

# THE ARIZONA REPUBLIC



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## Tesla's decision to break ground on two battery plant sites is unusual, expert says

**John Boyd, president of the Boyd Company, said even being selected as the backup site would still be a big economic development win for a region**



(Photo: Courtesy Tesla)

### Story Highlights

- Tesla said Wednesday that it will break ground in two different sites for its new battery plant
- John Boyd, president of the Boyd Company in New Jersey, said it is unusual for a company to break ground in two separate locations
- Boyd said even being the runner up for Tesla's factory will be an economic boon for the chosen site.

Being selected as Tesla's back-up factory site would still be a big win for any region competing for the factory, said a site-selection expert.

Tesla Motors Inc. officials said they will seek two locations for their factory among the five states competing for the project and its 6,500 jobs.

The first site will break ground next month, followed by a second location where work will progress as a contingency should any delays occur at the first.

The unusual plan has raised questions regarding how far the back-up site would progress and whether the second site should celebrate.

John Boyd, president of the Boyd Company in New Jersey, which works on site selection for a variety of industries, said even being the runner up for Tesla's factory will be an economic boon for the chosen site.

"You don't want to be third," Boyd said. "You want to be first. But if not first, being the bridesmaid is a nice consolation that will pay dividends."

Besides the positive international media attention for being selected a back-up site, the location will receive some level of capital investment if Tesla breaks ground and begins working on a new factory, he said. Should Tesla not need the backup site, it is unlikely to abandon it, he said.

: [Tesla to break ground soon on not one, but two battery factory sites](#)

: [Arizona's road to landing Tesla](#)

Tesla has estimated the cost of the factory at \$4 billion or more.

"It could be subdivided and used for something related to (Tesla CEO Elon Musk's) other companies, like SpaceX," Boyd said. "It could be a partner or vendors related to the project."

Even so, he said he's never heard of a two-site plan.

"This is very unique," he said. "Especially of this magnitude. Sure, there are other companies that have purchased two pieces of ground. But this is over the top."

## The Battle for Tesla's Battery Plant

States in the Southwest are engaged in a high-stakes bidding war for a \$4 billion battery plant Tesla plans to break ground on this summer. Each state is offering up a suite of incentives and brings both strengths and weaknesses to a potential deal. We handicap the competing states for you here.

### The battle for Tesla's battery plant: *Arizona*



**Pro:** Larger workforce and more opportunities for job training than Nevada and New Mexico.

**Con:** Farther than Nevada and probably can't match the economics of Texas.

**Tools and incentives the state can use in wooing companies:**

- Arizona Competes Fund

includes \$25 million, much of which could be awarded to a company.

- State corporate income tax allows manufacturers to base their tax bill fully on in-state sales, which could reduce liability close to the \$50 annual minimum.
- There are no franchise, business inventory or estate taxes.
- Tax credits worth up to \$9,000 per job over three years for net new positions that pay median county wage or higher.
- Recently passed bill to exempt manufacturers' electricity purchases from sales tax.

## The battle for Tesla's battery plant: *California*



**Pro:** Tesla headquarters and car factory already located there.

**Con:** Recent decision from Toyota to move headquarters out of California to Texas not a promising sign. Elon Musk told Bloomberg the state has too many environmental reviews.

**Tools and incentives the state can use in wooing companies:**

- California "Competes" tax credit
- Sales-tax-exclusion program for "advanced transportation" or

related components.

- Employment-training reimbursement.
- Tesla's existing factory in this state reportedly got financial assistance from the state energy commission, worker training and tens of millions in tax breaks.

## The battle for Tesla's battery plant: *Nevada*



**Pro:** Proximity to Fremont, Calif., Tesla car factory.

**Con:** Limited presence of high-tech manufacturing in the state and small workforce.

**Tools and incentives the state can use in wooing companies:**

- No corporate or personal

income taxes.

- Will abate sales tax on equipment purchases.
- Will abate up to 50 percent of payroll taxes for four years.

- Training grants with 25 percent company match.
- Up to 50 percent abatement on personal-property tax for 10 years.

## The battle for Tesla's battery plant: *New Mexico*



**Pro:** Already has a relationships with Elon Musk's Space Exploration Technology Corp. State has some history landing solar-manufacturing facilities.

**Con:** Arizona, Nevada and Texas are all "right to work" states that prohibit unions from requiring membership to work in certain industries.

### **Tools and incentives the state can use in wooing companies:**

- Changes enacted last year lower the maximum corporate income tax rate to 5.9 percent by 2018 from 7.3 percent in 2014.
- New options for calculating manufacturers' liability with a formula that taxes only sales that occur in the state.
- High-wage-jobs tax credit of up to 10 percent of wages paid for new jobs.
- Rural-jobs tax credit taken as credit against gross receipts.
- Technology-jobs tax credit of 4 percent for research and development.
- Renewable-energy tax credit of 1 cent per kilowatt hour of electricity from qualified sources.
- Investment tax credit for manufacturers, taken as credit against gross receipts.

## The battle for Tesla's battery plant: *Texas*



**Pro:** Probably the biggest incentives to offer.

**Con:** Farthest site in contention from California car factory.

**Tools and incentives the state can use in wooing companies:**

- Texas Enterprise Fund, or "deal-closing" account. Cash

grant available if a single Texas site is competing with another out-of-state option.

- Manufacturing exemptions for sales and use taxes.
- Tax exemptions on certain goods that enter and leave the state within 175 days.
- Exemptions for renewable energy.
- Emerging-technology fund provides grants for research and development.
- Workforce-development programs provide financing for job training.