

Austin American-Statesman

Proposed Tesla factory, incentives, draw mixed reaction

By Shonda Novak

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Tesla officials Tuesday touted the benefits to the Austin region if it builds its proposed \$1 billion electric vehicle factory in southeastern Travis County, telling county commissioners during a meeting that many of the 5,000 jobs created would provide needed opportunities for high school graduates.

The California-based electric automaker said it would boost career paths through numerous apprenticeship programs, internships and partnerships with local schools, community colleges and universities — training prospective workers in areas such as automation and robotics.

Tesla officials Rohan Patel, senior global director of public policy and business development, and Valerie Capers Workman, Tesla's vice president of people, highlighted the company's commitment to diversity, environmentally sustainable development, affordable housing and other community benefits.

Travis County and the Del Valle school district are considering millions of dollars in property tax breaks to help attract the plant.

Tesla has not yet made a final decision on where it will be located, and Tulsa, Okla., also is being considered.

In addition to presentations from Tesla officials and Diana Ramirez, the county's director of economic development and strategic investments, Travis County commissioners on Tuesday took calls from the public at its virtual meeting.

Some residents spoke in favor of the plant and incentives, saying it would bring jobs and services to a part of the county that needs them.

But other residents were strongly opposed, saying Tesla has failed to live up to its promises and obligations in other states, doesn't care about its employees' health and safety, and has retaliated against unionizing workers.

One speaker said Tesla " shouldn't be getting a corporate handout, it should pay for its own."

The county's proposed economic development agreement would amount to almost \$14.7 million in property tax rebates to Tesla over 10 years if the electric automaker — which has a stock market value of more than \$180 billion — builds its factory here.

In response to questions from various Travis County commissioners, the company stressed that it plans to hire workers, and predominantly full-time employees, from within the local community. Patel said it would be up to the local workforce whether or not they want to unionize.

The Del Valle school district is considering incentives for Tesla that would rebate about \$50 million in property taxes over 10 years to the company if it builds its so-called “gigafactory” here. The American-Statesman previously estimated the value of the school district's incentives at \$68 million, but that figure didn't account for some of the property taxes that the company will pay for the district's debt service.

The Del Valle district is planning to hold a public hearing on its proposed incentive agreement at 6:30 p.m. Thursday.

Tesla is considering building its Austin-area factory on 2,100 acres along Texas 130 near Harold Green Road, northeast of Austin-Bergstrom International Airport. In exchange for the tax subsidies, the company is promising 5,000 jobs, some 65% of which would be unskilled jobs that do not require a college degree.

The factory would manufacture Tesla's future Cybertruck electric pickup, and also be a second site for building its Model Y SUV.

The property currently is a sand and gravel mining site with a concrete plant owned and operated by Martin Marietta. The Martin Marietta plant would be relocated on the site if Tesla were to build its factory there.

The county hired economist Jon Hockenyos to conduct a cost/benefit analysis of the proposed plant. Hockenyos said the factory could be expected to generate more than \$600 million in annual sales activity; more than 4,000 new non-Tesla jobs from ripple effects; and more than \$425 million in new annual wages, above and beyond wages of Tesla employees.

“The benefits substantially outweigh the costs to the community,” Hockenyos said. “It's a marvelous opportunity (with a) net benefit to the county.”

Travis County's Ramirez said the pandemic has heightened the focus on the need for jobs, and noted that many of the Tesla's jobs would be “middle skills jobs” that don't require a college degree.

“I fully expect we will see additional types of associated development occurring in Travis County because of Tesla moving here,” Ramirez said.

But one speaker, who lives in the area where the plant would be built, said the tax burden of Tesla locating in the Del Valle area “seems to be a heavy load” for the community of about 28,000 people, which has other pressing needs, including for libraries and infrastructure.

“Giving such a tax break would be devastating” for the community,” she said.

Other callers noted that Tesla has failed to live up to its agreements in other states, including violating air emission standards and labor laws.

Austin resident Susan Moffat said she is concerned not only about Tesla’s corporate record, but also about the pay levels for the jobs it would bring here. The annual pay Tesla has cited for its entry level jobs — \$35,000 — and its average annual salary of \$47,147 are both classified as low-income under federal guidelines for median family income in the Austin area.

“Most of the housing will need to be publicly subsidized,” said Moffat, a longtime community activist, adding that “it would be nice to have that tax break money” to provide housing for employees.

At the median level, Tesla has said the annual salary would be \$68,303 plus full benefits, with half of the jobs paying more than that amount and half paying less.

If Travis County is selected for the plant, construction likely would start in the third quarter of 2020, pending required permitting and construction approvals from the city and county. The factory could take two to three years to complete, according to the company.

Last week, site selection consultant John Boyd told the American-Statesman that Austin is an ideal fit for Tesla. Boyd has advised companies including Boeing, AT&T and Dell Technologies in their own office location selection process.

He said his sources in Texas tell him that Austin “is all but a done deal.”

“That begs the question, assuming Austin does get this coveted trophy project: Is the Tesla headquarters next? I could see Austin, San Antonio and Dallas being in the mix for that.”