

Five things to know about the Faraday deal



Seth A. Richardson, December 13, 2015



(Photo: RGJ file)

With Gov. Brian Sandoval announcing a potential \$335 million deal with electric car company Faraday Future on Thursday, the Nevada Legislature will have to convene a special session to approve the measure.

Sandoval hailed the possibility of bringing another electric car company to Nevada as a way to diversify the state's economy, which historically has relied on mining, gaming and tourism. He likened the company to something out of "The Jetsons" and has been working to reassure lawmakers the deal is a good one.

While the governor has not officially announced a special session, several legislators said they expect it to start on Wednesday.

Legislators also said the plan won't be an automatic deal. Many hadn't heard the proposal until Sandoval's announcement Thursday or seen anything in bill form as of Friday.

Meanwhile, Faraday Future has yet to produce an electric car.

The plan to attract Faraday to Nevada

The \$335 million package is split into two categories: tax incentives and infrastructure spending.

The infrastructure spending totals \$120 million and would be used to upgrade the Apex Industrial Park in North Las Vegas, including a water pipeline, rail port, water treatment and flood prevention. Meanwhile, landowners near Apex and other private funding will provide a further \$75 million, bringing the total infrastructure upgrades to \$195 million.

Included in the \$120 million is a Nevada Department of Transportation road project near the industrial park estimated to cost \$45 million to \$50 million.

The tax incentives total around \$215 million. The company will receive \$175 million for a 15-year, 100 percent abatement on sales tax and a 10-year, 75 percent abatement on property and modified business taxes. The state also wants to give Faraday a further \$38 million in transferable tax credits.

Faraday will pay taxes into a trust until they reach the required \$1 billion investment into the state, at which time they will receive a rebate. Half of the workforce for both construction and plant operations must come from Nevada and pay an average wage of \$22 per hour.

Steve Hill, director of the Governor's Office of Economic Development, said Faraday wants to break ground as soon as possible, likely in the first quarter of next year. Hill estimated the deal would bring 4,500 direct jobs and 9,000 indirect jobs to the North Las Vegas area as well as \$85 billion in economic impact and \$760 million in taxes to state and local governments and K-12 education during a 20-year period.

What is Faraday Future?

Faraday is an electric car company founded in 2014 in Gardena, Calif. Like Tesla, it is named for a famous scientist: Michael Faraday, who made several discoveries related to electricity and electromagnetism.



Faraday Future Logo (Photo: Photo provided)

Most of the company's mission is still shrouded in mystery, but that could change as lawmakers wanting to know more about the startup examine the proposed incentive package. The company does tout several industry experts, including several former Tesla executives.

Faraday hasn't produced a working model for the public yet, but a page on its website states it will unveil a concept Jan. 4 at the Consumer Electronics Show in Las Vegas.

Spokeswoman Stacy Morris said the company has been so secretive because it is simply too early in the development stage to release many details.

"We have been talking to the state for some time now," she said. "They have certainly looked into our organization and our funding sources to check the economic viability of our plans. We've given them full disclosure on us to show to them we're well funded."

Who's behind Faraday Future?

Chinese entrepreneur and billionaire Jia Yueting is backing the company. Jia is the 17th-richest person in China with an estimated net worth of \$7.9 billion, according to Forbes.

He chairs Leshi Internet Information & Technology Beijing, a multimedia company involved in online streaming and smartphone technology. Leshi is often considered the Chinese equivalent of Netflix. Jia also holds a 70 percent stake in ride-hailing company Yidao Yongche.

Jia did not make his involvement in the company publicly known until the Nevada deal came about. He issued a letter to legislators revealing himself.

“We plan to revolutionize the automobile industry by creating an integrated, intelligent mobility system that protects the earth and improves the living environment of mankind, so that everyone can breathe clean air and enjoy a seamlessly connected lifestyle,” he said in the letter.

How lawmakers responded

The deal received a relatively positive response, although most lawmakers were cautious in their approval since they have not seen a detailed bill.

“As far as a breakdown, we don’t really have those numbers yet,” said Rep. John Ellison, R-Elko. “I don’t have them anyway.”

Senate Minority Leader Aaron Ford, D-Las Vegas, said he was looking forward to seeing if the deal fits with the state’s goals.

“Economic incentives are most powerful when they’re used as a tool to invest in Nevadans,” Ford said. “We look forward to evaluating whether this new opportunity in North Las Vegas fits within our Nevada Blueprint to grow the middle class by creating high-paying jobs for local workers, expanding opportunities for other Nevada-based businesses, and further diversifying our state economy.”

Rep. Pat Hickey, R-Reno, said the deal is a chance to solidify a future for Nevada’s economy outside of its current strongholds.

“Nevada has gone from a brand worldwide that knew us only for Las Vegas and gambling to an emerging high-tech advanced manufacturing location that’s created a worldwide buzz about the Silver State,” he said. “Personally I think Brian Sandoval deserves a lot of credit for changing the economic climate and the brand of Nevada nationally and internationally.”

John Boyd of The Boyd Company, a location consulting firm based in Princeton, N.J., praised Sandoval, saying he had joined the “elite ranks of governors” who have led a concerted effort to attract new industry to their states. The company has recommended Apex to several clients in the past, Boyd said.

“First, from 30,000 feet, this was not a traditional site selection exercise for a conventional automobile plant,” he said. “If it were, a bridesmaid like Georgia would be strolling down the

aisle with this big win as the center of gravity of the 'conventional' U.S. auto industry is clearly in the Southeast -- not Detroit and the upper Midwest."

Criticism of the deal

The deal wasn't without its share of critics.

Victor Joecks, executive vice president of the right-leaning Nevada Policy Research Institute, released a statement criticizing Sandoval for providing tax incentives to out-of-state billionaires while working to raise taxes to fund education during the 2015 session.

"You can't have it both ways," Joecks said. "If lower taxes are good for out-of-state billionaires, they're also important for Nevada's small, medium and large businesses and the hundreds of thousands of Nevadans they currently employ."

Conservative activist Chuck Muth called the deal corporate welfare and said he's already lobbied against it.

"I'm not against Faraday. It has nothing to do with Faraday," he said. "It has to do with government policies where we're using tax dollars to reward a newcomer coming into Nevada, especially just a few months after the Nevada Legislature hammered existing Nevada businesses with a bunch of huge tax increases."

While he understands the frustrations of conservatives upset by an incentive-laden tax package for an out-of-state business, Rep. Jim Wheeler, R-Minden, said the alternative leaves Nevada with nothing anyway.

"For those who think, 'Oh, we're going to abate all these taxes,' well right now we have what is basically a vacant piece of land that is drawing no tax revenue. None," he said. "So if they don't come here, how are we better off? That would be the question I would have to ask people who are against it."

Conservative groups weren't the only ones critical of the deal. Thomas Cafcas, a research analyst at Good Jobs First, a non-partisan and union-backed think tank, said the deal is risky and lacks transparency, which raises even more questions.

Good Jobs First ranks state-funded "mega deals" with corporations. Cafcas said the Faraday deal would rank at 50th in U.S. history, on par with a 2011 General Motors package in Wentzville, Mo. What's even riskier is Faraday's lack of a product in the marketplace, he said.

"It seems like a very rushed process and that's cause for concern," he said. "Other states have been burned on deals like this such as Dell in North Carolina. The deal was signed and the company disinvested and the governor was quoted as saying, 'We'll get back every red cent,' and they weren't able to because the deal was rushed through the state legislature."