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Rivian's swerve of Georgia plant caught economic development officials off guard



Image: Atlanta Business Chronicle

Rivian vehicles. Byron E. Small

By Anila Yoganathan and Amy Wenk – Atlanta Business Chronicle
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Stunned.

That's the reaction in state economic development circles last week when they heard Rivian Automotive Inc. would delay construction on its \$5 billion plant near Social Circle. They were looking forward to the company unveiling its latest model, the R2, during a live stream event last Thursday.

The R2, its electric compact SUV, was set to be produced at the new plant, about an hour east of Atlanta, where site development is already underway.

Then, Rivian swerved.

Two days before the R2 announcement, Rivian contacted state officials to say the company was delaying construction on the Georgia plant indefinitely. On Thursday's live stream, Rivian CEO RJ Scaringe said for now the R2, with a more affordable \$45,000 starting price, would be built at its existing plant in Normal, Illinois.

Rivian is revamping the plant to increase production to 215,000 vehicles per year. Scaringe has said he sees an "extreme vacuum of choice" for midsize electric SUVs between \$45,000 to \$50,000. He believes the company can build those cars faster and efficiently at the retooled Normal plant. That puts Georgia's plant on the shelf.

The decision comes as Rivian has depleted its cash reserves from about \$11.6 billion to \$7.9 billion over the past year, according to its annual filing with the U.S. Securities and Exchange Commission.

The EV startup gave no indication on its Feb. 21 earnings call of its plan to delay the plant. In its annual 10K financial report filed with the SEC on Feb. 26, the company said it was planning to begin construction on the plant in Georgia this year for manufacturing and assembly of the R2.

It made the decision "only recently," a Rivian spokesperson told Atlanta Business Chronicle.

While the company gave no timeline when the project could resume, Rivian is bound by commitments and contracts it has signed with the state and the Joint Development Authority of Walton, Newton, Jasper and Morgan Counties (JDA), an agency that serves as the on-the-ground operations team.

Rivian is required to invest at least \$4 billion and create 6,000 jobs by the end of 2030 even if the plant is not yet operational, according to its agreement with the state and JDA. If it fails to meet those requirements, Rivian faces financial penalties, the agreement says.

"We remain on track to meet our commitments even with this shift in timeline," the Rivian spokesperson told the Chronicle this weekend.

Rivian said producing the R2 at its Normal, Illinois factory is a less capital intensive plan. The move will save the company \$2.25 billion.

Local JDA officials indicated they understood the decision.

"It will allow the company to use considerably less capital to bring the R2 to market sooner, strengthening its financial position," the JDA said in a statement to Atlanta Business Chronicle.

"A stronger Rivian is good for our community and will help the company fulfill its commitments to building its Stanton Springs facility," added the JDA.

Don't press 'the panic button'

Site selection expert John Boyd said the pivot to Normal, Illinois will help Rivian get the R2 to market faster at a time when EV demand is weak and the company is burning through cash.

Rivian's decision also comes amid high interest rates and elevated construction costs, which has slowed real estate development across the country.

"Let's face it, this is a difficult economy," said Boyd, principal of Boca Raton, Florida company The Boyd Co. "Transitioning to the existing plant in Normal, which is already equipped with billions of dollars of equipment, it's not that unusual ... No one should be pressing the panic button."

In a worst case scenario, if Rivian never develops the plant, Georgia would still end up with "a very marketable, shovel-ready megasite," he said. "It's not as if these investments were throwing cash out the window."

In an Op-Ed that ran first in the Atlanta Journal-Constitution, Scaringe said, "We are absolutely dedicated to bringing our Georgia plant to life with good jobs, economic development, and a product to be proud of."

He added that Georgia will be critical to taking R2 and R3, another smaller SUV, and it will be "incredibly satisfying to see 'assembled in Georgia' on our future vehicles."

Rivian tied to agreements

The state has provided \$1.5 billion in incentives to Rivian in a speed to market strategy designed to help get the plant up and running. Site preparation has been a key to that strategy. The state dedicated at least \$125 million to buy and prepare the roughly 1,700-acre property in Social Circle's Stanton Springs industrial park for Rivian, according to a state budget report. Grading of the site is nearly complete.

On an earnings call last November, Rivian's Scaringe told analysts "It's great to see the site starting to take form ... the direct result of a strong collaboration between the state, local community." Rivian has control of the site and will be obligated to maintain it, according state officials.

Rivian is currently bound by agreements and contracts with the state and JDA.

Last November, Rivian entered into a long-term rental agreement for the property. It expires in 2047, according to the company's annual report. Rivian is allowed to purchase the land when the lease expires. The lease cannot be canceled for four years, according to Rivian's annual report. In its annual report Rivian said it is "reasonably certain" to purchase the property at the end of the lease.

Rivian is required to make annual payments to the JDA, which increase substantially over time. Those payments are \$1.5 million per year until 2029, when the payments go up to \$12 million per year and continue to escalate to more than \$20 million through 2047, according to state documents.

Rivian has already paid \$3 million. The second payment of \$1.5 million was made on March 1, just days before the announcement to delay construction of the Georgia plant.

The state is currently reviewing its agreements with Rivian and said it is maintaining its fiduciary duty.

Senate Finance Committee Chairman Sen. Chuck Hufstetler, who last year co-chair a study committee that reviewed all the state's tax credit programs, said in an email to Atlanta Business Chronicle, "I have supported 'projects of regional significance' ... However I have consistently requested some legislative oversight which the law doesn't provide for. I will continue to work for additional oversight by the legislature."