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Government & Regulations

AZ infrastructure bill signed by Gov. Hobbs while another fails to pass in House



Taiwan Semiconductor Manufacturing Co. (TSMC) announced plans to expand its footprint in north Phoenix from \$12 billion to an estimated \$40 billion to build its massive U.S.-based semiconductor hub.



By **Audrey Jensen** – Reporter, Phoenix Business Journal
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Gov. Katie Hobbs has signed a bill that will increase how much the state can reimburse cities for major manufacturing projects in Arizona.

On Monday, Hobbs signed [House Bill 2809](#), which raises the amount of funds that the state can send back to a city for public infrastructure to support a qualified manufacturing facility.

The state program was established in 2013 as a way to reimburse cities up to 80% of costs for public infrastructure such as roads and water through the Arizona Department of Revenue.

Cities can be reimbursed costs through transaction privilege tax revenue collected from contractors involved in building improvements for a qualified manufacturing building and other infrastructure.

The updated program signed into law by Hobbs increased the total amount all cities can receive from its previous overall cap of \$100 million to \$200 million. The program has an end date of 2033.

The \$200 million is the second increase the state has passed since the program first went into effect. The Arizona Legislature last year increased the original \$50 million cutoff to \$100 million.

This year's bill was backed by major manufacturers, cities and economic development leaders in the state, who said that the previous cap of \$100 million would hurt the state's chances at competing for economic development projects.

Legislators originally proposed removing a reimbursement cap altogether and keeping the program end-date of 2033, but the bill Hobbs signed only increased the cutoff by \$100 million.

So far, three cities have taken advantage of the program including the city of Phoenix for the Taiwan Semiconductor Manufacturing Co. complex, the city of Chandler for Intel Corp. and now Queen Creek for LG Energy Solution's battery campus.

The Joint Budget Legislative Committee [said in a March 2023 analysis](#) that the State Treasurer has reimbursed Phoenix and Chandler a cumulative total of \$57.7 million so far out of \$193 million in public infrastructure costs that would be eligible for state reimbursements. Queen Creek previously said it expects to [receive \\$30 million for reimbursements](#).

To qualify for the program, manufacturers in Maricopa and Pima counties have to invest at least \$500 million, while companies in all other Arizona counties have to invest at least \$50 million.

Lucid-backed bill fails in House

Another bill, [Senate Bill 1223](#), that was backed by California-based Lucid Group Inc. (Nasdaq: LCID) and proposed to fund infrastructure improvements through an Arizona Commerce Authority program focused on water failed to pass the House of Representatives in June in a 18-42 vote.

The grant program gives funds to eligible companies that have contracted for water infrastructure design and construction at its site. Water companies can receive the grant on behalf of an employer or an employer with more than 250 employees in specific counties can receive the grant.

The goal of the bill was to extend the start date for projects to be eligible for the grant and to extend the date for when grants must be allocated and distributed by a year each.

Brian Murray, a representative for Lucid Motors, said at a previous hearing that by the time Lucid's Casa Grande factory is built out, it will total about 15 million square feet. He added that the first phase of Lucid's factory cost about \$700 million, while its second phase cost more than \$1 billion.

The company had said it needs to build more water infrastructure to support the growth of its facility and was a main supporter of the bill.