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Tesla could get more than \$60M in tax breaks to choose Travis County site

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In a bid to help lure Tesla to Central Texas, the Del Valle school district southeast of Austin is considering an incentives deal that could save the electric automaker up to \$68 million on its property tax bill over 10 years if it brings a major assembly plant — and thousands of jobs — to Travis County.

The proposed agreement — which was made public by the Texas comptroller's office Thursday — calls for Tesla to build a 4-million- to 5-million-square-foot facility that would eventually employ 5,000 or more workers on a site just off Texas 130 in southeastern Travis County. If the Del Valle school board approves the agreement and Tesla moves forward with the factory there, construction could start in the third quarter of this year and take two to three years to complete, according to documents filed with the Texas Comptroller's Office.

The Travis County commissioners are also considering a separate incentives agreement with Tesla, but the terms have not been made public. It has not yet been approved by the Commissioners Court. Gov. Greg Abbott's office has not said whether the state is also considering offering incentive money from the Texas Enterprise Fund.

If the incentives deals are approved and Tesla accepts them to bring its assembly plant to Travis County, it would be one of the most significant economic development deals in Central Texas history.

Richard Suttle Jr., who is working as Tesla's attorney and lobbyist in Austin, said Tesla choosing the Central Texas site would be "a game-changer" for the local economy.

"In the event we are fortunate to have them locate the factory here, it'll be a game-changer for coming out of the economic situation we're in right now," said Suttle, who has been working on the potential deal for months. "The jobs that will be available to all segments of our community will help us through the recovery and keep Austin's economy strong. If they come here, it will

create thousands of entry-level jobs that do not require a college education. That's what our economy needs."

The new facility — which Tesla calls a "gigafactory" — would build Tesla's upcoming Cybertruck electric pickup, as well as be a second site for building the Model Y SUV. Previous media reports have suggested it could become Tesla's biggest facility, surpassing the company's vehicle assembly factory in Fremont, Calif., that employs 10,000 people. However, the documents filed with the comptroller's office don't indicate whether the workforce could grow to that size.

The proposed Tesla incentives deal with the Del Valle Independent School District is a so-called Chapter 313 agreement. That refers to Chapter 313 of the Texas Tax Code, which allows school districts to grant property tax breaks for economic development projects. The state is then required to repay the school district for the amount of property tax it gives up in the agreement.

In its application for the Del Valle incentives deal, Tesla said it is considering the Travis County site and a site or sites in Oklahoma as the location for the facility.

The Travis County site is roughly 2,100 acres in the Austin Green development at Texas 130 and Harold Green Road near Austin-Bergstrom International Airport. The property is currently a sand and gravel mining site owned and operated by Martin Marietta, according to documents filed with the comptroller's office.

"To continue to meet increased demand and provide new products, an additional manufacturing facility is required in the United States," Tesla said in its application. The company says eight states were identified as "viable contenders" for the facility, which the company wants to locate in the central U.S.

"The current focus is on Oklahoma and Texas as potential locations for the new facility," Tesla said.

Incentives deal key to decision

A potential incentives deal with the Del Valle school district will be a key factor in deciding where to locate the facility, Tesla said in its application for the Chapter 313 agreement.

"Local and state tax incentives serve a critical role in getting the project approved and operating successfully," the company said. "This is especially critical in Texas due to the high level of real and personal property taxes relative to other states. Since school taxes are the largest component of local property taxes, the Section 313 tax limitation is especially critical to create a level playing field between Texas and other state vying for this project. Therefore, obtaining the 313 limitation is a determining factor in the decision whether to locate the project in Texas."

Austin Chamber of Commerce official Charisse Bodisch said local economic development officials have had multiple discussions with Tesla executives about possibly bringing the factory to Travis County.

“While we have engaged in multiple discussions with Tesla, the company has not made a final decision regarding its next gigafactory,” said Bodisch, senior vice president of economic development at the chamber. “The potential location being explored is an underutilized site that is in clear need of revitalization, and it would be a perfect fit for an environmentally focused organization like Tesla.”

Tesla has previously received significant incentives for choosing sites for its assembly plants. In 2014, Nevada agreed to a \$1.3 billion incentives deal to lure Tesla’s battery factory to a site near Reno.

Suttle, Tesla’s local attorney, said Tesla will not be seeking incentives from the city of Austin. However, he said that, along with incentives from the Del Valle school district and Travis County, assurances of a “smooth permitting process at the city and county levels will be key in Tesla’s decision to locate in Austin.”

“I look forward to the school district, city and county all pitching in to make this decision easy on Tesla,” Suttle said.

Austin economist Angelos Angelou said that if Tesla does choose the Austin region for its next factory, it would be “a great win for Texas and Austin.”

“It would bring thousands of good-paying jobs — nonunion jobs — at a time when the economy needs new jobs, and it provides for further diversification of our economy,” he said.

Site selection consultant John Boyd — who has advised companies including Dell Technologies, Boeing and AT&T in their own office location selection process — said Austin would be an ideal fit for Tesla.

Compared with California, Boyd said, Texas holds significant business advantages, including lower taxes and operating costs and a lower cost of living for recruiting talent.

And personal relationships also will play into the decision, he said.

“Musk has a great relationship with Gov. Abbott and has been warmly welcomed by the Austin real estate community,” Boyd said.

Terms of the deal

Based on the property value estimates in the Chapter 313 application, the proposed incentives deal with the Del Valle school district would potentially give Tesla a tax break of about \$68 million

over the 10 years of the deal. The Chapter 313 agreement works by capping the property value the district can use for the Tesla site when it collects maintenance and operations tax. Under the state tax code, the project's value would be capped at \$80 million.

The Del Valle school district's effective millage rate — the amount a property owner pays per \$1,000 of property value — for collecting maintenance and operations tax is 1.31%, according to the documents filed with the comptroller's office.

At that rate, the \$80 million cap on the Tesla property means the company's annual bill from the district for maintenance and operations tax would be \$1.048 million. Over 10 years, that would be a total of \$10.48 million.

Based on the actual estimated value of the property over that same 10 years, Tesla would have paid \$78.59 million in maintenance and operations tax — an estimated savings of \$68.1 million for the company.

The estimated value of the Tesla property varies from year to year, starting at \$432.1 million in 2023, the first effective year of the deal, rising to a high of \$773.3 million in 2026 and then dipping to \$484.5 million in the final year of the agreement in 2031, according to documents filed with the comptroller's office. The documents do not explain what criteria was used to create those estimated property values, or what would lead to the variation in the values.

Chapter 313 of the Texas tax code requires that a qualifying project create and maintain at least 25 qualifying jobs with a salary that is 110% of the average weekly wage for manufacturing jobs in the county where the job is located. For this project that would equate to an annual salary of \$74,050, according to documents filed with the comptroller's office.

The documents do not detail the proposed annual wage for the 5,000 additional Tesla jobs — the vast majority of the facility's workforce — that the company would bring to Central Texas. However, a source with knowledge of the project said the starting pay at the factory would be \$35,000 per year, with the average annual salary about \$47,000 and the median annual salary about \$68,000.

If approved, the Chapter 313 agreement with Tesla would not be the largest such incentive deal in the Austin area. The Manor Independent School District has two ongoing Chapter 313 agreements with Samsung Austin Semiconductor — one created in 2005 and another in 2012 — that will give the technology company an estimated \$200 million in tax breaks over a 17-year period ending in 2023. Samsung has invested about \$17 billion in its Austin campus through the years, according to the company. About 10,000 people work at the facility, about 3,000 of whom are Samsung employees, along with about 7,000 additional workers, including contractors, vendors and partners, the company has said.