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How did Texas lose its bid for Tesla's 'gigafactory?'

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With electric vehicle maker Tesla Motors set to announce Thursday that its $5 billion "gigafactory" battery plant will be built in Nevada, the inevitable question follows: how did Texas (and other states) lose out?

The answer, according to some experts, is that Nevada was always the favorite and Thursday's announcement at 3 p.m. today will bear that out. But despite Nevada's frontrunner status, Tesla officials indicated that sites in Texas, California, Arizona and New Mexico were in the running for the 10-million square-foot facility.

Tesla wants the potentially $5 billion factory to supply batteries for its Model 3 electric car, which is set to go on sale in 2017. It would employ about 6,500 people, according to Tesla's projections, and states lined up to land the project.

"I think the stars lined up for northern Nevada on this project," said John Boyd Jr., a New Jersey-based site consultant who predicted that Nevada would land the site. "There were just several compelling advantages that it would have been difficult for San Antonio or the Dallas area to compete with."

Among those, he said, are the Nevada area's "trifecta" of green power sources -- wind, solar and geothermal, which is hugely important for Tesla CEO Elon Musk.

Reno also enjoys direct rail access to Tesla's assembly plant in Fremont, Calif., plus Nevada has no corporate income tax and is a right-to-work state, Boyd said.

And the battery packs that will be produced from the plant weigh close to 1,000 pounds each, so shipping costs were also a factor, Boyd said.

"It wasn't a deal-killer for Texas, but it was an issue, in terms of transportation costs," he said.

Among the contenders for the site were a 1,200-acre site in Hutto and Taylor, which is farmland straddling FM 3349. Tesla informed officials there on Wednesday that the automaker had chosen Nevada, said Dave Porter, senior vice president for economic development at the Greater Austin Chamber of Commerce.

Tesla made several visits to the Hutto-Taylor site, which Porter called "the most pursued site by Tesla" besides Reno.

"We were runner-up to probably one of the most publicized industrial projects," Porter said.

Porter and Joey Grisham, president of the Hutto Economic Development Corp., both said Nevada's proximity to California ultimately helped that state win out.

"There is a big cost difference in shipping large battery packs on rail from Reno versus Central Texas," Grisham said.

Officials in Williamson County now hope to market their site to another major auto project.

"In regards to future (Tesla) plants, I would say that is a possibility but (we) may not know for some time," Grisham said. "We have an attractive site in the hottest economic region in the U.S. and I believe someone will be there in the near future."

Nevada's proximity was also mentioned by San Antonio officials in their lost bid for the Tesla factory.

Bexar County Judge Nelson Wolff told the San Antonio Express-News that he wouldn't be surprised if Reno won out given its four-hour proximity to Silver Peak, Nevada, home of North America's only commercially active lithium mine.

"It really gives them a big advantage, because if you have to ship it, you have to ship it by rail, and that's a hazardous product," Wolff said. "We always kind of thought that gave them an edge by being right next to the lithium mine."

That lithium mine probably also played a part in Nevada's winning bid, wrote Mark Rogowsky in Forbes, who said that despite the months of negotiating, Tesla "was almost certainly destined to end up selecting Nevada anyway."

He also mentioned Tesla's inability to sell its cars in Texas might have contributed to the loss.

"Of the four states Tesla didn't pick, it had a fundamental issue with two of them that made it nearly impossible to invest billions there. Texas and Arizona both prohibit Tesla from selling cars at its company-owned stores there," Rogowsky wrote. "That turns the few locations Tesla does have (1 in Arizona, 3 in Texas) into 'galleries' where staff can talk generally about the car, but can't help people buy one. For Tesla to do a deal with either state, it would have needed a change in the rules to allow its direct-sales model."

State Rep. Eddie Rodriguez, D-Austin, also alluded to Texas' sales restrictions on Tesla, but mentioned that more factories might be in the cards down the road.

"I don't know what role the current restrictions for direct sales played in Tesla's decision to choose Nevada over Texas," Rodriguez said in a statement. "But (Musk) envisions the need for many more gigafactories across the country, which means many more high-paying jobs."

"Accordingly, I plan to file my bill (which would allow Tesla to sell direct to consumers) again next session so that our door will be open to future opportunities."

More battery factories in the future are a distinct possibility, Boyd said.

For one, the technology -- while it's focused on the auto industry at the moment -- has applications in consumer electronics and construction, as more homes and office buildings adopt batteries, he said. So there's the possibility for "bridesmaids" like Texas and Arizona to eventually land their own gigafactories as the technology becomes more and more adopted.

"This saga is not over," Boyd said.

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