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## Tesla picks Nevada for Gigafactory



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CARSON CITY — Nevada has won a major jackpot in economic development — a \$5 billion Tesla battery plant that will employ thousands and crank out 500,000 lithium-ion battery cells per year by 2020.

Gov. Brian Sandoval plans a Thursday afternoon news conference in the state Capitol to reveal details of the proposed Gigafactory deal, according to a source familiar with the announcement. Tesla representatives and state lawmakers also will be present.

Sandoval is expected to call a special session of the Nevada Legislature to consider financial incentives for Tesla, which was said to be asking for \$500 million, well ahead of the regular session that opens in January. That approval is crucial to Nevada's bid: The Associated Press reports that Tesla is still working on another site, either as a fallback if Nevada can't deliver promised financial incentives, or perhaps for a second factory.

News of Tesla's decision leaked first to the financial news network CNBC, which quoted an anonymous source in Sandoval's office as saying, "That's a go, but they are still negotiating the specifics of the contract." The network said it understood it could be a week before the deal is official.

Shortly after that news broke, Sandoval said he would make an announcement at 4 p.m. Thursday.

"It will be a major economic development announcement for the state of Nevada," he said Wednesday. Asked about a special session, he said, "I am still meeting with legislative leadership and there will be an announcement tomorrow."

A Tesla representative said the company looks forward to joining the governor and legislative leaders for the announcement in Carson City.

Nevada has been one of several states, including Arizona, New Mexico, Texas and California, in negotiations with Tesla, which recently broke ground at the Reno Tahoe Industrial Center even though the company said it was still evaluating other locations and negotiating incentives with other states.

Tesla would produce batteries for its electric vehicles at the Gigafactory, which could create as many as 6,500 jobs. The 10 million-square-foot factory jointly financed by Panasonic Corp. could be in operation as soon as 2017, when Tesla plans to roll out Model 3, which industry analysts consider a major step in making electric cars more affordable and longer-ranging mass-market vehicles.

Billionaire entrepreneur Elon Musk has set a goal for Tesla to eventually sell at least 500,000 electric cars and supply stationary battery packs to store power from solar panels for homes and businesses. The company will eventually need more than one Gigafactory, Musk told Bloomberg News in April.

## **RENO THE FAVORITE**

John Boyd, a principal with the New Jersey-based site selection firm The Boyd Co., said his firm has long given the Reno area the edge in the competition.

"We've been tracking the process for nine months, and we've been handicapping Reno as the winner for a number of competitive reasons," he said.

"The fact that Reno can bring to the table solar, geothermal and wind is very competitive for Reno," he said. "The *raison d'être* for Tesla is all about sustainability and green energy."

Nevada also offers tax advantages — no personal or corporate income tax — and proximity to lithium mined in the state, Boyd said. The teacher union-backed business margins tax on the

November ballot is a concern for business, but it won't have a big impact on Tesla because most of its sales will be out-of-state, he said.

Reno also offers better logistics for Tesla, which would need to truck its batteries about five hours to the company's Bay Area assembly plant. The drive from Las Vegas would be double that.

The accessibility of Nevada's top decision-makers, including Sandoval, also likely factored in the decision, Boyd said.

He called the selection a bellwether for Nevada, given Tesla's investment in new-generation automotive technology, a sentiment echoed by a Southern Nevada economic development official.

"Having a company of this magnitude choosing to locate to Nevada is great for the whole state," said Andrew Doughman, communications director of the Las Vegas Global Economic Alliance. "It's great to have a major company like Tesla express confidence in Nevada."

Robert Lang, UNLV's director of Brookings Mountain West, likened it to another milestone in Nevada development.

"It's about as important as the Hoover Dam because it's such a transformative investment," Lang said.

The Reno area, in particular, needs the powerful shot in the arm from the Gigafactory, said Stephen Brown, director of UNLV's Center for Business and Economic Research.

"It's a big deal for a couple of reasons," Brown said. "It points out Nevada is a good place to do business and the Reno economy has really been struggling since the Great Recession. This would give a much needed injection into the Reno economy."

With a projected employment of 6,500, the Gigafactory would increase the Reno area's 200,000-job base by about a 3.25 percent.

While Las Vegas suffered from the economy's collapse, the city's gaming and hospitality industry has recovered much more than Reno's local gaming scene, said Brown.

"I think Reno needed it more," Brown said. "Reno's gaming industry is in decline. And not much has really happened there to offset that."

## **SOUTH MIGHT WANT SOMETHING**

While landing a major manufacturing operation would be an economic development coup for a state still hammered by high unemployment, closing the deal with Tesla may not be a slam

dunk. Because the plant appears destined for the Reno area, Southern Nevada lawmakers may feel left out and could try to exact something in return for what is sure to be unusually plush economic incentives.

“I know what Reno’s getting, but what are we getting?” said a Democratic lawmaker from Southern Nevada, speaking on condition of anonymity.

Democrats are also expected to closely question any tax incentives, especially at a time when revenues are tight and lawmakers want more money for public education and other state needs.

“The state’s already broke. We need tax revenue. We don’t need to give it away,” the lawmaker said.

Partisan politics may also come into play as Democrats fear incumbent lawmakers in the most competitive races will be hurt by legal restrictions on raising campaign money from the time a special session is called until 15 days after it adjourns.

Sen. Justin Jones, D-Las Vegas, for example would be at a disadvantage in his race in Senate District 9 as would Assemblywoman Marilyn Dondero Loop, D-Las Vegas, who’s running in Senate District 8. Both face GOP opponents who are not incumbents.

“It really hurts Democratic candidates,” the lawmaker said.

And the size and structure of the as-yet unannounced economic incentive package Sandoval will ask lawmakers to approve may be a tough sell.

Geoffrey Lawrence, director of research and legislative affairs for the Nevada Policy Research Institute, a Las Vegas-based conservative research group, said in a statement that residents should be concerned about what the “corporate-gift package” for Tesla will include.

“It’s especially alarming when the proposed giveaway is so large that even the governor acknowledges that it outstrips the existing authority to subsidize private businesses granted to him by the 2011 Legislature,” he said.

Lawrence argues that such incentives could violate a state constitutional ban on corporate gifts.

“While advocates will predictably claim a public benefit for the subsidy in the form of greater unemployment opportunities, Nevadans should be careful to consider the trade-offs involved,” he said.

Those tax breaks could be costly. Forbes has reported Tesla was asking the competing states to put up 10 percent of the cost of the factory, or \$500 million — a big bite for Nevada, with its \$6.2 billion, two-year general fund budget.

## RECRIMINATIONS ELSEWHERE

Economic development officials in California were terse when asked about the company's decision to build in Nevada.

"No other state has added more jobs than California since the recovery began," said Brook Taylor, spokesman for the Governor's Office of Business and Economic Development in California, "and we'll continue to work closely with businesses, including California-based Tesla, that want to grow here."

Competition for the factory has been intense among the states, which bid up their incentive packages in private negotiations with Tesla.

Some politicians in California, where Musk founded not just Tesla but PayPal and commercial space exploration firm SpaceX, made winning the project a point of pride.

"Tesla was using their business savviness to get states to compete against one another, to try to negotiate the best deal possible. It's just that I felt California had the inside track given our history of working in partnership with Tesla in California," Republican state Sen. Ted Gaines said.

He called Tesla's decision a "clear indictment of our business climate."

In New Mexico, news of Tesla's choice set off a round of political recrimination. Democratic gubernatorial candidate Gary King said New Mexico was passed over because of "a failure of leadership" by Republican Gov. Susana Martinez, his general election opponent.

Asked Wednesday about Tesla, a spokeswoman for Texas Gov. Rick Perry said via email only that she "would refer you to them on that."

Perry has made using multi-million-dollar incentive programs to lure top employers to Texas a centerpiece of his governorship. He scored a victory in April when Toyota announced it was moving its U.S. headquarters from California to suburban Dallas.

Perry's office has not said what incentives it may have offered.

Arizona officials did not respond to requests for comment.

The Associated Press contributed to this report.