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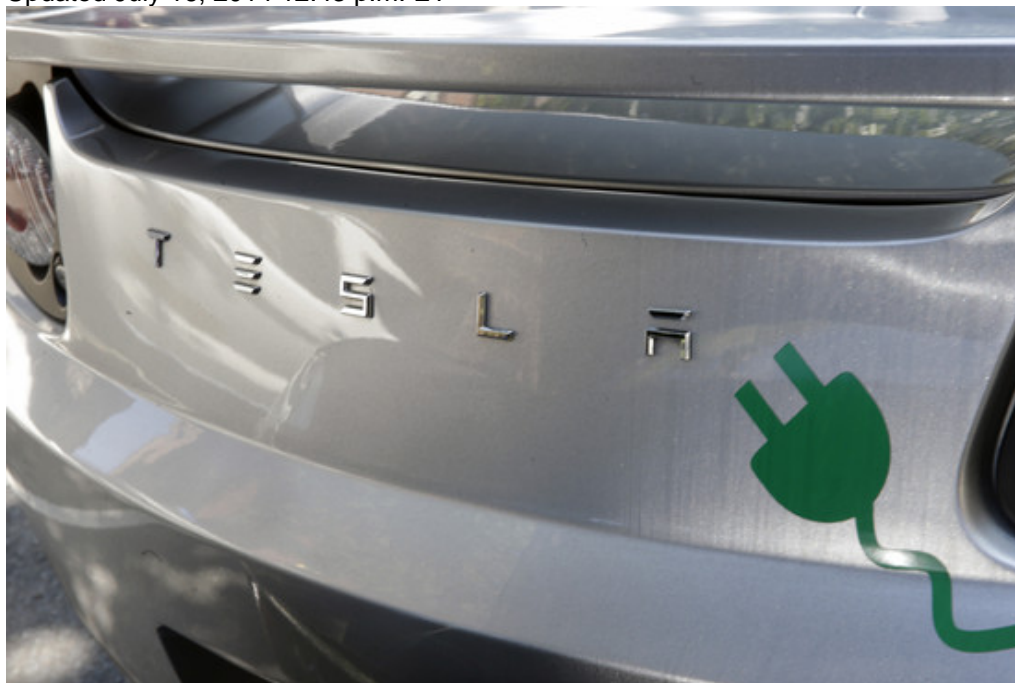


Tesla Looking at California as Site for Battery Factory

State Lawmakers Propose Tax Breaks, Regulation Changes That May Speed Construction, Lower Costs

By
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[Tesla Motors](#) Inc. [TSLA -0.75%](#) is taking a closer look at California as the site to build its giant proposed battery factory after state lawmakers proposed new tax breaks and regulation changes that could speed construction and lower costs.

California is already a critical base for Tesla, serving as both the home of the auto maker's headquarters and its car factory. But the company in February said the state wasn't on the list of locations where it was scouting sites for a new plant, which would build batteries for its electric vehicles.

Winning the Tesla factory would come at a critical time for California. In April, Toyota Motor Corp.'s decided to move its headquarters to suburban Dallas after spending decades in suburban Los Angeles.

Tesla's 10-million-square-foot plant could employ 6,500 people when finished and generate up to \$5 billion in direct investment would help reverse the belief that California isn't a competitive market for manufacturing.

"California has set into play various legislative proposals and actions that have enabled it to come back into consideration," Tesla spokesman Simon Sproule said. "Discussions have taken place between us and various representatives of the state and the overtures they are making and conditions they are proposing place them in a better position for consideration."

State Senators Ted Gaines, R-Roseville, and Darrell Steinberg, D-Sacramento, have proposed a bill that has only placeholder language and refers to an economic development project involving a battery factory. The legislators are working the state's economic development department and Tesla to come up with a list of requirements to try to get the bill through the legislature when the session restarts in August after the July recess.

[Tesla initially named Arizona, Nevada, New Mexico and Texas](#) as the states under consideration. But site selection has been ongoing for six months, allowing California to nudge in.

"I will do everything in my power to have California land this factory," said Sen. Gaines in an interview. "It's very important for California and sends a message across the country that we are open for business."

Tesla is heavily rooted in Mr. Gaines' state, employing 6,000 people between its Palo Alto headquarters, Fremont assembly plant and other retail and small manufacturing sites.

The company is taking the unusual strategy of beginning construction on several locations before picking a final spot in order to stay on schedule. At its annual meeting, Chief Executive Officer [Elon Musk](#) said that the company may wait until the end of the year for a final decision.

It is important that the company start soon in order to complete the factory by 2017, when it plans to roll out its third vehicle, an electric car called the Model III that it aims to start selling at \$35,000 with a 200-mile range.

The range would be about double what existing EVs at that price can achieve and most of that improvement is based on the cost savings coming from building the Gigafactory.

Tesla has said it needs 500 to 1,000 acres for its battery factory, which would be the world's largest by a wide margin. Some of that land would be used for solar and wind-powered electricity. Tesla already owns 300 acres adjacent to the Fremont assembly plant. Some politicians have suggested using a portion of Mather Field, a former Air Force base in Rancho Cordova near Sacramento.

In recent weeks, New Mexico's Cabinet Secretary for Economic Development, Jon Barela, said the state still is in the running for the plant. There have been media reports in Dallas that Tesla has scouted a site in Dallas County. There have been similar reports out of San Antonio.

Tesla still [hasn't gotten a firm financial commitment](#) from chief battery supplier, Panasonic Corp., to co-invest in the factory. The Japanese battery maker signed a memorandum of understanding on investing in the new plant, but hasn't publicly committed to the scope. Tesla has said it would spend \$2 billion and expect that the remaining spending of \$2 billion to \$3 billion on the plant come from partners like Panasonic and other materials suppliers.

John Boyd, the principal of The Boyd Company, a New Jersey-based site selection firm, who has followed the Tesla battery factory site selection closely, expects that Reno, Nev. is the front-runner for getting a plant, but that a site in Texas may be retained for future projects. Nevada has a favorable tax system and proximity to Tesla's Fremont, Calif., plant as well as lithium deposits, which are a component of its batteries. [TSLA -0.75%](#)

Tesla's Model III is the centerpiece of Tesla's strategy to move from a luxury player to a mass-market electric vehicle seller.

The company's Model S now starts at \$71,000 and often sells for more than \$100,000 with added options.

Tesla is due to release its second vehicle, the Model X, in early 2015. That vehicle will be an all-wheel-drive sport-utility with falcon-wing doors.

Tesla originally had planned to call the vehicle the Model E, but Musk said [Ford Motor Co. F +1.60%](#) sued to halt Tesla's use of the name, claiming it had rights to the moniker that harked back to Henry Ford's days of naming cars with a single letter.

The naming of the vehicle was first reported by Auto Express, a British automotive magazine.