



MAYOR & COUNCIL COMMUNICATION

January 24, 2023

Subject: Approval of Primary Jobs Incentive Development Agreement
with Sion Power (Ward 5)

Page: 1 of 2

Issue – On January 11, 2022, Mayor and Council approved the use of the Primary Jobs Incentive (PJI) for Sion Power for their proposed expansion and directed staff to return to Mayor and Council with a development agreement formalizing the incentive.

City Manager's Office Recommendation – The City Manager recommends that the Mayor and Council approve the PJI development agreement with Sion Power.

Background – Sion Power Corporation produces a state-of-the-art energy storage system that addresses the future needs of the electric vehicle and aerospace markets. Sion currently operates a battery manufacturing facility located at 2900 E. Elvira Road, just north of Tucson International Airport. They have proposed an approximately \$81.3M expansion project that would enable 75MWh of annual manufacturing capacity.

The proposed project includes executing a 10-year lease for an existing building located at 6950 S Country Club Road, facility improvements, and purchase and installation of specialized advanced battery manufacturing equipment and related process development.

The company projects a construction cost of \$18.9M, which exceeds the \$5M capital investment required for the incentive. A total of 25 new jobs will be created. The average wage for all new jobs created is projected at \$89,200. This is in addition to 100 existing employees with an average salary of \$85,000.

Over five years, this project is expected to generate direct revenue to the City of \$456,760, and more than \$1.7M to other taxing districts. The estimated value of the incentive to the company is \$278,378.

Plan Tucson Considerations – This item is supported by the following General Plan policies:

- RR1 – Redevelop and revitalize in areas with the greatest potential for long-term economic development by focusing public resources, tools, and incentives to catalyze private investment.
- RR4 – Build from existing assets of areas identified for redevelopment and revitalization.
- BC2 – Continue to develop and implement local strategies, services, and incentives to enhance Tucson's business climate.

Comprehensive Economic Development Strategy (CEDS) -

- Goal 2 – Attract investment to diversify Tucson's economy.
Priority 2.5 – Utilize Tucson's incentive programs to attract capital and development.

MAYOR AND COUNCIL COMMUNICATION
Approval of Primary Jobs Incentive Development Agreement with
Sion Power (Ward 5)

Page: 2 of 2

Financial Consideration – For this project, the PJI is a reimbursement of construction sales tax generated by the project (calculated at the 2% sales tax rate), to be applied toward offsets to impact or permit fees, off-site public improvements, or workforce training for the project. The total incentive to the company shall not exceed \$278,378.

Payment of the PJI is contingent upon Sion meeting its employment projections of 25 jobs that pay more than \$54,932 within five years of issuance of the Certificate of Occupancy.

Legal Considerations – The Attorney’s Office has prepared the attached Resolution and reviewed the agreements for compliance with all applicable laws.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'M. Ortega', with a long horizontal flourish extending to the right.

Michael J. Ortega, P.E.
City Manager

MJO/BC
City Manager’s Office

Attachment: Resolution