



MAYOR & COUNCIL COMMUNICATION

January 24, 2023

Subject: Approval of Primary Jobs Incentive Development Agreement
with American Battery Factory (Ward 5)

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Issue – On January 11, 2022, Mayor and Council approved the use of the Primary Jobs Incentive (PJI) for American Battery Factory for their proposed development 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 American Battery Factory.

Background – American Battery Factory has proposed construction of a 2.2 million square foot industrial facility to manufacture Lithium-Ion (LFP) battery cells. American Battery Factory is dedicated to making energy independence and renewable energy a reality for the United States by creating a domestic battery supply chain. Pima County intends to sell land within the Aerospace Research Campus to American Battery Factory for the development of this facility.

American Battery Factory is planning to invest \$1.17 billion for facilities and equipment, which exceeds the \$5 million capital investment required for the incentive. The company projects a construction cost of \$305M. A total of 1,000 new jobs will be created, with 50 paying at least \$54,932. The average wage for all new jobs created is projected at \$65,000.

Over five years, this project is expected to generate direct revenue to the City of \$6,967,529, and more than \$26M to other taxing districts. The estimated value of the incentive to the company is \$3,965,574.

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.

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 \$3,965,574.

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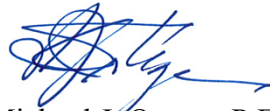
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Payment of the PJI is contingent upon American Battery Factory meeting its employment projections of 50 jobs that pay more than \$54,932 within three years of issuance of the Certificate of Occupancy.

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