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Cover story

Sizing up Nevada and Texas

Mike Sunnucks | Phoenix Business Journal

In the race to land Tesla Motors' \$5 billion Gigafactory, the biggest little city in the world may have the inside track.

Economic developers from Arizona, Texas and New Mexico all will have to overcome some inherent disadvantages in order to beat out Reno, Nev. for the massive high-tech manufacturing plant.

Nevada wins the site-selection contest when it comes to proximity to the electric car maker's Fremont, Calif., assembly plant. It's also in a state that doesn't have corporate income taxes. Tesla could shift its tax burden from California and its 8.8 percent corporate income tax to Nevada following the tax-avoidance leads of **Apple Inc.**, **Google Inc.** and others. Boyd said Nevada's potential as a tax haven could be a key consideration for Tesla.

"All of that is leaning toward Nevada," said [John Boyd](#), a national site selection executive and principal with the New Jersey-based Boyd Co.

Boyd and other economic and real estate officials familiar with Tesla peg land at Reno Stead Airport in northern Nevada as a front runner to land the factory. Reno is also about 500 miles away from the Mountain Pass Rare Earth Mine in California, which could supply raw material to the electric batteries Tesla CEO [Elon Musk](#) wants to produce on his own instead of buying them Panasonic Corp., which makes them in Asia.

But Reno is small compared with other Western metros potentially under consideration. With roughly 428,000 residents, the Reno area could have problems staffing the 6,500-worker plant.

"That's going to be a challenge," said Boyd.

Reno economic developers either declined or did not respond to requests for comment. Texas officials also declined to comment on that state's efforts.

While the oddsmakers favor Reno, Boyd and others still see Texas as a contender for the factory because the Lone Star State also does not have a traditional corporate income tax and Gov. [Rick Perry](#) has a king-sized deal-closing fund to lure businesses to the state.

Perry hasn't been shy about using that closing fund. He has doled out more than \$500 million to lure jobs and businesses to Texas since 2003. That could help markets such as San Antonio, which

has a **Toyota Motor** Corp. truck plant, or Austin, which beat out Phoenix for a \$300 million Apple campus in 2012. Those closing incentives appeal to Silicon Valley types such as Musk, and could outweigh proximity disadvantages.

Bag of tricks: How Arizona plans to win Tesla

Arizona has a few tricks up its sleeve in its bid to land Tesla Motors' \$5 billion Gigafactory. Here they are:

Foreign Trade Zone location: A 5 percent property tax rate instead of the 18.5 percent paid by most other companies. This includes reduced and beneficial duties payments on materials and products shipped in from other countries. **Intel** Corp. and Apple Inc. are in such zones in the East Valley.

Job training credits: Reimburses companies for as much as 75 percent of training expenses. Companies in Maricopa County must pay at least a \$40,000 annual salary to employees in order to qualify. In Pima County, the qualifying wage rate is \$34,000 per year. In Pinal County, the rate is \$18,000.

Job creation credits: Companies creating higher-wage jobs and with at least a \$5 million investment can qualify for \$9,000-per-job income tax breaks over three years. Tesla could employ as many as 6,500 employees at the factory.

Research and development tax credits: If Tesla conducts any R&D at the Gigafactory, it could qualify for tax breaks of between 15 and 24 percent of expenses, depending on how much it spends.

Renewable and solar energy tax breaks: Given to companies who put renewable power adjacent to manufacturing plants. Gov. [Jan Brewer](#) recently signed the bill for the tax break, which will benefit Apple's new plant in Mesa and Tesla if it lands in Arizona.

Another new tax break for powering manufacturing plants: Brewer also recently signed a bill eliminating sales taxes on energy used to power factories — another incentive for Apple and Tesla.

Money: The Arizona Commerce Authority and Gov. [Jan Brewer](#) have a \$25 million pot of cash called the Arizona Competes Fund. Apple is getting \$10 million from the fund for its 700-worker plant in Mesa. The Tesla plant is more than nine times that employment size.