



CONFIDENTIAL – FOR DISCUSSION. PRELIMINARY TO A FINAL AGENCY DETERMINATION

MEMORANDUM

Date: October 16, 2024
To: Michigan Strategic Fund Board
From: Steve Bakka, Senior Strategy Advisor
Subject: Project L – Strategic Site Readiness Program (“SSRP”) Grant

REQUEST

The University of Michigan (“U-M” or the “University”) is requesting \$135,000,000 related to site development, construction and other related activities necessary to construct a new advanced laboratory facility project in Ypsilanti, Michigan (the “Project”). The Project will provide a location for at least two state-of-the-art advanced computing laboratories. One of the laboratories will be utilized primarily by the University and the other is intended to be used by a federal research laboratory for advanced research (the “National Lab Building”). The SSRP grant funds will be used for site development costs for up to the entire site and construction costs for the National Lab Building.

The total cost of the project is expected to exceed \$1.2B and become fully operational by 2030. Proposed sources and uses are outlined below:

Proposed/Potential Sources:

State Assistance *	\$400,000,000
U-M Central Reserve	\$90,000,000
U-M and SPV Debt Funding	\$414,000,000
Partner Funding	\$300,000,000
	<u>\$1,204,000,000</u>

*** Potential State Sources of \$400M**

Proposed MSF SSRP	\$135,000,000
State Bonding (requires legislation)	\$135,000,000
Capital outlay	\$30,000,000
SBO appropriation ask	\$100,000,000
	<u>\$400,000,000</u>

Proposed Uses

Land Costs	\$2,000,000
Lab Partner 100MW New Construction Facility	\$685,000,000
U-M 10MW New Construction Facility	\$100,000,000
Computers Purchased	\$417,000,000
	<u>\$1,204,000,000</u>

BACKGROUND

After conducting a competitive search by a major Federal research laboratory ("Partner"), U-M and the Partner have entered a collaborative alliance focused on addressing key national priorities. This joint endeavor aims to empower U-M and the Partner in attracting, retaining top-tier scientists and engineers by facilitating collaborative solutions to current critical challenges for the Department of Energy ("DOE").

As part of fortifying this partnership, U-M and the Partner propose the establishment of a cutting-edge High-Performance Computing innovation center. This center will encompass a groundbreaking 100-megawatt ("MW") capacity for the Partner and a dedicated 10MW Academic computing center for U-M's non-classified open research initiatives. Discussions are ongoing with the University to allocate a portion of the non-classified center to other educational entities within the state of Michigan as well as providing access to industry.

The development of this Project is expected to create hundreds of highly skilled federal research lab positions and provide a significant attraction opportunity for out-of-state companies that are interested in partnering with the lab or the University. Beyond the initial construction jobs and the significant purchasing of materials during the building phase, over 800 direct permanent jobs are expected to be created over 10 years, with an average salary of nearly \$200,000.

The Partner identified U-M due a variety of factors, but not limited to: (1) the caliber of research being done at the university and potential for synergies in that research between the two organizations; (2) an indicative commitment by the state of \$400 million in support of construction of the innovation center; (3) unique qualities offered by the state's geography, including an expectation of long-term climate resilience.

ADDITIONAL BENEFITS TO MICHIGAN

The Project supports the state's growing AI ecosystem, focused on developing the computing infrastructure, research and innovation, and talent, to capture the economic development benefits of AI. Many of the areas of research that the Partner and U-M will be focused on include national security, climate change, and artificial intelligence, which are key priority areas for the state.

This investment positions Michigan for additional federal investments anticipated to support AI Research Hubs across the country. Dedicating a portion of the center for shared computing capacity can also develop the security clearance ecosystem, creating additional opportunities for businesses to secure Department of Defense grants. Also, the non-classified portion of the facility can also be utilized by the private sector, in partnership with U-M or other educational entities in the state, to solve industry challenges.

In addition to attracting researchers and their families to the state, this facility will also attract students nationally and globally to Michigan to utilize the research assets and work in the national lab system. It's also anticipated that Partner and the DOE will upgrade the supercomputing assets every 3-5 years (over \$250M) to maintain global leadership in having the world's most powerful computational infrastructure. These assets can then be utilized by the non-classified portion of the facility for university and private sector access. Having these facilities here will be a significant addition to the innovation infrastructure in the state.

RECOMMENDATION

Staff recommends approval of \$135M in SSRP funding for this project. MEDC staff anticipates coming back to the MSF Board at a later meeting to request bond financing.