

From the Albuquerque Business First

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Cover story

The case for Arizona

Mike Sunnucks | Phoenix Business Journal

Arizona will have to overcome some inherent disadvantages in order to beat out Nevada, Texas and New Mexico for Tesla Motors' coveted \$5 billion electric battery factory.

But on the plus side, a Phoenix-area bid for Tesla has workforce advantages over small-market contenders such as Reno and Albuquerque. Phoenix and Tucson also have a proximity edge over locations Tesla has looked at in Texas.

Tesla needs plenty of land — as many as 2,500 acres — and wants direct railroad access for the 10-million-square-foot plant to link with the electric car maker's assembly in California. That puts Pinal County, Buckeye and Tucson on Tesla's list.

"We do pretty well on trains and being able to get things over to the [Port of] Long Beach and into California," said [Brett Johnson](#), a partner and business attorney with the Snell & Wilmer LLP law firm who is familiar with trade, supply chain and site selection projects. Johnson said there is land that could suit Tesla in Pinal County, and Arizona has a pro-business regulatory environment to its advantage. Still, he's watchful of what kind of incentives could come out of Austin.

"Texas is extra aggressive," Johnson said.

[John Boyd](#), a national site-selection executive and principal with the New Jersey-based Boyd Co., said he's seen more advanced manufacturing firms looking at Pinal County where there is ample land at cheaper costs than metro Phoenix.

Buckeye (Arizona) Economic Development Director [Len Becker](#) didn't mention Tesla by name but said the regional industrial footprint and lack of large spaces in areas closer to Phoenix is pushing site selection to the outer suburbs. Buckeye has land adjacent to railroads and can leverage the Valley's labor pool.

"Considerations that may not have been on a prospect's radar screen five years ago are front and center today," Becker said.

While an official familiar with the Tesla search said Tucson has the electricity and renewable-energy bandwidth Tesla seeks, Boyd said other manufacturers have worried about finding enough skilled workers in the Old Pueblo.

Albuquerque and Tucson are of similar sizes, and the eccentric Tesla CEO [Elon Musk](#) flirted with

locating the company's assembly plant in the New Mexico city. His space freight company, Space Exploration Technologies Corp., has operations in Texas and just announced them in New Mexico.

Like **Apple** and other companies, Tesla requires economic developers, real estate brokers and even public officials to sign non-disclosure agreements not to talk to the media or others about the site selection. "Due to confidentiality agreements, we are unable to discuss," said [Laura Shaw](#), senior vice president of Tucson Regional Opportunities Inc. Greater Phoenix Economic Council spokeswoman [Michelle Kauk](#) also declined comment on that basis.

"It's all hush, hush," Johnson said.

Tesla spokeswoman [Alexis Georgeson](#) would only say the four states are still in the running and the automaker is not looking at putting the plant next to its California assembly line or making the batteries in Asia where most global supply is produced.

Arizona has a 6.5 percent corporate income tax rate. That is lower than California's and New Mexico's 7.3 percent (New Mexico plans to lower its rate to 5.9 percent over five years). But it's not zero, which is the rate in Nevada and Texas.

The Arizona Commerce Authority and Gov. [Jan Brewer](#) do have a \$25 million close-the-deal fund they can use for Tesla. The automaker also could qualify for a 5 percent property tax rate, as well as job creation and job training tax credits and newly approved energy and manufacturing tax break that benefit Apple. That gives Arizona a puncher's chance, said Greater Phoenix Chamber of Commerce President and CEO [Todd Sanders](#). The incentive fund along with job creation and other tax breaks passed in 2011 improve Arizona's odds in competing for bigger projects such as Tesla.

Arizona must overcome the Legislature siding with car dealers over rules restricting manufacturers from selling directly to consumers in the state. [Perry](#) has come out in favor of Tesla direct sales in Texas. The bill died in the Arizona Senate this year. Tesla representatives and lobbyists have said the auto sales rules are not tied to the site selection. Others believe it's a consideration. "It can't help," said State Sen. [John McComish](#), R-Ahwatukee, who favored allowing Tesla to sell directly in the state.