



MEMORANDUM

Date: August 23, 2023

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Lasher 
County Administrator

Re: **American Battery Factory Update - Request for Extension of Construction Commencement Date**

On December 6, 2022, the Board of Supervisors unanimously approved a lease-purchase agreement with American Battery Factory (ABF) to construct and operate a Lithium-Iron-Phosphate (LFP) battery cell manufacturing facility and associated office headquarters at Pima County's Aerospace Research Campus. The lease-purchase agreement set the Construction Commencement Date as "the date that is 270 days after the effective date" of the agreement, which translates to September 2, 2023.

Project Update and Extension Request

ABF is continuing work on design and pre-development activities and has contracted for engineering, design and survey services with multiple firms. Bechtel is the lead engineering design and construction agent for the project. During design and pre-development activities, Bechtel identified a need for additional site surveying and geotechnical data to inform the design work. The engineering firm of Hilgartwilson is performing topographical and survey work expected to be completed in early September. Similarly, the Tucson office of Terracon Consulting is completing geotechnical engineering services for Phase 1 of the development.

ABF has indicated that preliminary site grading work could begin to meet the September 2, 2023 commencement date, however they believe it is more prudent to await the additional geotechnical and survey data to support completion of the full construction design work. Based on the timeframe to collect and report the additional information, ABF has requested an extension of the Construction Commencement Date to November 3, 2023, and adjustment of the associated security deposit terms (Attachment 1). ABF has not requested amendment of any other delivery dates in the lease-purchase agreement. Subject to approval of the extension, ABF expects to submit for construction permits by late September and anticipates groundbreaking by October 26, 2023.

ABF is currently in compliance with all aspects of the lease-purchase agreement with Pima County and continues making timely lease payments on the Phase 1 property. ABF has completed its Series A funding round and expects to continue its pursuit of Series B funding through mid-to late fall. The Pima County Economic Development Department continues to facilitate contacts between ABF and local contractors. ABF has also been in touch with Raytheon, to ensure that any design guidelines and restrictions related to Raytheon are being abided by.

The Honorable Chair and Members, Pima County Board of Supervisors
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Commencement Date**

August 23, 2023

Page 2

Recommendation

The Construction Commencement Date extension request is scheduled for consideration at the September 5, 2023 Board of Supervisors Meeting (Attachment 2). I recommend approval of the extension to facilitate collection and preparation of additional geotechnical and survey data needed to support completion of the engineering design and site construction plans, and to align the security deposit terms of the lease-purchase agreement with the new Construction Commencement Date.

JKL/dym

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer
Steve Holmes, Deputy County Administrator
Heath Vescovi-Chiordi, Director, Economic Development

ATTACHMENT 1



Date: 8/13/2023

TO: The Honorable Chair, Vice Chair, and Board of Supervisors of Pima County, AZ

RE: Request Approval for Extension of American Battery Factory (ABF) Construction Commencement Date

1. ABF is aggressively continuing the development of our first LFP battery cell factory in Pima County as outlined below:

A. ABF recently completed our Series A initial financing and are in pursuit of Series B through mid-late Fall.

B. ABF contracted with Terracon in late July for the main Geotechnical Engineering Services for Phase 1 – the Initial 3GW cell factory. They did initial marking and coordinated with AZ 811. The week of 8/14 to 8/18, Terracon will do the field work and subsequent lab and final report within a few weeks.

C. ABF also contracted in late July for Hilgartwilson to conduct the required topographic LIDAR survey (1-foot contour interval) and ALTA survey of the property. It is expected that these surveys will be completed by early September.

D. ABF also contracted with Bechtel, our engineering design and construction agent, for the front-end engineering design work (FEED).

2. While ABF could begin some small amount of site work by late August, we believe the timing is far better to begin in mid-late October. This updated timing will give Bechtel adequate time (approximately one month) to digest the geotechnical data to support the initial ground preparation-construction work at the site. Bechtel will then file for our first round of permits by late September. This updated timing also helps us align the start of physical on-site work closer to our Series B funding efforts, and it also better supports the media and outreach support to the overall ABF effort.

3. We anticipate Bechtel will have initial site preparation equipment by mid-October. We are targeting a ground-breaking ceremony on Thursday 19 or 26 October. ABF will finalize the exact timing of a groundbreaking ceremony by early September.

4. Due to the abovementioned reasons, as well as to take into consideration any other potential delays, ABF respectfully requests you approve an amendment to our original agreement to extend the Construction Commencement Date by two months to a date specific of 3 November 2023, without penalizing our Security Deposit.

5. We are excited that things are underway and progressing well and look forward to working closely with you in the coming years. Should you have any additional questions, ABF leadership is prepared to address them.

Professionally,

A handwritten signature in black ink that reads "John Kem". The script is fluid and cursive, with the first letters of "John" and "Kem" being capitalized and prominent.

John Kem
Major Gen. (US Army-Ret, PE, CFA)
Senior Advisor and Interim President, ABF

ATTACHMENT 2



BOARD OF SUPERVISORS AGENDA ITEM REPORT AWARDS / CONTRACTS / GRANTS

☐ Award ☒ Contract ☐ Grant

Requested Board Meeting Date: 9/5/2023

* = Mandatory, information must be provided

or Procurement Director Award: ☐

***Contractor/Vendor Name/Grantor (DBA):**

American Battery Factory, Inc.

***Project Title/Description:**

Lease Purchase Agreement

***Purpose:**

Amendment of the Lease-Purchase Agreement ("Agreement") dated December 6, 2022 for the construction of a battery manufacturing facility at the Aerospace Research Campus. Section 1.3 of the Agreement currently states a required construction commencement date that is the date 270 days after the Effective Date. This Amendment will modify the Construction Commencement Date from 270 days from the Effective Date to 332 days from the Effective Date. The Amendment is needed as a result of delays related to completion of site surveys needed for construction and it will have the secondary effect of aligning the contractual terms of the Security Deposit in relation to the revised Construction Commencement Date.

***Procurement Method:**

Exempt pursuant to Pima County Code 11.04.020

***Program Goals/Predicted Outcomes:**

Pima County is currently leasing land to ABF for Phase 1 development. By revising the Construction Commencement Date ABF will be able to meet Phase 1 benchmarks and then proceed with Phase 2 and Phase 3 development.

***Public Benefit:**

The public benefits include the employment of an estimated 1,000 Pima County residents at an average salary threshold of \$65,000 USD/year in a newly developed manufacturing facility, the sale of Economic Development-designated land that will provide funds to the general fund account and the future collection of real property taxes for the completed manufacturing facility.

***Metrics Available to Measure Performance:**

If ABF exercises their option to acquire the 267.18 acres at the end of the first 24 month lease period the sale of the Land will be at 90% of the appraised value equal to \$20,925,000, or \$78,318.00/acre, as authorized and permitted by Arizona Revised Statute 11-251 (9).

***Retroactive:**

No.

THE APPLICABLE SECTION(S) BELOW MUST BE COMPLETED

Click or tap the boxes to enter text. If not applicable, indicate "N/A". Make sure to complete mandatory (*) fields

Contract / Award Information

Document Type: _____ Department Code: _____ Contract Number (i.e., 15-123): _____
Commencement Date: _____ Termination Date: _____ Prior Contract Number (Synergen/CMS): _____
☐ Expense Amount \$ _____ ☐ Revenue Amount: \$ _____

***Funding Source(s) required:** _____

Funding from General Fund? ☐ Yes ☐ No If Yes \$ _____ % _____

Contract is fully or partially funded with Federal Funds? ☐ Yes ☐ No

If Yes, is the Contract to a vendor or subrecipient? _____

Were insurance or indemnity clauses modified? ☐ Yes ☐ No

If Yes, attach Risk's approval.

Vendor is using a Social Security Number? ☐ Yes ☐ No

If Yes, attach the required form per Administrative Procedure 22-10.

Amendment / Revised Award Information

Document Type: CTN Department Code: RPS Contract Number (i.e., 15-123): 23*081

Amendment No.: 1 AMS Version No.: 2

Commencement Date: 9/05/2023 New Termination Date: 12/05/2027

Prior Contract No. (Synergen/CMS): _____

☐ Expense ☒ Revenue ☐ Increase ☐ Decrease

Amount This Amendment: \$ 0.00

Is there revenue included? ☐ Yes ☒ No If Yes \$ _____

***Funding Source(s) required: N/A**

Funding from General Fund? ☐ Yes ☒ No If Yes \$ _____ % _____

Grant/Amendment Information (for grants acceptance and awards)

☐ Award ☐ Amendment

Document Type: _____ Department Code: _____ Grant Number (i.e., 15-123): _____

Commencement Date: _____ Termination Date: _____ Amendment Number: _____

☐ Match Amount: \$ _____ ☐ Revenue Amount: \$ _____

***All Funding Source(s) required:** _____

*Match funding from General Fund? ☐ Yes ☐ No If Yes \$ _____ % _____

*Match funding from other sources? ☐ Yes ☐ No If Yes \$ _____ % _____

*Funding Source: _____

*If Federal funds are received, is funding coming directly from the Federal government or passed through other organization(s)?

Contact: Jeff Teplitzky

Department: Real Property Services

Telephone: 520-724-6306

Department Director Signature: _____

Date: 8/18/2023

Deputy County Administrator Signature: _____

Date: 8/18/2023

County Administrator Signature: _____

Date: 8/18/2023

Pima County Department of Real Property

Project: Lease Purchase Agreement

Contractor: American Battery Factory, Inc.

Contract No.: CTN-RPS-23*081

Contract Amendment No.: 01

Orig. Contract Term: 12/06/2022-12/05/2027	Orig. Amount:	\$ 23,316,690.00
Termination Date Prior Amendment: N/A	Prior Amendments Amount: \$	0.00
Termination Date This Amendment: 12/05/2027	This Amendment Amount: \$	0.00
	Revised Total Amount:	\$ 23,316,690.00

CONTRACT AMENDMENT

The parties agree to amend the above-referenced contract as follows:

1. Background and Purpose.

1.1. Background. On 12/06/2022, County and Contractor entered into the above referenced Ground Lease Agreement.

1.2. Purpose. Contractor requires additional time to commence construction.

2. REPLACE Section 1.3 in its entirety:

From: *"Construction Commencement Date: the date that is 270 days after the effective date."*

To: *"Construction Commencement Date: the date that is 332 days after the effective date."*

3. Section 5. Is unaltered by this Amendment and will apply to the Construction Commencement Date as set forth herein.

All other provisions of the Contract not specifically changed by this Amendment remain in effect and are binding upon the parties.

Contract No.: CTN-RPS-23*081

Revised 8/19/22

PIMA COUNTY

Chair, Board of Supervisors


Date

ATTEST

Clerk of the Board

Date

APPROVED AS TO FORM



Deputy County Attorney

Kyle Johnson

Print DCA Name

08/17/2023

Date

CONTRACTOR



Authorized Officer Signature

Tyler Horton President

Printed Name and Title

8/17/2023

Date

APPROVED AS TO CONTENT



Department Head

8-17-2023

Date