

# Tesla to build new electric sedan in Bay Area

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Tesla Motors, the maker of electric-powered roadsters, will announce today that it has chosen the Bay Area to build a manufacturing plant for its new model, an electric sedan that is expected to go into production in two years.

The San Carlos company had been widely expected to build its new manufacturing facility in New Mexico, which reportedly had dangled an incentive package worth \$7 million.

But the firm instead chose California because it offered a pair of its own financial incentives: a sales tax exemption on the purchase of manufacturing equipment and grants for training its new employees, state officials said.

Gov. Arnold Schwarzenegger, who has ordered a \$100,000 Tesla Roadster of his own, and state Treasurer Bill Lockyer, both of whom helped broker the deal with Tesla, are expected to join company officials who are announcing the deal today.

"California's leadership on climate change is literally creating a market for green-tech goods that will change the world and continue to bring cutting-edge companies and jobs to the state," said Aaron McLear, a spokesman for the governor.

Tesla has received rave reviews for its roadsters, which started rolling off the production lines in England in March after some delays. The firm's second-generation automobile, known as the Model S, is a sedan that is expected to cost about \$60,000 and will go into production by late 2010, company officials say.

Under the deal, California would use the California Alternative Energy and Advanced Transportation Financing Authority, a rarely used state entity formed in 1980, to finance the purchase of an estimated \$100 million worth of manufacturing equipment.

The equipment would be leased to Tesla, whose payments to the state would be used to pay off the equipment purchase.

The company can buy the equipment from the state at the end of the lease term but would not have to pay sales tax on the purchase, said Tom Dresslar, a spokesman for the state treasurer. That would save Tesla as much as \$9 million, he said.

The exemption "was a key factor for Tesla to come back to California," Dresslar said.

Tracy Arnold, Schwarzenegger's director of jobs and economic growth, said Tesla would also qualify for a grant worth \$1 million to \$1.5 million from the state Employment Training Panel to train its new employees.

Diarmuid O'Connell, Tesla's vice president of corporate development, said the close proximity between its engineers at company headquarters and the new manufacturing site also played a role in choosing the Bay Area for the new plant.

He did not disclose where the new plant will be located, but said the firm is looking at a pair of sites in the Bay Area.

"California is an expensive state to be doing business in, doing manufacturing in," O'Connell said. "This is a very progressive program for the state and a very positive one."

State officials said companies like Tesla are essential in helping to meet California's ambitious goal under the landmark legislation AB32, which requires the state to reduce greenhouse gas emissions by 30 percent by 2020.

The transportation sector is by far the largest single source of carbon dioxide emissions in the state and will have the biggest responsibility in limiting such emissions, according to a draft plan for carrying out the law that was released by the California Air Resources Board last week.

"We believe that electric vehicles will play a big role in helping California succeed in implementing its landmark climate change laws," Dresslar said.

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<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/06/30/BATH11GGP2.DTL>

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