Tax Abatements
Faraday, Tesla Deals Boost Nevada's Profile

By William H. Carlile

Jan. 27 — The auto industry is becoming a catalyst for some of the more exciting office developments coming online across the nation, and Nevada, with its recent pickup of two companies in the electric car market, is well-suited to accommodate that trend.

That is the opinion of John Boyd, president of Boyd Co., a New Jersey-based site selection company. Boyd shared his thoughts with Bloomberg BNA in the wake of a Jan. 22 decision by the Nevada Governor’s Office of Economic Development to give final approval to Faraday Future's plans for a $1 billion investment in a new electric vehicle manufacturing facility in North Las Vegas. The investment comes with a tax-incentive program valued at $215 million, as well as tax abatements (2016 Weekly State Tax Report 20, 1/1/16).

Groundbreaking has already begun on the site, and construction is expected to be completed in the next few years, according to the company.

Plenty of Benefits

Boyd, Jan. 27, characterized Faraday as a good deal for Nevada, with many drivers that make the North Las Vegas site desirable. One draw is what he called the "premier business climate" Nevada offers as a right-to-work state.

Another is the incentive and tax abatement program put into place by Gov. Brian Sandoval (R), who backed the project that recognizes the growth in the electric car market. Boyd said Nevada is now recognized as a leader in this field, having persuaded Faraday to locate in the southern Nevada market and Tesla Motors to locate operations in the northern Nevada market of Reno.

Boyd said the labor skill sets that Faraday places a premium on are more akin to those in the electronics and aerospace industries. Faraday will place more emphasis on accessing engineering and high-tech skills. Workers will come from Southern California, creating a strong precedent for translating California skill sets.

Another benefit is taxation and housing, Boyd said. Many of those transferees will find some big advantages to living in southern Nevada over Southern California, such as the lack of a state personal income tax. Despite the sluggish recovery in the Las Vegas housing market, there are significant savings for executive housing in southern Nevada versus Los Angeles, he said.

Prime Real Estate

Boyd, who said he wasn't involved in the Faraday site-selection process, said he knows about the North Las Vegas site from working with past clients.

He said it offers many advantages: access to Interstate 15, close proximity to intermodal rail service and access to renewable energy such as geothermal and solar power.

The site also is close to Nellis Air Force Base, enabling the company to hire former military personnel who have skill sets that Faraday will find desirable. Government incentives will make it attractive to hire former military workers, he added.

In addition, plans for an Interstate 11 transportation corridor between Las Vegas and Phoenix will serve as a catalyst for development of similar sites, Boyd said.

'Second War Between the States.'

Boyd described the intense competition over tax incentives as the "Second War Between the States." All cities and states must offer incentives to be competitive, he said. Tax abatements and clawback provisions are also considered.

Sandoval gets credit for these funds going beyond property and sales tax abatements to encompass workforce-training programs and infrastructure development programs, Boyd said. That enhances the state's ability to attract even more companies, he added.

States "need to recalibrate what incentives they can offer. Incentives play a necessary role in attracting jobs," Boyd said.

Sandoval's success in pushing the Tesla and Faraday projects through the Nevada Legislature puts him "into an elite category of superstar economic development governors," Boyd said.

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