



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Krutko

SUBJECT: TESLA MOTORS POTENTIAL
LOCATION IN SAN JOSE

DATE: July 28, 2008

Approved

Date

7/28/08

COUNCIL DISTRICT: 4
SNI AREA:

RECOMMENDATION

Direct the City Manager or her designee to initiate discussion with Tesla Motor's regarding the potential use of a portion of the buffer lands associated with the Water Pollution Control Plant (WPCP) and other privately held sites in San Jose for a future manufacturing, research and development site.

OUTCOME

Tesla Motors is a clean tech company seeking to produce the first commercially viable all-electric vehicle and in doing so demonstrate how to significantly diminish national and international dependence on oil. Locating Tesla Motors in San Jose could result in creating significant numbers of clean tech manufacturing and research and development jobs within San Jose. The possibility of attracting Tesla Motors represents a major step forward in achieving the City Council's Green Vision goals, especially Goal 1: Create 25,000 Clean Tech jobs and Goal 8: Ensure that 100% of public fleet vehicles run on alternative fuels. The City of San Jose and the Treatment Plant Advisory Committee (TPAC) have expressed interest in exploring alternative uses for surplus buffer lands particularly clean tech uses.

BACKGROUND

Tesla Motors was founded in San Carlos California in 2003 with the goal of producing high performance all-electric vehicles. Tesla's lead investor is PayPal co-founder Elon Musk, who has invested more than \$37 million to date. The company is also backed by a number of additional high-profile investors including Google founders Sergei Brin and Larry Page, former

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eBay President Jeff Skoll, Nick Pritzker of Hyatt, as well as leading investment firms, including Compass Technology Partners, Valor Equity Partners, VantagePoint Venture Partners, and JP Morgan.

The company is committed to addressing global warming and improving national security by using technology to making the world's environment cleaner while diminishing the nation's and international dependence on oil. The company is highly regarded for significant innovations in design and in batteries that allow Tesla's cars to travel 250 miles prior to requiring an additional charge. Tesla Motors is in the process of producing a high-performance electric sports car, the Roadster, and intends to begin production of an electric four-door sedan, the Model S, in 2010. Following the unveiling of the Roadster prototype in 2006, the vehicle was championed as one of the Best Inventions of 2006 by Time Magazine, winning multiple awards for transpiration innovation.

In February 2007, Tesla announced that it would manufacture the model S four-door sedan in New Mexico. However, in July 2008, Governor Schwarzenegger and Treasurer Bill Lockyer announced that as a result of creative financial incentives from the State government, Tesla was persuaded to reconsider their location decision, and would build the manufacturing plant in Northern California. Tesla has identified a handful of cities within Northern California, including possible locations in San Jose.

ANALYSIS

In early July, 2008 Tesla Motors publicly announced that the company would be seeking a site for manufacturing electric vehicles in Northern California. A team of City and Redevelopment Agency staff has been working directly with senior officials from Tesla, as well as the company's brokers, to find an appropriate location in San Jose. Tesla has identified preliminary interest in multiple sites in San Jose. Tesla representatives have been very clear that the company is working with other cities with other potentially viable locations.

One of the sites under possible consideration by Tesla is a portion of the buffer lands associated with the Water Pollution Control Plant (WPCP). Although, the City of San Jose is the record owner of the Plant property, the City of Santa Clara is a joint owner in the Plant land and its consent must be obtained for any use of the Plant property. In 1983 San Jose and Santa Clara jointly contracted to provide sewage treatment capacity to additional Sanitation Districts (tributary agencies). The Treatment Plant Advisory Committee (TPAC) advises the San Jose and Santa Clara city councils on matters affecting the WPCP including issues related to WPCP lands. The TPAC consists of representatives of the land owners and tributary agencies.

Potential Disposition of Plant lands requires certain steps prior to seeking City Council approval to enter into a lease or purchase agreement for WPCP property. First staff would consult with the TPAC to present the concept of a potential user for Plant Lands. In order to begin consulting with Santa Clara and the tributary agencies staff is scheduled to review possible interest by Tesla in WPCP buffer lands at the TPAC's August 14, 2008 meeting. Staff will provide a verbal account of TPAC comments at the Council's August 19, 2008 meeting.

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If the City decides to pursue use of the Plant property for these purposes, staff will determine if the property would be declared surplus or if the City would retain some use of the property with Tesla. If the City decides to declare City property to be surplus, the City would follow any applicable provisions under Section 54222 of the Government Code. In this instance, the City of San Jose and the TPAC have expressed interest in exploring alternative uses for the buffer lands, particularly clean tech uses. Staff would also coordinate on the proposed use as it relates to current plans for the Plant Master Plan. The Master Plan efforts have only recently begun. Preliminary review of a possible clean tech manufacturer significantly furthers early concepts for creating a clean tech park initially envisioned for the Plant Lands.

If Tesla is interested in pursuing the WPCP Buffer lands, staff would comply with the related requirements and return to the City Council and TPAC for authority to enter into Exclusive Negotiations for the property with Tesla Motors.

EVALUATION AND FOLLOW-UP

Within one month, staff will provide an information memo to the City Council and the TPAC to update the Council and the TPAC on progress related to this item.

PUBLIC OUTREACH/INTEREST

The purpose of this section is to describe discussions that have occurred with the public, stakeholders, community groups and/or other governmental agencies. Staff will be asked to use the following checklist to determine if items are to be considered items of "Significant Public Interest", thus requiring additional notification per the matrix below.

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

While this action does not meet any of the above Criteria, this memorandum will be posted on the City's website for the August 19, 2009 City Council agenda.

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COORDINATION

This memorandum has been coordinated with the Environmental Services Department and the City Attorney's Office. This item is scheduled to be heard by the Treatment Plant Advisory Committee on August 14, 2008.

CEQA

CEQA: Not a project. The requested action is Council direction to pursue Tesla Motor's potential interest in locating a manufacturing plant in San Jose, with a portion of the WPCP buffer lands identified as one of a number of potentially feasible locations within the City. Environmental review, as appropriate, will be conducted by the City if Tesla decides to pursue a location in San Jose, prior to any decision by the City committing to allow or support Tesla's plant on city-owned or privately-owned land.



PAUL KRUTKO
Chief Development Officer

For questions please contact Paul Krutko, (408) 535-8181.