

To:

MEMORANDUM

Date: November 14, 2025

The Honorable Chair and Members

Pima County Board of Supervisors

From: Jan Lesher County Administrator

Re: Additional Information for November 18, 2025, Board of Supervisors Agenda Item

#29 - American Battery Factory Lease-Purchase Agreement Amendment 3

Background

On December 6, 2022, the Board of Supervisors approved a lease-purchase agreement with American Battery Factory (ABF) to construct a lithium-ion battery manufacturing facility on County-owned land at the Aerospace Research Campus (ARC). Since original approval, the Board of Supervisors approved an extension to the project Construction Commencement Date on September 5, 2023, extending the date to November 3, 2023, and approved another amendment on December 3, 2024, extending the Construction Commencement Date and Construction Completion Date to February 1, 2025, and March 1, 2027, respectively.

To date, ABF has performed design and predevelopment activities, prepared initial permit applications using a local engineering company, secured multiple funding series, finalized an agreement for purchasing the approximately \$120 million of battery cell manufacturing equipment, and worked with Tucson Electric Power on the siting of the power substation to support the project.

As communicated by American Battery Factory President John Kem to County staff, key elements leading to the requested amendment include:

- Pending approval of a requested tariff waiver for manufacturing machining equipment,
 which was delayed by the recent federal government shutdown.
- Evaluation of federal legislation changes enacted in July 2025 related to battery cell production.
- Efforts by ABF to secure funding through Asset Backed Securitization (ABS).
- Work by ABF to complete "off-take" agreements with an A-rated company for battery purchase.
- Continued engineering design work for site and building layout to match envisioned manufacturing operations.

The Honorable Chair and Members, Pima County Board of Supervisors

Re: Additional Information for November 18, 2025, Board of Supervisors Agenda Item #29

- American Battery Factory Lease-Purchase Agreement Amendment 3

November 14, 2025

Page 2

Mr. Kem also addressed similar details in the meetings held with individual Board members and County staff on October 27, 2025.

ABF remains in full compliance with the lease payment requirements of the current agreement and has paid approximately \$1.5 million to Pima County per their lease agreement.

Project Profile

As a reminder, general characteristics of the project are:

- Phase 1 developed on 70 acres.
- Phases 2 and 3 developed on additional adjacent approximately 197 acres.
- Phase 1 consists of 6 to 6.5 GWH (gigawatt) production line.
- Phases 2 and 3 consist of up to 20 GWH production (including Phase 1).
- Anticipated 1,000 employees at full buildout (All 3 Phases).
- Minimum average salary of employees of \$65,000.00 USD/year.
- All employees will be full-time residents of Pima County.
- Water use is projected to be 50,300 GPD (gallons per day) for Phase1.
- Electrical use is projected to be up to 14 MW (megawatts) peak demand for Phase 1.
- Economic impact over ten years for Phases 1 3 is projected to be approximately \$3.2 billion.

Proposed Amendment

ABF has requested an additional amendment to the lease-purchase agreement, which is scheduled for Board of Supervisors' consideration on November 18. The proposed amendment (Attached) addresses multiple timeline alterations, including extending the Construction Commencement Date to April 1, 2026, extending the Construction Completion Date to June 1, 2028, extending the Option Exercise Deadline to June 1, 2028, and accordingly adjusting the timing for Phase I Employment Requirements, and the timing for the Determination of Phase 2 and Phase 3 parcels for the battery manufacturing facility's ultimate buildout.

The amendment also seeks to extend the Primary Term of the agreement to ensure these timelines occur within the Primary Term. Due to consideration of extending the Primary Term, updated and additional lease payments are included in the Amendment, which includes a standard 2.5 percent escalator. The proposed amendment also includes an additional payment

The Honorable Chair and Members, Pima County Board of Supervisors

Re: Additional Information for November 18, 2025, Board of Supervisors Agenda Item #29

- American Battery Factory Lease-Purchase Agreement Amendment 3

November 14, 2025

Page 3

consideration to be made by ABF to Pima County in the amount of \$10,000.00 to extend the Option Exercise Deadline, as was done with Amendment 2.

The requested amended deadlines for each item were informed by input from ABF on the timing of the manufacturing equipment purchase and delivery, re-evaluation of the most effective construction sequence for battery manufacturing and components assembly, and the overall project construction timeline.

Considering these factors, consideration is requested by the Board of Supervisors for an amendment as outlined above. Mr. Kem will attend the Board meeting on November 18, 2025, to answer any questions you may have.

Recommendation

At full build-out of the three project phases, ABF intends to hire 1,000 employees. ABF currently remains in compliance with the lease payments schedule for the Phase 1 portion of the agreement. Based on the factors outlined by ABF and the anticipated benefits to Pima County from this project, I recommend approval of the amendment.

JKL/dym

Attachment

Carmine DeBonis, Jr., Deputy County Administrator
 Steve Holmes, Deputy County Administrator
 Heath Vescovi-Chiordi, Director, Economic Development

Pima County Department of Real Property

Project: Lease Purchase Agreement

Contractor: American Battery Factory

Contract No.: CTN-RPS-23000000000000000081

Contract Amendment No.: 03

Orig. Contract Term: 12/06/2022 – 12/05/2027 **Termination Date Prior Amendment: 12/05/2027** Termination Date This Amendment: 12/05/2028 Orig. Amount: \$ 23,316,690.00

Prior Amendments Amount: \$ 10,000 524,780 This Amendment Amount:

Revised Total Amount:

23,851,470

CONTRACT AMENDMENT

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

1. Background and Purpose.

- 1.1. Background. On December 6, 2022, Pima County ("Landlord") and American Battery Factory, Inc. ("Tenant") entered into the above referenced Ground Lease Agreement ("Lease"). On September 5, 2023 and December 3, 2024, Landlord and Tenant executed the First and Second Amendments to the Lease.
- 1.2. Purpose. Tenant requires additional time to commence and complete construction, and Landlord concurs that the additional time is appropriate.

2. **REPLACE Section 1.1 in its entirety:**

From:

Lease Year	Per Acre Base Rent	Annual Base Rent (based upon 70 acres)	Monthly Base Rent (based upon 70 acres)
1	\$6,500	\$455,000	\$37,916.67
2	\$6,663	\$466,410	\$38,867.50
3	\$6,829	\$478,030	\$39,835.83
4	\$7,000	\$490,000	\$40,833.33
5	\$7,175	\$502,250	\$41,854.17

To:

Lease Year	Per Acre Base Rent	Annual Base Rent	Monthly Base Rent
		(based upon 70 acres)	(based upon 70 acres)
1	\$6,500	\$455,000	\$37,916.67
2	\$6,663	\$466,410	\$38,867.50

Contract No.: CTN-RPS-23000000000000000081

3	\$6,829	\$478,030	\$39,835.83
4	\$7,000	\$490,000	\$40,833.33
5	\$7,175	\$502,250	\$41,854.17
6	\$7,354	\$514,780	\$42,898.00

3. REPLACE Section 1.3 in its entirety:

From: Construction Commencement Date: February 1, 2025.

To: Construction Commencement Date: April 1, 2026.

4. REPLACE Section 1.4 in its entirety:

From: Construction Completion Date: March 1, 2027.

To: Construction Completion Date: June 1, 2028.

5. REPLACE Section 1.12 in its entirety:

From: Option Exercise Deadline: June 1, 2027.

To: Option Exercise Deadline: July 1, 2028.

6. REPLACE Section 1.13 in its entirety:

From: Option Exercise Deadline: \$50,000.00 paid by Tenant to Landlord upon

execution of this Lease by Tenant, \$10,000.00 paid by Tenant to Landlord prior to 30 months after the Effective Date (June 6, 2025) to extend the Option

Exercise Deadline to June 1, 2027.

To: Option Exercise Deadline: \$50,000.00 paid by Tenant to Landlord upon execution of this Lease by Tenant \$10,000.00 paid by Tenant to Landlord prior

execution of this Lease by Tenant, \$10,000.00 paid by Tenant to Landlord prior to 30 months after the Effective Date (June 6, 2025) to extend Tenant's Option Exercise Deadline to June 1, 2027, and \$10,000.00 paid by Tenant to Landlord prior to July 1, 2027 to extend Tenant's Option Exercise Date to June 1, 2028.

7. REPLACE Section 1.20 in its entirety:

From: Primary Term: the period commencing on the Effective Date and expiring at 5:00 pm MST on the day immediately prior to the 5th anniversary of the Effective Date.

To: Primary Term: the period commencing on the Effective Date and expiring at 5:00 pm MST on the day immediately prior to the 6th anniversary of the Effective Date.

8. REPLACE Section 7.1 in its entirety:

From: Employees & Salaries: As material consideration for Landlord entering into this

Lease, on or before March 1, 2027, Tenant shall satisfy the following requirements (collectively, the "Phase I Employment Requirements"): (a) at all times employ at least 300 FTE Employees working full-time at the Premises; (b)

Contract No.: CTN-RPS-23000000000000000001

the average base salary of FTE Employees working full-time at the Premises must be at least \$65,000.00 (U.S.) per year; and (c) all such FTE Employees must be full-time residents of Pima County, Arizona.

To: Employees & Salaries: As material consideration for Landlord entering into this Lease, on or before June 1, 2028, Tenant shall satisfy the following requirements (collectively, the "Phase I Employment Requirements"): (a) at all times employ at least 300 FTE Employees working full-time at the Premises; (b) the average base salary of FTE Employees working full-time at the Premises must be at least \$65,000.00 (U.S.) per year; and (c) all such FTE Employees must be full-time residents of Pima County, Arizona.

9. REPLACE Section 18 in its entirety:

Prom: Determination of Phase II and Phase III Parcels: No later than November 1, 2026, Tenant and Landlord will mutually agree in writing on: (a) the number and location of contiguous acres of real property within the Project Property that will comprise the "Phase II Parcel"; and (b) the number and location of contiguous acres of real property within the Project Property that will comprise the "Phase III Parcel".

To: Determination of Phase II and Phase III Parcels: No later than July 1, 2028, Tenant and Landlord will mutually agree in writing on: (a) the number and location of contiguous acres of real property within the Project Property that will comprise the "Phase II Parcel"; and (b) the number and location of contiguous acres of real property within the Project Property that will comprise the "Phase III Parcel".

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

SIGNATURES ON NEXT PAGE

3

COUNTY	AMERICAN BATTERY FACTORY, INC.		
Rex Scott, Chair, Board of Supervisors	Authorized Officer Signature JOHN S. KEM PRESIDENT AST		
Date	Printed Name and Title		
	27 OCT 2025 Date		
ATTEST			
Melissa Manriquez, Clerk of the Board			
Date			
APPROVED AS TO FORM	APPROVED AS TO CONTENT		
Bobby In			
Deputy County Attorney	Department Head		
Bobby Yu Print DCA Name	$\frac{10-27-2025}{\text{Date}}$		
10/27/2025			

Date