

# Los Angeles County:

## Rolling out the Red Carpet for Aerospace & Defense Companies



Revised: September 5, 2014

**Dear Aerospace & Defense Company:**

On behalf of the Los Angeles County Economic Development Corporation (LAEDC) and its Southern California Jobs Defense Council (a group dedicated to growing, attracting, and retaining aerospace and defense jobs and investment in the region), we would like to express our deepest commitments to seeing your aerospace and defense company thrive in Los Angeles County—*the top County for aerospace and defense in the nation.*

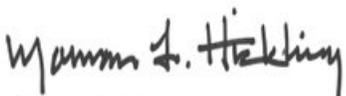
**In Los Angeles County, the LAEDC provides a **completely free of charge** “Red Carpet” service to assist your company in locating (and relocating), expanding, and staying in Los Angeles County as well as the greater Southern California region. We are well positioned to offer targeted business assistance to help your company in the following ways:**

- **Workforce development** facilitation and access to customized programs that provide free or reduced cost training and education.
- **Job placement assistance** through our workforce investment boards, community colleges and universities, and, if needed, through our partnership with recruiting companies.
- **Incentive and financing** matching to ensure your company has access to available capital resources as well as programs that can help reduce cost and improve operations.
- **Site searches** to find the ideal location for your company’s move and/or expansion.
- **Permit and plan check assistance** to ensure your project moves through more quickly and seamlessly.
- **Problem mitigation and advocacy services** if your company is running into challenges in locating to an area, expanding, or operating.
- **Cost containment and lean manufacturing programs** that can improve the efficiency and effectiveness of your business.

**In addition to targeted business assistance, we have an extensive infrastructure in Los Angeles County to help your business grow, including:**

- **Monthly Better Business Webinars** to inform you of new programs and opportunities to help grow your business and reduce operating costs.
- **Weekly Aerospace and Defense Newsletters** for Southern California that includes new incentives, workforce programs, news, and other items to help your company’s bottom line and ensure you are well positioned for growth.
- **Networking functions with decision makers** to help with procurement as well as information at the federal and state level regarding new programs, opportunities, and changes that affect your business.
- **Access to Events** for Aerospace & Defense companies and service providers to strengthen ties with suppliers.
- **iDEA Hub**, which is a designated state recognition as an Innovation Hub for Defense, Energy and Aerospace, including Los Angeles County that brings together universities, capital providers, economic development organizations, and others that can help connect you with the services you need.
- **SoCal Jobs Defense Council**, which is a dedicated group of 300 private and public sector members actively working to grow, attract and retain aerospace jobs and investment in the region.
- **Federal Manufacturing Designation** (AMP SoCal), which gives Southern California preferential consideration on \$1.3 billion in federal funding to assist aerospace and defense companies.

**We encourage you to contact us today at [joanne.stewart@laedc.org](mailto:joanne.stewart@laedc.org) to access our “Red Carpet” service and find out how we can assist your company in staying, growing, and locating in Los Angeles County—the ideal location for aerospace and defense companies.**



**Norm Hickling**  
Co-Chair, SoCal Jobs Defense Council



**George Burden**  
Co-Chair, SoCal Jobs Defense Council



**David Flaks, COO**  
Los Angeles County Economic Development Corporation

# Incentive Programs

## Sales & Use Tax Savings on Purchases

- The California **Sales and Use Tax Exclusion** offers a full sales and use tax exclusion (between 7.5% and 10% statewide) for advanced manufacturing and advanced transportation technologies.
- The California **Sales and Use Tax Exemption** offers a partial sales and use tax exemption (4.2%) for manufacturing, processing, refining, fabricating, or recycling as well as research and development purchases.

## Tax Credits

- The **California Competes Tax Credit** is an income tax credit made available to businesses that want to locate to and grow in California. The annual budget for this program is \$150 million with designated application periods.
- The California **Research and Development Tax Credit** is a 15% credit for qualified in-house research expenses and a 24% credit for basic research payments to an outside organization are offered to companies that conduct qualified research activities in California. A federal research credit is also available.
- The California **New Employment Credit** is available to companies in designated geographic areas of the state who have a net increase in employment and hire qualified employees. The tax credit is up to 35% of qualified wages.
- **Los Angeles Empowerment Zone and Renewal Community** allows for tax credits between \$1,500 and \$3,000 for eligible businesses in these zones that hire local residents.
- **New Markets Tax Credit** permits individual and corporate investors to receive a federal tax credit (39% of total investment amount claimed over seven years) in exchange for making equity investments in Community Development Entities.
- The federal government also offers a general business credit and investment credit.

**AB 2389 and SB 718** provides a 17.5% tax credit on qualified full-time employees for new a Advanced Strategic Aircraft Program that bring over 1,100 jobs to California.

## Property Tax Relief

- **The Capital Investment Incentive Program** provides for property tax rebates beyond the first \$25 million of assessed property for industry codes 3364 (Aerospace Products and Parts Manufacturing) and 3359 (Other Electrical Equipment and Component Manufacturing), subject to approval by local jurisdictions.
- **AB 777** provides a property tax exemption for equipment used in space flight and the recently passed **Board of Equalization Rule 133** reclassifies space flight property as business inventory, providing an exemption from property taxes.

## Workforce Development Incentives

- **Employment Training Panel** provides an opportunity for employers to get reimbursed for training their existing staff and new hires; options exist to either apply for your own contract or to contract with an existing contract holder.
- **On-the-job training subsidies** provided by America's Job Centers.
- **Customized training and curriculum programs** exist at the workforce investment board, community college, and university level to ensure we have the right programs to respond to and proactively address industry's needs.



“Southern California is attractive (to Boeing) because we can use the existing engineering workforce from the heritage McDonnell Douglas programs and tap into the cool, new talent coming from engineering schools in Southern California and really use those two together to come up with what we think will be a spectacular workforce.”

– Doug Alder  
(Boeing Spokesman)

“We did a pin-map for all the services we use, including where our delivery trucks travel—to the heat treating here, to the inspection and testing services over there. What we found was that we need to be in the L.A. area, especially in the Long Beach area, because there is a technical infrastructure of aerospace-certified companies unique to this part of the world. We leverage those capabilities in exotic processes and that is a unique advantage and a reason why we won't leave Southern California.”

– Wayne Tuttle  
Keystone Engineering

“Our success is directly related to the community we have chosen to operate in. Our rockets and spacecraft are manufactured right here. Over 3000 employees are right here in LA County, and 1,000 of those jobs were added in just the past 12 months.”

– Bret Johnsen  
CFO, SpaceX

## Trade Incentives

- **Foreign Trade Zones** are federally designated areas where companies can delay or reduce duty payments on foreign merchandise. There are two types of Foreign Trade Zones, general purpose and subzones (the latter is for a specific company or use). Los Angeles County has three General Purpose FTZs: Long Beach (No. 50), Los Angeles (No. 202), and Palmdale (No. 191).
- **IC-DISC** is a federal tax incentive for exporters of products made in the U.S.
- **Export-Import Bank** finances the export of U.S. goods and services to international markets by providing working capital guarantees (pre-export financing); export credit insurance; and loan guarantees and direct loans.

## Financing

- California **Industrial Development Bonds** offer tax-exempt securities of up to \$10 million for the acquisition, construction, rehabilitation and equipping of manufacturing and processing facilities for private companies.
- **The California Capital Access Program** encourages financial institutions to make loans to small businesses that fall just outside their conventional underwriting standards by insuring up to 100% coverage on certain loan charge offs. Also as part of this program, Collateral Support pledges cash to cover the collateral shortfall of loans of \$100,000 or more and provides up to 40% of the loan value, with the possibility of an additional 10% for businesses located in a Severely Affected Community.
- **California Pollution Control Financing Authority Tax-Exempt Bond Financing Program** provides tax-exempt bond financing to California businesses for the acquisition, construction, or installation of qualified pollution control, waste disposal, waste recovery facilities, and the acquisition and installation of new equipment.
- **California Small Business Loan Guarantee Program** provides loan guarantees for small businesses that can cover up to 90% of the loan amount.
- **Small Business Administration Loan Programs** include general small business loans (7(a)), microloans, real estate and equipment loans, CDC/504, and disaster loans.
- County of Los Angeles **Commercial and Industrial Loan Programs** include the County Business Loan Program, County Business Expansion Loan Program, County Technology Loan Program, County Utility Loan Program, Countywide County Float Loan Program, and County Float Loan Program.
- **EB-5 Financing** provides foreign nationals the opportunity to become conditional residents for a period of two years upon making an investment of \$1 million, or \$500,000 in a designated Targeted Employment Area, in a new commercial enterprise. Each unit of investment must create at least ten new, direct or indirect jobs for U.S. workers. The LAEDC partners with CanAm to provide this financing opportunity.

## Utility Incentives

- **Each utility in Los Angeles County offers energy efficiency programs and/or incentives on water, electricity, and gas.** These incentives and programs can reduce your cost of operation with little to no effort.
- **Commercial PACE Financing** offers the opportunity for owners of their facility to improve the energy profile of a building (and reduce operating costs) through financing all energy efficiency improvements on their property tax bill.

## Other

- **Historically Underutilized Business Zones (HUBZone)** helps small businesses gain preferential access to federal procurement opportunities.
- **The Governor's Office of Business and Economic Development** provides a myriad of services to assist companies in (or locating to) California. Visit [business.ca.gov](http://business.ca.gov) for details.





# Why go with #4 or #3 when you can have #1? Don't settle for less than the best LOS ANGELES COUNTY

**#1** in Aerospace & Defense Establishments

**38,956** Aerospace & Defense employees at **170 firms**

**#1** Manufacturing County

**#1** International Trade Center

**#1** in Engineering Graduates

## The Biggest Names in Aerospace & Defense

### We have:

- unmatched export capacity
- skilled workforce
- expansive supplier network
- growing leadership in space commercialization, unmanned vehicles and cyber security.

### Contact:

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## Los Angeles County At a Glance

*"Designated a Manufacturing Community" by President Obama in 2014, enabling preferential consideration on \$1.3B to assist A & D companies*

**Nearly 10 million people (2012)**

**\$577.5 billion economy (2012)**

**3,869,700 employees (2012)**

**\$54,420 average annual wage (2011)**

**1,073,167 employees in traded clusters (2011)+**

**1.2 traded cluster employment location quotient\***

+Traded industry clusters are comprised of industries that are more highly-concentrated in a few regions and provide the potential for wealth creation through exports.

\* Compared to the nation as a whole, Los Angeles County has a larger share of its employment in traded industry clusters, suggesting the increased potential for wealth creation through exports.



**SoCal** JOBS  
**DEFENSE**  
COUNCIL

# LA Business Advantage Guide



The Southern California Jobs Defense Council is a network of organizations and leaders from the aerospace industry, labor, education, nonprofit, and public sectors dedicated to maintaining and growing a thriving aerospace and defense industry in Southern California.



**For more information about the Los Angeles area, visit [www.laedc.org](http://www.laedc.org).**

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