



MICHIGAN STRATEGIC FUND

MEMORANDUM

DATE: March 21, 2025

TO: The Honorable Gretchen Whitmer, Governor of Michigan
Members of the Michigan Legislature
Scott Starr, Clerk of the House of Representatives
Dan Oberlin, Secretary of the Senate
House Fiscal Agency
Senate Fiscal Agency

FROM: Quentin L. Messer, Jr., President
Michigan Strategic Fund

**RE: Notification of Amendment to the Strategic Site Readiness Program (SSRP)
Grant – Lansing Economic Area Partnership (LEAP)**

Public Act 270 of 1984, Sec. 88(t)(8) (Act) requires the Michigan Strategic Fund (MSF) to provide notice, and a copy, of a request received by the MSF to modify an existing written SSRP grant agreement within five (5) business days of receiving that request. The Act also requires an explanation of the provisions of an SSRP grant to be modified and notice of the proposed SSRP grant amendments to be published on the MSF's website at least one (1) business day prior to the MSF public hearing on the proposed amendments. Finally, the Act requires that if the MSF approves and modifies an SSRP grant, the MSF is required to provide you with a copy of the amended SSRP grant agreement within one (1) business day of completion of the modification.

The MSF and LEAP entered into a SSRP grant agreement effective August 10, 2022, memorializing a SSRP award to LEAP in the total amount of \$66.1 million for public infrastructure and utility upgrades related to the construction of a new high-volume Ultium battery cell manufacturing facility in the City of Lansing.

On March 17, 2025, LEAP requested MSF consideration of modification to the agreement. This amendment request reflects the updated ownership, from Ultium to LG Energy Solution Michigan. Attached is an explanation of the provisions of the LEAP grant to be modified along with the rationale for consideration, and a copy of LEAP request.

LEAP's requested modification to the grant will be published on the MSF website as required by the Act prior to presentation to the MSF Board for consideration. Additionally, as required by the Act, if the modifications are approved by the MSF, the MSF will provide a copy of the amended grant agreement.

Please contact our Office of Legislative Affairs at medcgovrelations@michigan.org if you have any

questions. In addition, please do not hesitate to contact me at messerq@michigan.org.

Attachments:

Copy of LEAP's request for amendment, which includes the summary of, and rationale, for the specific amendments

cc: Matt Casby, Michigan Strategic Fund Manager



MEMORANDUM

Date: March 25, 2025

To: Michigan Strategic Fund (“MSF”) Board Members

From: Michelle Grinnell, SVP, Market Growth & Business Attraction

Subject: **Incentives Amendment Request:**
Project #1: Ultium Cells LLC (“Ultium”) and Lansing Economic Area Partnership Amendment Request

- Critical Industry Program (“CIP”) Grant Reassignment and Amendment
- Renewable Energy Renaissance Zone (RERZ) Reassignment and Amendment
- Strategic Site Readiness Program (“SSRP”) Grant Amendment

Project #2: General Motors LLC (“GM”) Amendment Request

- CIP Grant Amendment

Request Summary

The above-mentioned entities are requesting an amendment to the current MSF incentives, which were authorized to support the following projects: 1) construction of a new high-volume Ultium battery cell manufacturing facility in the City of Lansing that was expected to create at least 1,360 new jobs and a projected minimum investment of \$1.5 billion (“Project #1”); and 2) an expansion at GM’s Orion Township facility for conversion to electric vehicle production that was expected to create at least 1,840 qualified jobs, and a projected investment of up to \$4 billion (“Project #2”). See Appendix A for additional background information.

On January 25, 2022, the MSF Board authorized the following incentives, which played a key role in Michigan securing its first transformational investment as result of the creation of the Critical Industry and Strategic Site Readiness Programs:

- **CIP:** A \$600 million performance-based grant for the creation of a minimum of 3,200 jobs with the potential for up to 4,000 new jobs related to Project #1 and Project #2 (the “CIP award”). Following MSF Board approval, the CIP award was split between GM and Ultium Cells LLC (a 50-50 joint venture between GM and LG Energy Solution) and the MSF entered into agreements with both parties, which included the following terms:
 - o **Ultium:** A \$120 million performance-based CIP grant that required Ultium to demonstrate it had created at least 1,360 Qualified Jobs at the City of Lansing (Delta Charter Township) facility on December 31, 2030.
 - o **GM:** A \$480 million performance-based CIP grant that required GM to demonstrate it had created at least 1,840 Qualified Jobs in excess of its 1,000 base jobs (the “Base Employment Level”) at its Orion Township facility on December 31, 2030.
 - o In the event either party fell short of their Qualified Job commitment and the other party exceeded its Qualified Job commitment both parties were permitted to count the excess Qualified Jobs toward the Qualified Job commitment outlined its respective agreement. Additionally, both parties could request termination of their respective grant agreement for early performance if they collectively demonstrated the following: 1) the creation of at least 3,200 Qualified Jobs collectively between Ultium and GM; 2) GM had maintained its

Base Employment Level; and 3) Ultium and GM collectively invested at least \$3 billion in eligible expenses.

- **RERZ:** An 18-year RERZ for Ultium to support Project #1, which required a minimum investment of \$1.5 billion by December 31, 2027, and;
- **SSRP:** A \$66.1 million SSRP performance-based grant awarded to LEAP for public infrastructure and utility upgrades

Project #1:

- **Ultium Request**
 - o CIP performance-based grant amendment, as outlined in the attached resolution, to:
 - Reassign the grant from Ultium Cells LLC to LG Energy Solution Michigan, Inc., the later of which represented the battery-making and electrochemical expertise within the Ultium Cells joint venture.
 - Remove reference to General Motors and GM Group, except for eligible expenses that occurred on or before the date of the amended agreement.
 - Remove references to the Orion Township Project.
 - Update the Base Employment Level to remove existing employees associated with the Orion Township Project.
 - Remove the provision that allows excess Qualified Jobs created by GM to count toward the Qualified Job commitment.
 - Remove the early performance provision.
 - Add a 6-month job maintenance requirement to the Qualified Job commitment.
 - o RERZ amendment:
 - Reassign the agreement to LG Energy Solution Michigan as the new landowner and owner/operator of the facility.
 - Reduce the size of the RERZ boundary to reflect removal of the excess GM property.
 - Remove reference to General Motors and GM Group, except for eligible expenses that occurred on or before the date of the amended agreement.
- **LEAP Request**
 - o SSRP grant amendment, as outlined in the attached resolution, to:
 - Reflect the updated ownership, from Ultium to LG Energy Solution Michigan.

Project #2:

- **GM Request**
 - o CIP Performance-based grant amendment, as outlined in the attached resolution, to:
 - Remove the provision that allows excess Qualified Jobs created by Ultium to count toward the Qualified Job commitment.
 - Remove the early performance provision.
 - Add a 6-month job maintenance requirement to the Qualified Job commitment.

The amendments discussed above will (i) appropriately and necessarily reassign the incentives to the new owner of the Lansing facility and ensure the facility becomes a catalyst for continued investment in the region and across the state, and (ii) continue to require that both Projects fulfill the existing terms outlined in their respective agreements. In sum, the requested amendments do not impact or revise the timing, the job commitments, or minimum investment requirements at either Project.

Recommendation

MEDC Staff recommends that the MSF Board approve the amendments as outlined in the attached Resolutions.



Background

Project #1 Summary

Beginning the first quarter of 2022, Ultium, a joint venture between GM and LG Energy Solution, began constructing a new high-volume 2.5 million square foot battery cell manufacturing facility in the City of Lansing (Delta Charter Township). In December 2024, GM and LG Energy Solution announced that Ultium was selling its stake in the Lansing facility to LG Energy Solution.

The Lansing battery cell plant, which is nearing completion, will have an annual manufacturing capacity of 41 gigawatt-hours (GWh) of batteries intended for use in advanced automotive applications and for other key industries. LG Energy Solution expects to meet the job creation and investment commitments outlined above, consistent with the previously approved incentives. To date, the project has generated over \$2 billion in private investment, exceeding the RERZ investment requirement. LGES expects to commence battery cell production at the facility in the spring/summer of 2025.

LG Energy Solution produces high-voltage battery cells for electric vehicles, energy storage systems and mobility and IT applications. The company plays a critical role in onshoring this strategic technology, which, up to now, has primarily been produced in Asia. LG Energy Solution has invested more than \$3 billion in its Holland, Michigan cell plant since 2010 and, jointly with GM, has invested \$2 billion at the Lansing battery facility. LG Energy Solution's growing presence in the U.S. will significantly and positively impact Michigan, with the Lansing facility serving as a key part of its production network in North America.

The Ultium amendment will appropriately and necessarily reassign the incentives to the new owner of the Lansing facility, ensuring the facility becomes a catalyst for continued investment in the region and across the state, while making certain that both parties fulfill the terms outlined in their respective agreements. The transfer of ownership to LG Energy Solution from Ultium Cells LLC will also help to strengthen Michigan's economy by diversifying into new markets beyond the auto industry. Battery cell-making is creating jobs across the entire economic spectrum, from GEDs to PhDs. Many of these are high-tech, high-paying jobs. Furthermore, the battery industry requires new transport, handling and production processes along with cultivation and training of a new workforce.

There are many additional opportunities for the battery industry to grow in the state of Michigan, from processing valuable precursor materials to recycling, in conjunction with LG Energy Solution assuming full ownership of the Lansing cell-making facility.

Project #2 Summary

GM is investing \$4 billion to convert Orion Assembly to manufacture electric vehicles, joining GM's growing portfolio of EV assembly plants across the U.S. A significant portion of the capital expenditure is required to expand the existing site, including several additions totaling approximately 4 million square feet, renovations to the facility, site improvements, machinery, equipment, and special tooling. When production begins, Orion will be one of GM's most advanced facilities, with several new technologies being implemented for the first time.

Since MSF Board approval, GM has made significant construction and equipment installation progress in the new body and paint shops, as well as general assembly. Limited production has also begun in battery assembly, developing battery packs for GM's Factory ZERO in Detroit-Hamtramck.



March 17, 2025

Michigan Economic Development
Corporation (MEDC)
Michigan Strategic Fund (MSF)
300 N Washington Square
Lansing, MI 48913

Attn: Quentin L. Messer, Jr., President, Michigan Strategic Fund

Re: LEAP request to amend SSRP Agreement

Dear MEDC and MSF leadership and board members:

The Lansing Economic Area Partnership (LEAP) formally requests that the Strategic Site Readiness Program (SSRP) grant in relation to \$66.1 million in public infrastructure supporting the largescale battery production facility in Lansing / Delta Township be amended in a few key manners. Project background and specifics to the amendment request follow:

In 2022, Ultium Cells LLC (Ultium), a joint venture (JV) with General Motors LLC (GM) and LG Energy Solution (LGES) announced, after an extensive site selection process, that Lansing, Michigan had been selected for the site of a new \$2.6 billion battery cell plant. This established JV had two other battery cell sites under construction in other states. This was a combined project with GM for a major expansion at its Orion Assembly Plant.

The State provided strong support via a number of programs to enable this massive investment project, including \$66.1 million in project-related public infrastructure funding via the SSRP program, with the grant funds being awarded to LEAP to administer with Delta Charter Township and the Lansing Board of Water & Light (BWL) as subgrantees.



Since the award, work at the Lansing battery cell plant is approximately 98% completed, and the associated public infrastructure is 96% expensed on eligible activities to date and is expected to be completed within the next few months by summer 2025.

In late 2024, GM announced it would sell its stake in the nearly completed plant to its joint venture partner, LGES. GM believes it has the right technology plans and cell manufacturing capacity in place today to grow with the EV market in a capital efficient manner. When completed, the transaction will accelerate LGES' ability to meet customer demand by leveraging capacity that's nearly ready to come online, while making GM even more efficient.

Ultium and its JV owners, GM and LGES, are in final stages of negotiation for the change of ownership. One of the items needed is a transfer of the economic incentives awarded to Ultium for the project. Ultium, GM and LGES and have been working with the MEDC staff to transfer the existing incentives and commitments for the Lansing project from Ultium Cells LLC to LGES. A part of that transfer also is the appropriate modifications of our SSRP agreement between LEAP and MSF to reflect updated ownership, transitioning all associated mentions in the grant agreement and exhibits from Ultium to LG Energy Solution Michigan.

I strongly encourage the amendment of the SSRP agreement between LEAP and MSF to accommodate the needs of this evolving investment project – the largest in the history of the Lansing region, and one with tremendous potential to transform and diversify both our manufacturing and technology sectors in the region and statewide. Please contact me directly should you require additional information or have any questions at (517) 285-6360.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert L. Trezise, Jr.", is positioned above the typed name.

Robert L. Trezise, Jr.
President & CEO
Lansing Economic Area Partnership (LEAP)