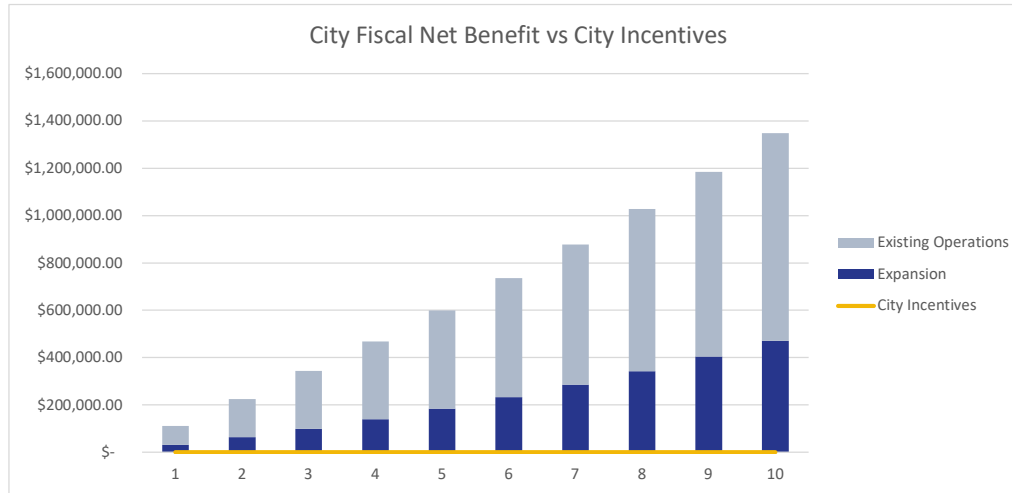
Costs	\$ 39,485
<b>Subtotal of Costs</b>	<b>\$ 39,485</b>

#### Net Benefits

<b>Net Benefits</b>	<b>\$ 721,253</b>
<b>Present Value</b>	<b>\$ 576,507</b>

# City Impacts





#### Incentives

Total City Incentive:	\$	-
City Incentive Per Job:	\$	-

#### Combined Payback and Return

City Payback Period Combined:	-	Years
City Rate of Return Combined:	N/A	

#### Expansion Only Payback and Return

City Payback Period Expansion:	-	Years
City Rate of Return Expansion:	N/A	

#### City Net Benefits Of Current Operations

Year	Benefits		Costs		Net Benefits		Cumulative
							Net Benefits
1	\$	108,140	\$	28,710	\$	79,431	\$ 79,431
2	\$	110,488	\$	29,356	\$	81,133	\$ 160,564
3	\$	112,894	\$	30,016	\$	82,878	\$ 243,442
4	\$	115,359	\$	30,691	\$	84,667	\$ 328,109
5	\$	117,884	\$	31,382	\$	86,502	\$ 414,611
6	\$	120,472	\$	32,088	\$	88,384	\$ 502,995
7	\$	123,123	\$	32,810	\$	90,313	\$ 593,308
8	\$	125,841	\$	33,548	\$	92,292	\$ 685,601
9	\$	128,626	\$	34,303	\$	94,322	\$ 779,923
10	\$	131,480	\$	35,075	\$	96,405	\$ 876,328

### City Net Benefits Of Expansion

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 32,094	\$ 949	\$ 31,145	\$ 31,145
2	\$ 33,774	\$ 1,455	\$ 32,319	\$ 63,464
3	\$ 38,301	\$ 1,973	\$ 36,328	\$ 99,792
4	\$ 43,395	\$ 2,745	\$ 40,650	\$ 140,442
5	\$ 47,266	\$ 3,292	\$ 43,974	\$ 184,416
6	\$ 52,104	\$ 3,972	\$ 48,132	\$ 232,548
7	\$ 57,312	\$ 4,668	\$ 52,645	\$ 285,193
8	\$ 62,497	\$ 5,379	\$ 57,118	\$ 342,311
9	\$ 68,047	\$ 6,106	\$ 61,941	\$ 404,252
10	\$ 73,996	\$ 6,850	\$ 67,146	\$ 471,398

### City Combined Net Benefits

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 140,234	\$ 29,658	\$ 110,576	\$ 110,576
2	\$ 144,262	\$ 30,811	\$ 113,452	\$ 224,027
3	\$ 151,195	\$ 31,989	\$ 119,207	\$ 343,234
4	\$ 158,754	\$ 33,436	\$ 125,318	\$ 468,552
5	\$ 165,150	\$ 34,674	\$ 130,476	\$ 599,028
6	\$ 172,575	\$ 36,060	\$ 136,515	\$ 735,543
7	\$ 180,436	\$ 37,478	\$ 142,958	\$ 878,501
8	\$ 188,338	\$ 38,927	\$ 149,411	\$ 1,027,912
9	\$ 196,673	\$ 40,409	\$ 156,263	\$ 1,184,175
10	\$ 205,476	\$ 41,925	\$ 163,551	\$ 1,347,726

### City Breakdown of Combined Benefits, Costs, and Net Benefits Over the Next 10 Years

#### Taxes and Revenue

Gross Receipt Taxes	\$ 1,441,804
Misc. Taxes and Revenue	\$ 110,564
Property Taxes	\$ 150,724
<b>Subtotal of Benefits</b>	<b>\$ 1,703,093</b>

#### Costs

Costs	\$ 355,367
<b>Subtotal of Costs</b>	<b>\$ 355,367</b>

#### Net Benefits

<b>Net Benefits</b>	<b>\$ 1,347,726</b>
<b>Present Value</b>	<b>\$ 1,073,362</b>

# Special Taxing District and Public Schools



# Special Taxing District

## Special Taxing District Net Benefits of Current Operations

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 6,994	\$ -	\$ 6,994	\$ 6,994
2	\$ 7,089	\$ -	\$ 7,089	\$ 14,083
3	\$ 7,187	\$ -	\$ 7,187	\$ 21,269
4	\$ 7,287	\$ -	\$ 7,287	\$ 28,557
5	\$ 7,390	\$ -	\$ 7,390	\$ 35,947
6	\$ 7,496	\$ -	\$ 7,496	\$ 43,443
7	\$ 7,605	\$ -	\$ 7,605	\$ 51,048
8	\$ 7,717	\$ -	\$ 7,717	\$ 58,765
9	\$ 7,832	\$ -	\$ 7,832	\$ 66,596
10	\$ 7,949	\$ -	\$ 7,949	\$ 74,546

## Special District Net Benefits of Expansion

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 8,962	\$ -	\$ 8,962	\$ 8,962
2	\$ 8,163	\$ -	\$ 8,163	\$ 17,125
3	\$ 7,503	\$ -	\$ 7,503	\$ 24,628
4	\$ 7,104	\$ -	\$ 7,104	\$ 31,732
5	\$ 6,544	\$ -	\$ 6,544	\$ 38,276
6	\$ 6,015	\$ -	\$ 6,015	\$ 44,290
7	\$ 5,544	\$ -	\$ 5,544	\$ 49,835
8	\$ 4,752	\$ -	\$ 4,752	\$ 54,587
9	\$ 3,962	\$ -	\$ 3,962	\$ 58,548
10	\$ 3,173	\$ -	\$ 3,173	\$ 61,721

## Special District Combined Net Benefits

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 15,956	\$ -	\$ 15,956	\$ 15,956
2	\$ 15,252	\$ -	\$ 15,252	\$ 31,208
3	\$ 14,690	\$ -	\$ 14,690	\$ 45,898
4	\$ 14,391	\$ -	\$ 14,391	\$ 60,288
5	\$ 13,934	\$ -	\$ 13,934	\$ 74,222
6	\$ 13,511	\$ -	\$ 13,511	\$ 87,733
7	\$ 13,149	\$ -	\$ 13,149	\$ 100,883
8	\$ 12,469	\$ -	\$ 12,469	\$ 113,352
9	\$ 11,793	\$ -	\$ 11,793	\$ 125,145
10	\$ 11,122	\$ -	\$ 11,122	\$ 136,267

# Public Schools

## Public Schools Net Benefits of Current Operations

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 7,264	\$ -	\$ 7,264	\$ 7,264
2	\$ 7,361	\$ -	\$ 7,361	\$ 14,625
3	\$ 7,460	\$ -	\$ 7,460	\$ 22,084
4	\$ 7,562	\$ -	\$ 7,562	\$ 29,646
5	\$ 7,667	\$ -	\$ 7,667	\$ 37,313
6	\$ 7,775	\$ -	\$ 7,775	\$ 45,088
7	\$ 7,885	\$ -	\$ 7,885	\$ 52,973
8	\$ 7,999	\$ -	\$ 7,999	\$ 60,972
9	\$ 8,116	\$ -	\$ 8,116	\$ 69,088
10	\$ 8,236	\$ -	\$ 8,236	\$ 77,324

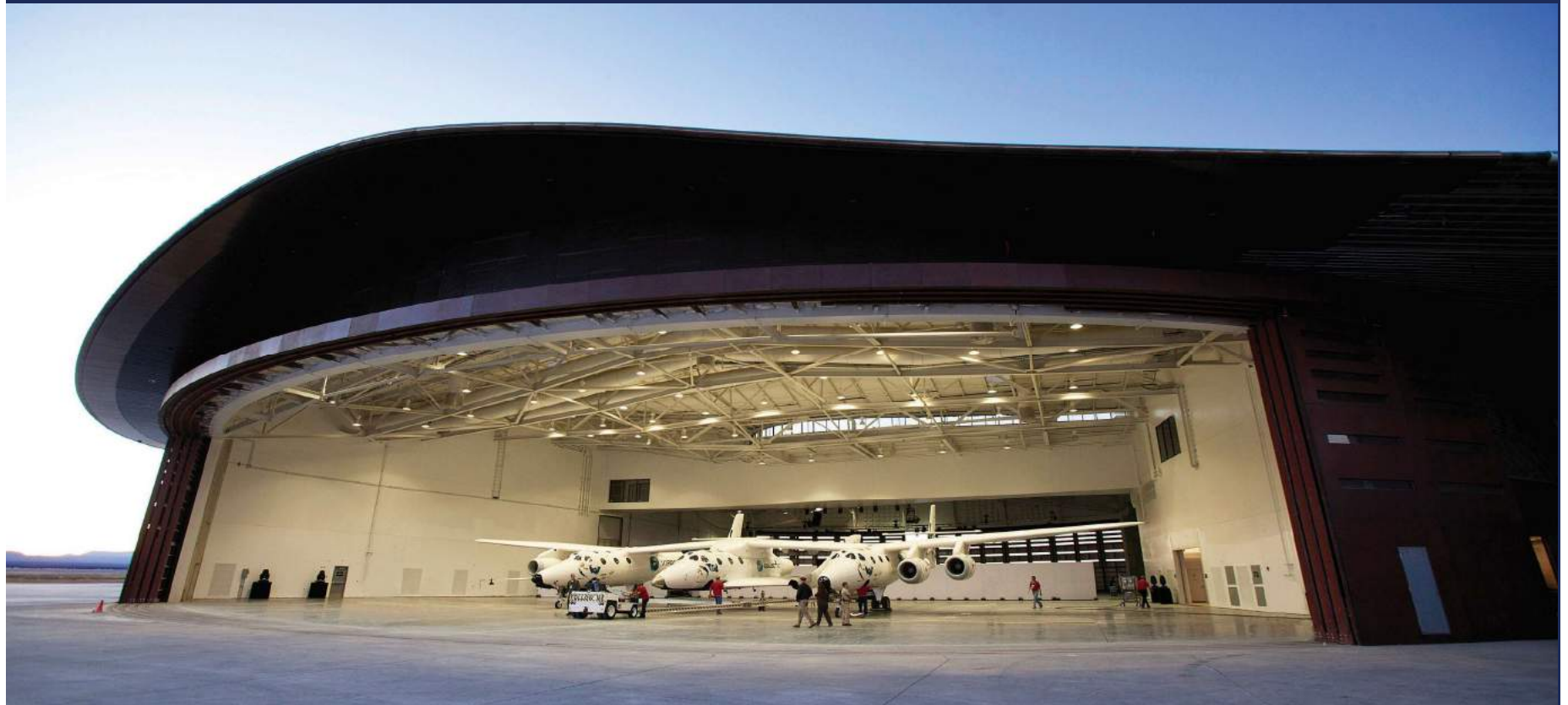
## Public Schools Net Benefits of Expansion

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 9,756	\$ -	\$ 9,756	\$ 9,756
2	\$ 8,884	\$ -	\$ 8,884	\$ 18,639
3	\$ 8,164	\$ -	\$ 8,164	\$ 26,803
4	\$ 7,727	\$ -	\$ 7,727	\$ 34,530
5	\$ 7,116	\$ -	\$ 7,116	\$ 41,646
6	\$ 6,538	\$ -	\$ 6,538	\$ 48,184
7	\$ 6,023	\$ -	\$ 6,023	\$ 54,207
8	\$ 5,159	\$ -	\$ 5,159	\$ 59,366
9	\$ 4,296	\$ -	\$ 4,296	\$ 63,662
10	\$ 3,435	\$ -	\$ 3,435	\$ 67,097

## Public Schools Combined Net Benefits

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$ 17,020	\$ -	\$ 17,020	\$ 17,020
2	\$ 16,244	\$ -	\$ 16,244	\$ 33,264
3	\$ 15,624	\$ -	\$ 15,624	\$ 48,888
4	\$ 15,289	\$ -	\$ 15,289	\$ 64,176
5	\$ 14,783	\$ -	\$ 14,783	\$ 78,959
6	\$ 14,312	\$ -	\$ 14,312	\$ 93,271
7	\$ 13,909	\$ -	\$ 13,909	\$ 107,180
8	\$ 13,158	\$ -	\$ 13,158	\$ 120,338
9	\$ 12,412	\$ -	\$ 12,412	\$ 132,750
10	\$ 11,671	\$ -	\$ 11,671	\$ 144,420

# Property Tax Exemptions and Industrial Revenue Bonds





## Property Tax Exemptions and Industrial Revenue Bonds

The City and/or the County is considering abating taxes on the Project's property. Below is a table that identifies the types of property that are under consideration for property tax abatement:

Land:	No
Building and Property Improvements:	No
Furniture, Fixtures and Equipment:	No

### Property Tax Percentage Exemptions On Land and Building

	County	City	Schools	Special Taxing District
	0%	0%	0%	0%

### Property Tax Percentage Exemptions On Furniture, Fixtures and Equipment

	County	City	Schools	Special Taxing District
	0%	0%	0%	0%

Value of Exemption Through 10 Years:	\$ -	\$ -	\$ -	\$ -
*Value of Payment in Lieu of Taxes Through 10 Years:	\$ -	\$ -	\$ -	\$ -

\*The model assumes that the payment in lieu of taxes will be administered to the either the county or city, and the local government will disperse the amounts to the appropriate districts.

### Percentage of Gross Receipt Taxes Foregone on Newly Purchased Furniture, Fixtures and Equipment Over 10 Years

Year	State	County	City
1	0%	0%	0%
2	0%	0%	0%
3	0%	0%	0%
4	0%	0%	0%
5	0%	0%	0%
6	0%	0%	0%
7	0%	0%	0%
8	0%	0%	0%
9	0%	0%	0%
10	0%	0%	0%
Value of Exemption Through 10 Years:	\$ -	\$ -	\$ -

## FY22 LEDA Application-ABQ

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Applicant	Thomas Stephenson
Applicant ID	APP-015114
Company Name	Pajarito Powder LLC
Phone	(505) 293-5367
Email	tstephenson@pajaritopowder.com
Status	Submitted
LEDA Starting Job Count	10
LEDA PPA Job Count Target	51

## Contact Information

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**Question:** Legal Company Name

Pajarito Powder LLC

**Question:** Trade Name (dba)

Not Answered

**Question:** Project Name

Not Answered

**Question:** Company Street Address

3600 Osuna Road NE, Suite 309

**Question:** Company City

Albuquerque

**Question:** Company State

NM

**Question:** Company Zip

87109

**Question:** Phone

(505) 293-5367

**Question:** Website

[www.pajaritopowder.com](http://www.pajaritopowder.com)

**Question:** Primary Contact Person First Name

Thomas

**Question:** Primary Contact Person Last Name

Stephenson

**Question:** Federal Tax ID #

45-4278439

**Question:** NM State Tax and Revenue Identification Number

03236151003

**Question:** City/County Business License Registration will be pursued

Yes

No

**Question:** NAICS Code(s)-North American Industry Classification System

325998, 541713

**Question:** DUNS # (preferred but not required)

078391845

**Question:** This Business is organized as a:

C-Corporation

S-Corporation

LLC

Partnership

Sole Proprietorship

B-Corporation

**Question:** Incorporation Papers

[Second A&R Limited Liability Company Agreement.pdf](#) (10/13/2021 3:13 PM)

**Question:** Resumes of all principals (owners, partners, directors or officers; required for businesses 1 years or younger)

No Attachments

**Question:** Company Contact for Project Administration (if different from above)

Not Answered

**Question:** Title

Not Answered

**Question:** Telephone

Not Answered

**Question:** Cell Phone

Not Answered

**Question:** Email

Not Answered

## Project Information

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Please include detailed information such as:

- Executive Summary; Business description and history
- Infrastructure Development/Needs
- Market analysis and strategy
- Summary of competition
- Tax Reporting Status
- Effect on Existing Industry and Commerce during and after Construction
- Land Acquisition

- Local Purchasing
- Water Conservation
- Relocation of Individuals or Businesses
- Construction Schedule
  - Target Close Date
  - General Contract Signed
  - Construction Start
  - Construction End
  - New Facility Operational Date
- Operations plan; Organizational chart
- Any document or record that the local governing body, in its sole discretion, deems necessary.

**Question:** Description of the Proposed Development, its product and its timeline.

Pajarito Powder will be expanding and relocating its catalyst manufacturing facility from its current location in Albuquerque to another location, expected to be within the city limits of Albuquerque, but definitely within Bernalillo County. The expectation is that that new facility will be operational and fully qualified for customer shipments by the end of 2022 (note that this date has slipped somewhat from initial estimates due to the delayed availability of equipment from supply chain issues).

**Question:** Provide a detailed scope of work that is specific to the funding request/award and what the funds will be used for.

See attached intake forms.

**Question:** Business Plan (required for businesses 1 year or younger)

Not Answered

**Question:** Supporting Documentation

[LEDA Grant EIA Data Form - Pajarito Powder.xlsx](#) (10/13/2021 3:31 PM)  
[Incentive Analysis Questionnaire - PP.doc](#) (10/13/2021 3:30 PM)

## Financial Information

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\*Upload sources and uses chart; enter N/A and zero for questions that do not apply to your business

**Question:** Provide detailed assumptions for your project including three years of projected cash flow income statements. If the applicant has been in business less than one year, you may be requested to provide additional financial information after review .

[R&D Spending.xlsx](#) (10/13/2021 3:32 PM)

**Question:** Provide financial statements (balance sheet, profit and loss and cash flow) or tax returns for the past three years. Also provide interim statements within 90 days of application date.

[PP Q3 2021 Financial Package.pdf](#) (11/11/2021 11:54 PM)

[PP Q1 2021 Financial Package.pdf](#) (10/13/2021 3:20 PM)

[PP Q2 2021 Financial Package.pdf](#) (10/13/2021 3:19 PM)

[Pajarito Powder 2018 Final FS \(S\) \(07-01-19\).pdf](#) (10/13/2021 3:19 PM)

[Pajarito Powder, LLC 2019 Final FS \(S\) \(12-31-20\).pdf](#) (10/13/2021 3:18 PM)

[Pajarito Financial Stmtns 2020.pdf](#) (10/13/2021 3:18 PM)

**Question:** What is the collateral/security to be pledged to the funds awarded?

- Letter of Credit
- Surety Bond
- Mortgage Security
- Security Agreement/Escrow
- Security Agreement/Lien
- Security Interest/Lien

**Question:** What is the method of appraisal for stated security (if Security Mortgage or Lien were selected above)?

Not applicable

**Question:** What is the equity investment from the applicant?

\$7.10

**Question:** External Equity Investment Sources

Private equity investors

**Question:** External Equity Investment Amount

\$7.10

**Question:** City/County Funding Source

None at present

**Question:** City/County Funding Amount

\$0.00

**Question:** Bank Loan Source (financial institution names), type (commercial, USDA, SBA 504, etc.), and stage (applied or approved)

N/A - no bank loan

**Question:** Bank Loans Amount Total

\$0.00

**Question:** Other Loans Source

0

**Question:** Other Loans Amount

\$0.00

**Question:** Other Sources

0

**Question:** Other Sources Amount

\$0.00

**Question:** Total Project Amount (Sum of above)

\$7.10

**Question:** Supporting financial documentation

No Attachments

## Company History and Background

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**Question:** How long has the company been in operation, as of the date of application?

9 years, 11 months

**Question:** At the time of this application, how many full-time employees do you currently employ? Please provide the most recent Department of Workforce Solutions report below. If no employees, disregard report. Enter 0.

12.00

**Question:** List owners with more than 20% ownership stake in the company. Additionally, please list principal directors and/or officers.

Owners over 20%:

Verge I II Combined, L.P.

Officers:

Thomas J. Stephenson, CEO and Chairman

Barr Zulevi, President and CTO

Managers (equivalent to directors in an LLC):

Christian Mohrdieck

Paul Short

Thomas J. Stephenson (Chairman)

Sukhwan Yun

**Question:** Are owners and/or officers current with financial obligations/payments to the State of New Mexico or any other Federal or State entity? If no, please explain.

Yes

**Question:** Does the applicant have any loans or other financial obligations on which payments are not current? If yes, please explain.

No.

**Question:** Please identify any financially affiliated/associated companies in which any of the applicant's owners have a 20% stake.

Verge I II Combined is a venture capital fund, which makes investments into various companies. It has a greater than 20% stake in the following companies (in addition to Pajarito Powder):

Nuvita, LLC

Sevence, LLC dba boomtime

## Community Aspects

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**Question:** At the community level, what are the infrastructure needs not yet in place or in process that will affect this project's application?

Pajarito Powder uses a great deal of electricity and our potential landlord needs to bring additional electricity into our space.

**Question:** What specific incentives are being REQUESTED from the COMMUNITY? Please explain where the applicant is in this process and provide an idea of a timeline for incentives' deployment.

The company is participating in the JTIP program to add additional staff members. We received approval for up to 8 new hires in May of 2021. this process has been slow and we have only



been able to add 3 new employees (including the conversion of one part time employee to full time). We anticipating renewing our application with JTIP.

**Question:** What specific incentives will be PROVIDED from the COMMUNITY? (e.g. parcel of land, building lease, waiver of fees, utility access/extension)?

To be determined.

## Job Creation / Performance

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Please download the job creation worksheet to work up the required information for this section.

- [Job Creation Worksheet](#)

**Question:** Outline the number and types of jobs to be created.

Job Title or Classification-No of Employees  
Management-2  
R&D Chemist-3  
Business Development/Marketing-2  
Chemical Process/Sales Engineers-5  
Purchasing/Shipping Clerk-1  
Chemical/Maintenance Technicians-10  
Admin-3

**Question:** Outline the proposed pay scale and payroll proposed by the entity.

Job Title or Classification-Average Hourly Wage  
Management-\$96.15  
R&D Chemist-\$43.43  
Business Development/Marketing-\$43.27  
Chemical Process/Sales Engineers-\$30.75  
Purchasing/Shipping Clerk-\$28.85  
Chemical/Maintenance Technicians-\$26.75  
Admin-\$16.28

**Question:** Outline the benefits offered to the employees, including but not limited to health care and retirement.

Pajarito Powder offers health insurance, and dental and vision insurance, 80% paid by the company for the employee and 50% paid by the company for spouse and dependents. The company also offers unit (stock) options for all employees in the company. Life insurance and AD&D coverage for employees will be implemented in 2022.

**Question:** Outline any efforts being made or proposed by the applicant to hire people within the local employment pool.

Pajarito Powder has begun an extensive hiring process that will double the size of the company,

drawing principally from local applicants, utilizing on-the-job-training programs through JTIP and WIOA. Advertising for positions utilizing both major and local job platforms has been augmented through personal outreach across New Mexico university networks, as well as personal relationships across social media (outlets such as LinkedIn and others).

**Question:** Attach job creation worksheet

[Job Creation Spreadsheet.xlsx](#) (11/21/2021 1:16 PM)

**Question:** Starting Headcount (from worksheet above)

11.00

**Question:** Total new jobs to be created Year 1 (from worksheet above)

8.00

**Question:** Total new payroll Year 1 (from worksheet above)

\$555,000.00

**Question:** Total number of new jobs to be created Year 2 (from worksheet above)

4.00

**Question:** Total new payroll Year 2 (from worksheet above)

\$360,000.00

**Question:** Total number of new jobs to be created Year 3 (from worksheet above)

4.00

**Question:** Total new payroll Year 3 (from worksheet above)

\$244,000.00

## Economic Impact Analysis

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NMEDD will perform an Economic Impact Analysis to address the impact to the local tax base, the school system, etc. using the Impact Data Sheet provided by the applicant.

**Question:** Outline any impacts to the environment, positively or negatively.

Pajarito Powder is a green energy company. Our products increase the adoption of green hydrogen production (electrolysis) and hydrogen-powered fuel cells. These end products into which our products are incorporated will substantially reduce the emissions from a variety of industries, including most notably transportation (cars, trucks, trains, ships), steel manufacturing,

fertilizer through green ammonia and industries seeking to decarbonize through the use of green hydrogen.

Our manufacturing process does produce some chemical waste, and Pajarito Powder is classified as a "small" waste generator by the New Mexico Environmental Department. The waste is captured and provided to a licensed waste disposal firm for disposal.

## Attachments

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Please download the authorization for examination and release of information template and the example employer quarterly wage and contribution report.

- [Authorization for examination and release of information form](#)
- [Employer quarterly wage and contribution report example](#)

If you are a new business, please apply for a NM Tax Identification Number here:

<http://www.tax.newmexico.gov/Businesses/wage-withholding-tax.aspx>

Please download the LEDA Application Affirmation Template here:

[LEDA Application Affirmation Template](#)

[Click here](#) to view a filled out sample.

**Question:** New Mexico Economic Development Department authorization for examination and release of information.

[Authorization for examination and release of information - PP Executed.pdf](#) (11/12/2021 12:05 AM)

**Question:** Latest New Mexico employer's quarterly wage and contribution report submitted to the Department of Workforce Solutions.

[UI Online - Pajarito Powder NM Q3 2021 submission.pdf](#) (11/16/2021 3:38 PM)

**Question:** Affirmation and any other supporting documents

[2020 LEDA App Affirmation - PP Executed.pdf](#) (11/12/2021 12:06 AM)

## City of Albuquerque Project Information

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This section of the NMEDD LEDA Application contains information required by the City of Albuquerque Ordinance 0-04-10 and conforms with and complements the policies established for

the Local Economic Development Act pursuant to the Council action. This documentation is presented to demonstrate to the City of Albuquerque the public benefits of this project and to help the City evaluate its merit in comparison to other projects submitted.

**Question:** Project Supporting Documents: City Zone Atlas Map of Location, aerial/satellite picture of area, conceptual overview of finished location, Fiscal Impact Analysis from UNM BBER (if requested by City ED Director), Conceptual Site Plan and Elevation.

[5555 McLeod GIS Address Report.pdf](#) (11/16/2021 3:14 PM)  
[5555 MCLEOD Design Options\\_09-13-21.pdf](#) (11/12/2021 12:11 AM)

**Question:** General Description-Statement of benefit to be gained by the Albuquerque community from this development

Pajarito Powder is a manufacturer of products to promote the de-carbonization of society. It is a net exporter of its products, bringing revenue dollars into New Mexico, it has high-paying jobs and provides benefits to all of its full-time employees (including health, vision and dental insurance, and beginning in 2022, life insurance). Being involved in the hydrogen economy, it will bring positive attention to Albuquerque, as evidenced by the recent visit by U.S. Secretary of Energy Jennifer Granholm to Pajarito Powder and other locations in Albuquerque.

**Question:** Site and Existing Conditions: Legal Description-Give both the precise and complete legal description and address or identification of location.

Current proposed site is an existing vacant building in Northeast Albuquerque. Legal address is 5555 McLeod NE. Legal description: LOT 3 OF TRACT S-1 OF THE LAND OF ASSOCIATED INVESTORS A CO-PARTNERSHIP. Note that this is currently under negotiation and if negotiations fall through, a different location will need to be secured.

**Question:** Prevailing Site Conditions: Describe the present use and development of the site, including any improvements, vacant land, etc.

The proposed site is currently a vacant building that had been originally designed as a fitness club then refurbished as a school. It will be renovated on the inside to support the operations of the company.

**Question:** Present Assessed Value: According to the Bernalillo County Assessor's office.

1,753,600.00

**Question:** Present Zoning of Property

IDO Zone District is MX-H, IDO District Definition is High Intensity

**Question:** Proposed Zoning: If change in zoning is required for the proposed use, enter the proposed new zone.

No proposed zoning change

**Question:** Status of Permitting/Regulatory matters needed for project.

Standard building permits will need to be pulled at the City of Albuquerque as needed.

**Question:** Sustainability Initiatives: Describe any sustainability initiatives or programs the company already has and/or plans to use in its facility operations and processes.

We have multiple sustainability initiatives in process including ISO-14001, environmental management system (EMS), as well as early assessments on ISO-50001, to evaluate our energy usage and create sustainable systems. Both the automotive and electrolysis industries are highly engaged in supplier compliance with these process systems and we are at the early stages of building in these systems to our processes.

**Question:** Renewable Energy: Indicate in detail if and how the Project will create, produce or use renewable energy and renewable energy technology.

Pajarito Powder is a renewable energy technology company. All its products will ultimately be used in equipment for the generation or use of renewable energy, specifically electrolyzers for hydrogen generation, and fuel cells for zero emission hydrogen consumption for transportation, back-up and stationary energy applications.

**Question:** Products and Process: Will the proposed development generate air, noise or waste pollution or traffic congestion? If so, what plans are in place for the reduction and disposal of waste and/or project emissions?

Pajarito Powder is a small waste generator as designated by the New Mexico Environmental Department. Waste products will be removed off-site and disposed of by a commercial waste disposal company. Gases vented in the manufacturing process are not harmful when released into the atmosphere. There will be no significant noise outside the facility and no traffic impact.

**Question:** Competition: The Development Commission and City Council do not wish to make public funds available for projects with local competition. Describe any competition in the same area of commerce or industry existing in the City.

None locally.

**Question:** Describe the predicted effects of the project including construction jobs generated, increased employment, increased sales, new industrial base, possible spin-off business in the City.

To be determined

**Question:** Proposed Development: Describe any construction to be undertaken in the project, including square footage, construction type, location of construction on project site.

Internal build-out only.

**Question:** Proposed Development: Will existing buildings will be rehabilitated or incorporated in the construction?

Existing buildings will be used exclusively.

**Question:** Proposed Development: Detail any demolition required and indicate whether it involves any identified historic properties.

None. Only internal finish out will be required.

**Question:** Infrastructure: Indicate if the project will require any extension or relocation of utility or road systems and if so, what cost sharing agreements have been reached between the applicant and the City.

Additional power will be required in the space. It is our understanding that the power is available in the area but must be added to the specific building. Additional internal water and drainage will be installed as well, all within the constraints of the existing city infrastructure.

**Question:** Area Enhancement: Describe how project design and placement will enhance the area.

A currently vacant building will be put to beneficial use.

**Question:** Local Purchasing: Provide an estimated annual expenditure on goods and services locally procured that are subject to the New Mexico gross receipts tax, and an estimated annual increase in such an expenditure.

Current estimated annual expenditures subject to NM GRT: \$138,000. In the first full year after implementation of the project, this is expected to increase to approximately \$200,000, with an annual increase of 20% per year thereafter.

**Question:** Water Conservation: Estimate average daily and monthly water consumption and include any plans for reduction or re-use of water.

Manufacturing process is currently using 3200 liters per month (850 gallons/month). With increases in production under the project, this will increase to 320,000 liters per month (85,000 gallons/month) before water reduction and re-use initiatives. Coupled with the increases in manufacturing we will both implement re-cycling programs and investigate the ability to directly re-use water.

**Question:** Relocation of Individuals or Businesses: No individuals, families or businesses should be displaced by the activities outlined in this plan. If any relocation is required, detail the assistance the applicant will give in relocation.

No relocation is required.

**Question:** Corporate Citizenship Policy/Plan: List any company policies/plans regarding community charitable and civic donations and volunteerism.

Pajarito Powder encourages employees to engage in civic activities and volunteerism. Most employees are highly active within their respective communities and we encourage this through flexible scheduling. The management team proactively offers seminars to students and other populations on topics ranging from startup education, entrepreneurship tools and resources, venture capital and even career opportunities within our particular domain.

**Question:** Positive Contributions: List all positive contributions that the project will make to the neighborhood.

The Pajarito Powder team is very pedestrian, cycle and dog-centric and looks forward to exploring the neighborhood and patronizing local coffee, breakfast, lunch and dinner establishments. We look forward to further visually enhancing our facility to make it an attractive property in the neighborhood.

**Question:** Management: If the project will not be managed by the applicant, who will manage it and does the applicant have any long-range involvement?

The facility will continue to remain owned by a third party as Pajarito Powder will be leasing the space. However, Pajarito will have control over the facility while being a tenant.

**Question:** Indicate the estimated appraised value of the project after completion.

Approximately \$3,000,000