



Enter into Development Agreement with Taiwan Semiconductor Manufacturing Company (Ordinance S-47129)

Request to authorize the City Manager, or his designee, to enter into a Development Agreement (DA), and to execute any other instruments or documents as necessary with Taiwan Semiconductor Manufacturing Company (TSMC), a U.S.-based subsidiary, for development of a semi-conductor manufacturing campus in Phoenix. Further request to authorize for the City Controller to disburse all funds related to public infrastructure in an amount not to exceed \$205 million with this action.

Summary

In May 2020, after a national search involving multiple states and regions, TSMC announced its intention to build and operate an advanced semiconductor fabrication facility in Phoenix. TSMC, headquartered in Hsinchu, Taiwan and established in 1987, has been the world's largest dedicated semiconductor foundry. In 2019, TSMC deployed 272 distinct process technologies and manufactured 10,761 products for 499 customers. TSMC is the first manufacturer to provide 5-nanometer production capabilities in the U.S., the most advanced semiconductor process technology available in the world.

TSMC plans to make a \$12 billion investment into the new U.S. Phoenix manufacturing campus (Project). The TSMC Phoenix operation will result in approximately 1,900 new full-time jobs to be phased in over a five-year period with production starting in 2024. The project is still contingent upon several items including TSMC Board approval.

The City recognizes the resulting substantial economic impacts to the City and region from TSMC's expansion into Phoenix. Our estimates indicate that over a 20-year period this company will directly create an estimated \$38.2 billion in economic output and \$314 million in annual personal income. This innovative growing company will bring one of the largest single foreign investments in Arizona history and provide thousands of quality jobs, and will facilitate thousands of additional jobs to support its ecosystem and operation. This could greatly benefit those that have been impacted by layoffs and furloughs due to the COVID-19 pandemic. To support TSMC's new Phoenix operations and expand the package that has been provided at the State and

Federal level, City staff recommends the following business terms:

- TSMC agrees to expand into Phoenix with an approximately \$12 billion advanced semiconductor fabrication campus.
- TSMC intends to create approximately 1,900 total new jobs within five years of entering into the DA. The City realizes 1,900 jobs is a program model estimate and the DA is not contingent upon the exact total job creation nor is contingent upon the jobs created by the company.
- Within five years from execution of the DA, TSMC shall complete construction of the Project.
- TSMC shall dedicate any properties and easements needed for installation of the public improvements as described below.
- The City shall construct and install certain regional public improvements to meet TSMC's construction timeline, as described below:

Streets: The City agrees to construct approximately three miles of full arterial streets including streets, curb, gutter, sidewalk, streetlights and landscaping that will serve the project and surrounding region totaling an estimated \$61 million. The City plans to utilize a state infrastructure program known as Title 42-5032.02 for a portion of the construction costs for the streets component of the Project. The City has met with the Arizona Commerce Authority and will initiate its application in the near future. Further, the City anticipates recapturing infrastructure costs from adjacent future developers other than TSMC. The City also agrees to design and install one traffic signal at a cost of approximately \$500,000 and potentially one additional traffic signal at a cost of approximately \$500,000 depending on a future traffic study. Storm drainage infrastructure coordination will take place with the City focused on the improvements relating to the Public Infrastructure Improvements.

Water: The City agrees to construct new regional public water infrastructure improvements totaling an estimated \$37 million to service the project and surrounding area. Infrastructure may include a pressure reducing station, 16-inch to 54-inch diameter water transmission mains, and possible booster pump station upgrades. The City agrees to provide adequate water to meet the demands of the Project at the standard City water rates.

Sewer: The City agrees to construct new public wastewater infrastructure improvements totaling an estimated \$107 million to service the project and surrounding area. Infrastructure may include 15-inch to 60-inch diameter gravity sewer mains and necessary lift station(s) and associated force mains. The City agrees to convey and treat wastewater generated by the Project at the standard wastewater rates.

The City shall provide a professional team on-site or proximate to the site, dedicated to the Project to ensure responsiveness with construction plan review and inspections.

The DA may contain other terms and conditions deemed necessary by City staff.

Contract Term

The DA will be for a term of five years.

Financial Impact

The financial impact of the public infrastructure is expected to not exceed \$205 million. The Street Transportation Department's portion is anticipated to not exceed \$61 million and will be funded through a combination of funding sources to be determined, which may include debt financing. The financial impact to the Water Services Department is anticipated to not exceed \$144 million, using Water and Wastewater operating and/or capital funds. Funding will be included in current and future Capital Improvement Program budgets.

Location

TSMC is conducting due diligence on several locations in the city of Phoenix and a final site will be selected prior to entering into a DA.

Responsible Department

This item is submitted by Deputy City Managers Jeff Barton, Karen Peters and Mario Paniagua and the Community and Economic Development, Planning and Development, Water Services, and Street Transportation departments.