

Site selector: After factory, Austin could land Tesla HQ

'Austin suddenly emerges as the frontrunner for this crown jewel economic development project'



The stamping press at the Tesla factory in Fremont, June 14, 2018. Christie Hemm Klok/The New York Times

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By Erin Edgemon – Staff Writer, Austin Business Journal

With Tesla appearing to be close to choosing Austin for its next manufacturing plant, the electric automaker's headquarters could be next, one site selector said.

"The next shoe to drop will be Tesla's headquarters," said John Boyd, CEO of The Boyd Company. "Austin suddenly emerges as the frontrunner for this crown jewel economic development project — the Tesla headquarters."

Rumors have circled for weeks that in addition to being a finalist for its Cybertruck plant, Austin may also be in the running for Tesla’s headquarters. Boyd said there is some credence to the rumors.

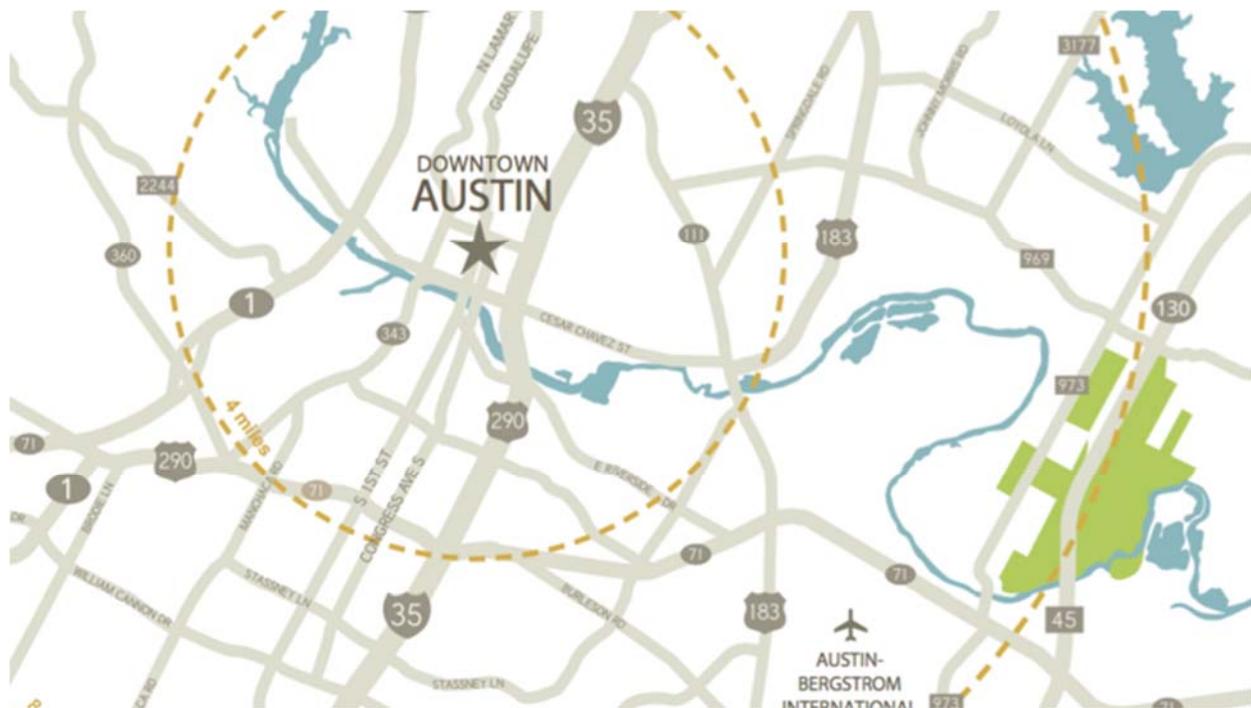
CEO Elon Musk has faced off with California lawmakers over reopening its Fremont plant amid shelter-in-place orders. In a series of tweets in May, Musk threatened to move the company’s headquarters to Texas or Nevada because of California’s restrictive Covid-19 policies.

“Texas brings so much to the table: premier pro-business climate, favorable tax structure, the in-migration of millennials and IT skillsets critical to Tesla’s hiring patterns,” Boyd said.

The New Jersey-based site selection consultant — which counts among its clients companies such as PepsiCo, Boeing and Round Rock-based Dell — has closely monitored Tesla’s site selection activities over the last several years.

Boyd said Tesla considered about eight sites for the new plant, likely parcels in Kentucky and Tennessee as well as Tulsa, Oklahoma — also considered a finalist — and Dallas and San Antonio.

A 2,100-acre site straddling state Highway 130 in East Austin appears to be the frontrunner for Tesla’s factory. The property owned by building material supplier Martin Marietta Inc. had been earmarked for a massive mixed-use development that would include 12,000 residential units and about 2.25 million square feet of commercial space — plus offices, warehouses and shops.



Austin Green is shaded in green.

Tesla CEO Elon Musk confirmed June 18 on Twitter that the company has an option to buy the land but has not done so yet.

In East Austin, Tesla has proposed investing about \$1.1 billion in the development of a 4 million- to 5 million-square-foot manufacturing facility that would employ about 5,000. The average annual salary of those jobs is \$47,147.



Tesla's Cybertruck. Tesla

The automaker is seeking about \$82.8 million in incentives from Dell Valle Independent School District and Travis County for the project. It's unclear what incentives Tesla will seek from the state of Texas.

"This Travis County site is very compelling," Boyd said, adding it's a lot of land, close to the international airport and within 45 minutes of intermodal rail.

"This certainly will be another trophy on the mantel for Austin's very successful economic development run over the past decade or so," he said.

The 1,400-acre Hutto megasite, which was runner-up for a Tesla gigafactory in 2014, also appeared to be in the running for the automaker's newest plant.

Because of Tesla's interest in the site, Boyd said the megasite has been in the "Rolodex of some of the world's most influential decision makers."

It's unclear if the site is totally out of the running as of right now, but because of the incentives package tied to the East Austin site, it does appear to be the front runner.

If Tesla picks any site in Central Texas, Boyd said it will be a "tremendous win for the entire region and will have multiplier economic development benefits that transcend any specific municipality or county."

It will attract a number of suppliers that want to be within about a two-hour drive of a Tesla plant, Boyd said.

The new plant would create jobs for a number of entry-level workers who could advance their skills within Tesla or move on to another company, he said. Tesla's plant would bring new housing, support retail and hospitality and bring new conventions. The automaker could also be an important corporate sponsor and giver to nonprofits.

If Austin secures the plant, San Antonio could stand to benefit immensely "due to its low-cost profile" and the abundance of land, Boyd said. The Alamo City as well as San Marcos could be prime sites for suppliers looking to set up shop near the automaker.

When Toyota built its factory in San Antonio, suppliers set up shop as far as North Austin suburbs.

The incentives package will be key to securing the Tesla plant, Boyd said.

"I think that underscores how cost-conscious Tesla is," he said. "Operating costs matter, taxes matter and business climate factors matter to Tesla, given their experience in anti-business climate California."

In what Boyd called an "indictment upon California's anti-business climate," the Golden State is losing residents and businesses while Texas is gaining them. California is losing so many residents that it stands to lose a member of Congress after the 2020 Census, he said.

Boyd said there are "dangerous" tax increases on the horizon in California that will have an impact on Tesla and other major companies: the reversal of Prop 13, which will dramatically increase property taxes for commercial and industrial properties, and the possible passage of a state-wide head tax — a \$275 per employee tax on all businesses with at least 500 employees.

Both of these could negatively impact Tesla's strong balance sheet and could cause the automaker's headquarters to relocate within the next couple of years if not sooner, Boyd said.

Relocating the headquarters to the central U.S. also fits into Tesla's move to shift production to a lower-cost state in the middle of the country, where it can more easily sell vehicles on both coasts, reduce operating costs and taxes and improve the ability to recruit and retain talent, he said.

If Tesla did plant roots in Texas, it would certainly bolster the company's lobbying team who, for years, has fought the Texas Automobile Dealers Association on retail regulations that would allow Teslas to be easier sold to Texans.

In a June 22 interview with the Austin Business Journal, Boyd also answered these questions regarding Tesla:

Is Tesla still looking at multiple sites in Texas? What about Tulsa?

It is conceivable that they are. I think the consensus now is that site in Travis County has emerged [as the frontrunner] — given what we know about the incentive negotiations taking place. That doesn't necessarily rule out Hutto, but an odds maker would tend to look at that Travis County site as the favorite, given all that we have learned over the past week.

Over the weekend, Musk himself said this is not a done deal and they are still looking at options. One of those options appears to be Tulsa. Based on everything I have heard, I suspect this will move forward and it will probably happen in Austin.

Why did Austin rise to the top for this plant even among Dallas and Houston in Texas?

Tesla really encompasses advanced manufacturing, almost the future of manufacturing in a very unique way. It's not your typical carmaker. It's a brand that is really all about high-tech, and that is consistent with Austin and the skillsets in Austin. Austin is a city synonymous with innovation. Austin within the context of Texas is a progressive city. It brings forth all of the desirable lifestyle amenities consistent with being a global city. Then, of course, you have all of the state business climate advantages that Texas brings to the table.

Will Tesla's interest in East Austin and its previous interest in the Hutto megasite put Central Texas more on the radar for other major manufacturers?

Williamson County and Caldwell County are on the radar for future projects like this. [Attracting new manufacturers like Tesla] forges new coalitions in the real estate community and the academic community that will help the region in future economic development projects.

There are several thousand acres in [Caldwell County] that I think will aggressively be marketed to suppliers if this factory should happen.