PDC
PORTLAND DEVELOPMENT COMMISSION

DATE: May 25, 2011

TO: Board of Commissioners

FROM: Patrick Quinton, Executive Director

SUBJECT: Report Number 11-40

Approval of Intergovernmental Agreement between PDC and the City of Portland to Increase PDC Contributions to a Mutually Agreed Upon Tax Increment Financing Eligible Project in the River District Urban Renewal District to Support a City loan Guaranty Not to Exceed $5 Million of a $20 Million State Loan to SoloPower, Inc.

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6878

ACTION SUMMARY

SoloPower, Inc. (SoloPower) desires to invest up to $340 million to construct facilities (Solar Facilities) in Portland, Oregon, to produce thin film photovoltaic modules. SoloPower estimates that it will employ at least 140 permanent full time positions and an estimated 481 permanent full time positions if all phases of the Solar Facilities are built out.

An important element of SoloPower's project financing is a loan commitment from the Oregon Department of Energy (ODOE) for a $20 million State Energy Loan Program (SELP) loan for the Solar Facilities, conditioned upon obtaining at least $5 million in loan guaranties. The City of Portland (City) desires to provide a loan guarantee of up to $5 million. However, that action will tie up City resources otherwise intended for economic development activities.

This action will approve an Intergovernmental Agreement (IGA) between the Portland Development Commission (PDC) and the City whereby PDC will backfill City resources by agreeing to increase PDC's contribution to a mutually agreed upon tax increment financing (TIF) eligible project in the River District Urban Renewal District in amount equal to the City's Loan Guaranty exposure. If SoloPower pays the State SELP loan as agreed, and thereby causes the City's Loan Guaranty to be extinguished, the IGA calls for the City to reimburse PDC for its increased contributions to the agreed TIF eligible project.

SoloPower has received a conditional commitment from the U.S. Department of Energy Loan Programs Office for a $197 million loan, which will support construction of the Solar Facilities. As described above, SoloPower has also secured a loan commitment from ODOE for a $20 million SELP loan for the Solar Facilities, conditioned upon obtaining at least $5 million in loan guaranties.

In summary, in exchange for SoloPower locating the Solar Facilities in Portland and providing other benefits, the City desires to provide a loan guaranty to ODOE of up to $5 million. In order to make funds available to support the Loan Guaranty, PDC and the City desire to enter into an IGA to free up City resources necessary to support the Loan Guaranty.

PUBLIC BENEFIT

SoloPower's development of solar manufacturing facilities in Portland will create an estimated 481 quality jobs, spur new industrial development and maintain Portland's leadership in clean energy. Supporting SoloPower's construction and operation of the Solar Facilities in Portland directly supports primary goals of the City's and PDC's Economic Development Strategy (ED Strategy) adopted in July 2009, specifically:

- Grow employment by 10,000 jobs in five years; and
- Grow traded sector jobs through the implementation of a cluster strategy targeting four industries (Clean Tech is one of four industries identified in the ED Strategy).

In addition to these benefits, SoloPower has agreed to provide additional community benefits including, but not limited to,

- Working with Portland Community College to develop a curriculum to support workforce training needs;
- Developing an internship program in consultation with Portland Public Schools to support job training for high school students;
- Designating a representative to serve in an advisory capacity on boards or committees related to economic development matters impacting the solar industry; and
- Using good faith efforts to source goods, products and services from the Portland area during the design and construction of the Solar Facilities.

This action will support the following PDC goals:

☒ Strong Economic Growth and Competitiveness
☒ Sustainability and Social Equity
☒ Healthy Neighborhoods
☐ A Vibrant Central City
☐ Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

The Oregonian published an editorial on May 16, 2011, supporting the project. Also, individuals representing business, labor and educational institutions, including Portland Business Alliance, Portland Community College, Westside Economic Alliance and labor organizations, provided positive testimony and feedback at the City Council meeting on May 18, 2011, when the Council approved a $5 million guaranty of the SELP loan. There was no testimony in opposition of the project.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

This project advances Portland's ED Strategy by creating up to 500 new jobs and attracting a prominent clean tech firm to Portland. The proposed manufacturing facility will be located in an industrial area of the city designated an Enterprise Zone. The project will help to solidify Portland's position as a clean tech hub and could attract other similar firms to locate to Portland.

FINANCIAL IMPACT

PDC will be at risk for up to $5 million of River District Urban Renewal Area tax increment funds to back the City's loan guaranty for the ODOE SELP loan. This action will reserve $5 million for investment in a TIF eligible project in the River District Urban Renewal Area, to be repaid by the City at such time the City Guaranty is released. While SoloPower's current plans call for it to repay the SELP loan within two years, the term of the loan is estimated to be 10 years. As such, if the loan is not repaid until the end of its term, these funds will not be repaid for 10 years.

Beyond this, the financial impact to PDC is primarily limited to PDC staff time spent on the project. See Attachment A, URA Financial Summary. Note that the additional $5 million has not been added to the 10th and Yamhill project, but there is capacity to move funds from other items and this will be addressed in PDC's FY 2011-12 Adopted Budget in FY 2013-14 Forecast.

RISK ASSESSMENT

The IGA to be approved by this action calls for the City of Portland to reimburse PDC for its additional TIF investment at such time as their Guaranty is released. However,if SoloPower defaults on the SELP loan, and the City must pay the ODOE under its Gurananty, the City is released from its obligation to reimburse PDC. In such an event, PDC will take an assignment of any collection rights against SoloPower.

Also, the City's obligation to reimburse PDC is limited to City parking meter revenues. PDC's rights to reimbursement from these revenues are subordinate to a secondary pledge of such revenues to support one series of outstanding bonds. However, the primary sources of repayment of such bonds have historically been more than sufficient to cover the debt service. So long as the primary sources of repayment of the bonds continue to be sufficient to repay the bonds, the City may use the parking meter revenues to reimburse PDC at the time the City Guaranty is released.

We concur with the State of Oregon and their contractors that the risk associated with the project is very low. Extensive due diligence has been conducted by the State of Oregon as part of the BETC and SELP approval process which has verified that the project has a very low risk. As a requirement for SoloPower to access their U.S. Department of Energy loan in the amount of $197 million, they are required to have a clean balance sheet to access those funds (which will be used to implement manufacturing lines 2, 3, and 4 at their Portland facility). This will require that the ODOE SELP loan be paid off in its entirety before they can access the federal funds, an event that will most likely take place within six months at the earliest and twenty-four months at the latest after disbursement of the ODOE SELP loan. If this timetable turns out to be accurate, either i) PDC's TIF contribution will be reimbursed within a very short period of time or ii) PDC's obligation to increase its TIF contribution will never mature.

SoloPower's technology and market niche have undergone extensive due diligence as a requirement tied to approval of their ODEO SELP and U.S. Department of Energy loans as well as the Business Energy Tax Credit (BETC). SoloPower have allowed PDC and City access to due diligence reports which validate the technological model and processes to be deployed by SoloPower at their Portland manufacturing facility.

WORK LOAD IMPACT

The IGA between the City and PDC will have minimal impact to existing work plans.

ALTERNATIVE ACTIONS

The alternative action would be to not support approval of the IGA. This will decrease the likelihood that SoloPower will move forward with the project, and will likely trigger the company to seek other locations for the solar facilities.

CONCURRENCE

On May 18, 2011, Portland City Council adopted a series of emergency ordinances to approve incentives associated with locating SoloPower's manufacturing facilities in the city of Portland, including a loan guaranty agreement with the ODOE and an Enterprise Zone agreement. Portland City Council is expected to approve the IGA concurrently on May 25, 2011.

BACKGROUND

SoloPower is an innovator of thin-film photovoltaic (PV) cells and modules. The SoloPower mission is to mass-produce PV modules for ubiquitous applications on a global scale at a cost that is:

1) Lower than the traditional wafer-based solar technologies; and
2) At parity with that of conventional power grid.

In fulfillment of this mission, SoloPower is manufacturing and commercializing a new generation of high-efficiency, low-cost devices to enable solar electricity generation at a cost that is competitive with traditional methods.

SoloPower had originally selected a site in the city of Wilsonville to locate their manufacturing facility. Due to uncertainty surrounding the timing of the Wilsonville incentive package and the company's need to move quickly with establishment of their manufacturing facility, the company chose to consider other location options in the region, ultimately selecting Portland.

Construction on the first manufacturing line is expected to begin during July, 2011 with completion of the line and launch of manufacturing operations taking place during the first quarter of 2012. For information purposes attached you will find the Project Summary

(Attachment B), Incentive Proposal (Attachment C), and the Estimated Economic Impact Study (Attachment D).

ATTACHMENTS:

A. URA Financial Summary
B. Project Summary
C. Incentive Proposal
D. Estimated Economic Impact

URA FINANCIAL SUMMARY

Financial Summary

Revised Fund Summary - Five-Year Budget Projections

	Revised FY 2009-10	Revised FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14	Forecast FY 2014-15
River District URA						
Resources						
Beginning Fund Balance	24,932,236	11,093,548	427,241	10,197,355	225,375	139,190
Fees and Charges	0	0	0	0	0	0
Interest on Investments	150,000	100,000	50,000	50,000	50,000	50,000
Loan Collections	1,800,000	456,741	456,741	435,310	424,595	417,971
Property Income	2,029,155	1,016,000	1,016,000	1,016,000	1,016,000	1,016,000
Reimbursements	125,000	125,000	0	0	100,000	0
TIF Proceeds	37,162,800	45,454,500	51,753,992	46,344,915	55,091,425	24,545,586
Total Resources	**66,199,191**	**58,245,789**	**53,703,974**	**58,043,580**	**56,907,395**	**26,168,747**
Requirements						
Program Expenditures						
Business and Industry						
Community Economic Development						
H79020 Business Finance	0	1,125,000	912,500	912,500	912,500	912,500
High Growth						
H79020 Business Finance	0	1,125,000	912,500	912,500	912,500	912,500
Industry Cluster						
H79020 Business Finance	595,000	2,250,000	1,825,000	1,825,000	1,825,000	1,825,000
H79023 Materials Lab	100,000	0	1,000,000	0	0	0
Business and Industry Total	**695,000**	**4,500,000**	**4,650,000**	**3,650,000**	**3,650,000**	**3,650,000**
Housing						
Multi-Family - Rental Housing						
H12030 Fairfield Apartments	470,000	930,000	167,971	167,971	167,971	167,971
H32138 Pearl Family Housing	12,000,000	7,000,000	0	0	0	0
H37937 RAC - Access Center	16,200,000	13,500,000	0	0	0	0
H37938 Blanchet House Redev	265,000	1,885,000	0	0	0	0
H37940 New Avenues for Youth	1,200,000	0	0	0	0	0
H80036 Yards at Union Station	552,000	4,137,971	0	0	0	0
H89030 Affordable Rental Housing	500,000	0	0	0	4,000,000	9,000,000
Portland Housing Bureau						
H28025 Administration	117,414	0	0	0	0	0
Housing Total	**31,304,414**	**27,452,971**	**167,971**	**167,971**	**4,167,971**	**9,167,971**
Infrastructure						
Facilities						
H60020 Union Station	219,484	5,235,192	2,726,178	6,500	6,500	6,500
Parks						
H13119 Neighborhood Park (The Fields)	350,000	1,000,000	4,000,000	0	0	0
Transportation						
H11233 Public Site Improvements	0	764,663	0	0	0	0
H11234 Westside Burnside-Couch Couplet	30	300,000	800,000	0	0	0
H11263 RD Public Site Improvements	479,000	0	0	0	0	0
H13137 Streetcar Loop Project	10,463,000	4,500,000	0	0	0	0
H13138 Streetcar LID	0	0	0	550,000	0	0
Infrastructure Total	**11,511,514**	**11,799,855**	**7,526,178**	**556,500**	**6,500**	**6,500**
Revitalization						
Plans and Strategies - Revitalization						
H13142 RD Project Management	5,000	0	0	0	0	0
Redevelopment						

Financial Summary

Revised Fund Summary - Five-Year Budget Projections

	Revised	Revised	Forecast	Forecast	Forecast	Forecast
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
H10221 Transit Mall Revitalization	40,000	0	0	0	0	0
H10226 Meier & Frank Redevelopment	5,000	0	0	0	0	0
H11244 One Waterfront Place	106,000	6,000	4,006,000	4,506,000	6,000	6,000
H12101 Downtown Retail Strategy	72,500	450,000	750,000	750,000	250,000	0
H12145 Blocks A&N	0	2,000	0	0	0	0
H13104 Centennial Mills Redevelopment	354,000	569,000	9,404,000	2,800,000	200,000	0
H13115 Station Place Garage/Parcels	378,700	378,700	378,700	378,700	378,700	378,700
H13143 RD Environmental	124,000	100,000	0	0	100,000	0
H22500 Post Office	100,000	518,500	4,018,500	30,018,500	29,518,500	18,500
H27001 Storefront Grants	300,000	300,000	300,000	300,000	300,000	300,000
H27050 DOS Grants	75,000	75,000	75,000	75,000	75,000	75,000
H28030 Redevelopment Loan Projects	50,000	3,200,000	4,312,500	4,312,500	4,312,500	3,312,500
H60021 10th and Yamhill Redevelopment	140,000	250,000	0	0	3,750,000	4,000,000
H60027 Broadway Corridor	18,500	0	0	0	0	0
H60029 Block 25	14,000	14,000	0	0	0	0
H80037 Grove Apartments	295,155	75,000	75,000	75,000	0	0
H96121 Property Amendments	3,821,566	0	0	0	0	0
Revitalization Total	**5,899,421**	**5,938,200**	**23,319,700**	**43,215,700**	**38,890,700**	**8,090,700**
Administration						
Executive						
H92110 Westside/Central City Study	442,874	150,000	0	0	0	0
Finance						
H98001 Debt Management	50,000	50,000	50,000	50,000	50,000	50,000
Administration Total	**492,874**	**200,000**	**50,000**	**50,000**	**50,000**	**50,000**
Total Program Expenditures	**49,903,223**	**49,891,026**	**35,713,849**	**47,640,171**	**46,765,171**	**20,965,171**
Personal Services	1,086,995	1,089,702	1,285,699	1,715,046	1,683,546	754,746
Debt Service	0	650,000	650,000	650,000	650,000	669,686
Transfers - Indirect	4,115,425	5,498,256	4,928,511	6,574,344	6,453,594	2,893,194
PHB Staff/Admin	0	689,564	928,560	1,238,644	1,215,894	545,094
Total Fund Expenditures	**55,105,643**	**57,818,548**	**43,506,619**	**57,818,205**	**56,768,205**	**25,827,891**
Contingency	11,093,548	427,241	10,197,355	225,375	139,190	340,856
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	**66,199,191**	**58,245,789**	**53,703,974**	**58,043,580**	**56,907,395**	**26,168,747**

PROJECT SUMMARY

Project Name:	SoloPower Manufacturing Facility Intergovernmental Agreement
Description:	Intergovernmental agreement for a loan guaranty to support SoloPower developing a thin-film photovoltaic manufacturing facility in Portland.
Location:	Rivergate
URA:	N/A
Current Phase:	Approval and site selection
Next Milestone:	Design and construction
Completion Target:	Construction on the first manufacturing line is expected to begin during July 2011 with completion of the line and launch of manufacturing operations taking place during the first quarter of 2012.
Outcome:	An investment of $340 million in a new manufacturing plant supplying 261 construction jobs and an estimated 481 production jobs by the end of 2014.
Site/Project Map:	TBD

SoloPower Inc.:
City of Portland, Oregon sites
Local and State Incentive Proposal
May, 2011

Project Summary:

- Silicon Valley based solar thin-film manufacturing company.
- Company has access to $197 million US Department of Energy Loan for facility once the first production at first Oregon facility begins.
- $340 million investment at full build out with 481 employees.
- Average annual wages at Portland facility are estimated at $51,000 plus benefits package.

Potential Portland Sites:
Eligible sites within Portland's Enterprise Zone.

OPERATING EXPENSES: (Tax Credits and Exemptions)

Incentive	Maximum Estimated Value	Performance Requirements
Enterprise Zone Tax Abatement	$17,900,000*	Conditions outlined in Enterprise Zone Contract.

LOANS/BONDING

Incentive	Maximum Estimated Value	Performance Requirements
State Energy Loan Program (SELP)	$20,000,000	Criteria determined by State of Oregon.
City of Portland/PDC SELP Loan Guarantee	$5,000,000	Conditions outlined in Community Benefits Agreement.

CASH INCENTIVES: (Business Energy Tax Credit and Workforce Training)

Incentive	Maximum Estimated Cash Value	Performance Requirements
State Incentives	**$14,000,000**	
Manufacturing Business Energy Tax Credit (BETC) $20,000,000	$14,000,000	Criteria determined by State of Oregon.
Local Incentives	**To be determined**	
Workforce Training Funds: Enterprise Zone Community Contributions Funds and additional available training funds (local, state and federal)	To be determined	Based on Project S training needs and available funds.

*Actual value of Enterprise Zone benefit is 85% of this amount (15% of the abatement is paid into the Enterprise Zone Community Contributions Fund). SoloPower Inc. will have access to up to $1.3 million in Community Contributions Workforce Training dollars.

Estimated Economic Impacts of SoloPower Project

Below are estimations of the local[1] economic impact of a proposed solar manufacturing facility to be owned and operated by SoloPower. Estimates are based on construction costs beginning June, 2011 through October, 2013 and full employment of 481 jobs in 2014.

Construction impacts are one-time and are estimated with the following:

- June 2011 to December 2011, $8.5 mil for construction costs, $1.5 mil in soft costs
- September 2012 to March 2013, $5,5 mil for construction costs, $500k in soft costs
- April 2013 to October 2013, $13.5 mil for construction costs, $1.5 mil in soft costs

Estimated Local Economic Impacts of SoloPower Construction[2], 2011 to 2013

Impact	Employment	Wages	Value-added	Output
Direct	171	$10,995,202	$12,994,620	$29,732,049
Indirect	47	$2,790,174	$4,195,393	$8,186,947
Induced	44	$1,930,556	$3,271,778	$5,868,372
Total	261	$15,715,932	$20,461,791	$43,787,368

Ongoing employment impacts at full-employment at SoloPower estimated with the following:

- 2012, 151 jobs
- 2013, 220 jobs
- 2014, 110 jobs

Estimated Local Economic Impacts of SoloPower Employment at Full Employment, 2014[3]

Impact	Employment	Wages	Value-added	Output	Avg Wage[4]
Direct	481	$25,668,113	$26,768,347	$163,350,188	$53,364
Indirect	472	$33,113,075	$51,356,262	$93,141,990	$70,155
Induced	180	$7,984,299	$13,531,344	$24,266,434	$44,357
Total	1,133	$66,765,487	$91,655,953	$280,758,612	$58,928

[1] Multnomah County
[2] Excludes equipment purchases
[3] In 2011 dollars
[4] Average is estimated for industry

Methodology

The IMPLAN economic impact model was used to estimate the economic contributions. IMPLAN is an input-output model that accounts for commodity flows from producers to intermediate and final consumers. Purchases for final use drive the model with industry purchases of commodities, services, wages, value-added, and imports being equal to the value of production. The model summarizes these complex interactions as economic multipliers, which are in turn used to estimate the total economic impact of employment, sales and taxes.

Impacts

Direct: The direct impact attributed to an industry – their employees, revenues and wages.

Indirect: The secondary impact caused by input needs directly affecting production (e.g. additional input purchases to produce additional output).

Induced: The tertiary impact caused by the outputs related to employee and proprietor income.

Impact Results

Output: Industry output as a measure of the value of goods and services.

Value-added: Employee compensation, proprietary income, other property income, and indirect taxes. Generally, the value of goods and services less the cost of materials.

Wages: Wage and salary payments as well as benefits.