



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: January 16, 2007
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Business Development
SUBJECT: Briefing Memo – Tesla Motors, Inc.
High-Technology Lookback Credit

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COMPANY NAME AND ADDRESS:

Tesla Motors, Inc.
1050 Bing Street
San Carlos, California 9994070

HISTORY OF COMPANY:

Tesla is a small tech startup with one product: a \$100,000 electric roadster that uses Lithium-ion batteries to get 250 miles per charge. Its three-phase induction motor can propel the vehicle at 130 miles an hour and accelerate faster than a Porsche 911. The roadster is assembled by hand by Group Lotus PLC, the English race car maker. A total of 254 Teslas will be built through 2007, with an annual production of 1500 units planned after that. The company is currently planning its next model, which will leverage the Tesla Roadster's technology, resulting in a less expensive sports sedan that can be sold at higher volume. Tesla is the winner of the Business Journal's Green Award in its Emerging Technologies competition this year, Time Magazine's Innovation of the year and the People's Choice Award for Best Invention of 2006. Tesla currently has nine employees in Michigan.

PROJECT DESCRIPTION:

To assist with ramping up its volumes and developing its next vehicle, Tesla Motors must establish an automotive, research and development/engineering center. The company is considering the lease of an existing building in Rochester Hills and anticipates the creation of up to 75 new jobs with an average weekly wage of \$1,500.

The company anticipates total investment in the project, including specialty tooling, of approximately \$47.7 million. In addition to its capital investment, Tesla will spend another \$50 million for outside test and engineering services to support their new center. Most of the tools and engineering services will be sourced from Michigan suppliers.

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BENEFIT TO STATE:

According to the economic analysis done by the MEDC utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 76 jobs in the state by the year 2009. Total state government revenues through the year 2009, net of MEGA costs and adjusted for inflation, would be increased by \$1.2 million (2007 dollars) due to the presence of this facility.

BUSINESS CASE:

Tesla is also considering Greenville/Spartanburg, South Carolina to be closer to the International Center for Automotive Research (Clemson University) and the BMW supply base.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Rochester Hills has proposed a fifty percent abatement of the company's personal property taxes for three years, as well as waiving certain fees. The City will also host a job fair, has negotiated free executive housing from a local business, and has secured business advisory services from Oakland University. This package has an estimated value of \$14,500.

In partnership with Oakland County, Automation Alley has also offered a two year foundation membership, valued at \$30,000.

QUALIFYING HIGH TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is advanced vehicles technology, as defined in the Act.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent look back employment tax credit for three years, for up to 75 net new employees. A 100 percent credit will be offered if at least 50 jobs are created. No credit will be collected if fewer than 50 jobs are created.