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Why Lucid Motors picked Arizona over Sacramento

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Lucid Motors, an upstart Silicon Valley electric vehicle company, said on Tuesday it selected Arizona over Sacramento and other U.S. locations for a \$700 million manufacturing plant due largely to the availability of "shovel ready" land and a quality workforce.

But the company formerly known as Atieva is also receiving a \$5 million cash grant from the state of Arizona and an array of tax breaks, the size of which are yet to be determined. According to the company, what tipped the scales in Arizona's favor was a personal visit by Arizona Gov. Doug Ducey to Lucid Motors Inc.'s prototype shop in Fremont.



ERIC JAY TOLL

Arizona Gov. Doug Ducey announcing Lucid Motors' decision to locate its factory in the state.

"They showed me the car, even took me for a ride, and I told them about the quality of life and the business environment here in Arizona," Ducey said in an exclusive interview with the Phoenix Business Journal.

The governor led an Arizona Commerce Authority delegation meeting with Lucid officials in California and met with the company at least three times in-state. Arizona U.S. Sens. John McCain and Jeff Flake also were involved in meetings with Lucid officials.

Back in Sacramento, state and county officials had worked to lure Lucid Motors to the capital region beginning in spring 2015. Negotiations went on for months, but stalled earlier this year, sources have said. The extent to which Gov. Jerry Brown, the Governor's Office of Business and Economic Development and the Greater Sacramento Economic Council had any influence over the company's selection process is unclear.

Brook Taylor, spokesman for the agency known as GO-Biz, said the state of California is actively working with Lucid to "continue expanding their presence in California."

"California remains the epicenter of the automotive industry and the home of Lucid Motors' U.S. headquarters," Taylor said in an email.

A call to the governor's office was not immediately returned on Tuesday. Barry Broome, CEO of the economic council, declined to comment.

Brian Barron, Lucid Motors' director of manufacturing, said that while governments in 12 other states expressed interest in the manufacturing facility there, Arizona was different.

"Arizona made us feel as if they were more of a partner for our success," Barron said. "We believe in Casa Grande, and we believe that we have picked the best location for our facility."

Lucid picked Casa Grande, Arizona, a city with a population just over 50,000 about 50 miles south of Phoenix, because the location had "infrastructure in place" and "a supply chain and a workforce with a training program," Barron added.

Lucid has committed to hire 2,000 workers by 2023, five years after it goes into production, and spend \$700 million on capital outlay for construction and capital equipment during the period.

Lucid, like any manufacturer, can qualify for tax credits, and for cash reimbursements from the state's Competes Fund, according to Sandra Watson, CEO of the Arizona Commerce Authority. Barron and Rawlinson said the state, city and county worked together and connected Lucid with training programs at Central Arizona College and community colleges in Maricopa and Pima County.

The two also stressed how Casa Grande and Pinal County had the site ready to develop with city utilities, electric power, natural gas and digital infrastructure, and were able to commit to meet the company's development timeline.

That facility is a 500,000-square-foot manufacturing plant complemented with 400,000 square feet of leased warehouse and sub-assembly facilities in and around Casa Grande.

"We're quite pleased with our choice," Barron said. "It's not that other markets weren't good, but we were impressed with the supply chain in Arizona and Sonora (Mexico), the fact that the city has the infrastructure in place, and that Arizona has a stable and predictable business climate."

Earlier this year, Lucid Motors received California tax credits to build a manufacturing plant from the California Alternative Energy and Advanced Transportation Financing Authority. The company said at the time it had narrowed its search to two potential sites. State documents showed those two sites were in Sacramento and Tracy.

Gino DiCaro, a spokesman for the California Manufacturers & Technology Association, said that while he didn't have knowledge of the Lucid Motors deal, well-capitalized technology firms are likely to move operations outside California following their research and development phase principally to lower costs and reduce regulations they must comply with. DiCaro mentioned California's relatively high power rates, corporate taxes and costs related to compliance with the state's air quality programs.

"California is a great place to work and manufacture. We're close to markets and have highly skilled workers, but too often the cost and (regulatory) unpredictability make it too difficult to make that long-term investment decision," DiCaro said.

Arizona state officials view Lucid Motors as one of the most significant corporate locations in the state, said Arizona Gov. Ducey.

"They are taking advantage of the fact that we have one of the best experienced automotive supply chains in the nation," the governor said.

Lucid will receive a \$5 million cash grant from the Arizona Competes fund, as well as an array of tax breaks that have yet to be determined. The tax credits and Competes funds are paid out after the company achieves its contractual milestones for capital investment, hiring, salaries and benefits over a three-to-five-year period beginning in 2018.

