

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** February 8, 2012

**TO:** Board of Commissioners

**FROM:** Patrick Quinton, Executive Director

**SUBJECT:** Report Number 11-83  
Authorize Grant to SPF Brewery Blocks, LLC for Tenant Improvements In  
An Amount Not To Exceed \$1,155,000

### EXECUTIVE SUMMARY

#### BOARD ACTION REQUESTED

Adopt Resolution No. 6918

#### ACTION SUMMARY

This action authorizes the Portland Development Commission (PDC) Executive Director to enter into a grant agreement with SPF Brewery Blocks, LLC (Landlord) in an amount not to exceed \$1,155,000 (Grant) for tenant improvements at its building located at 1125 NW Couch (Building) in the River District Urban Renewal Area (URA). In exchange for the Grant, the Landlord agrees to make certain rent concessions to Iberdrola Renewables. Iberdrola Renovables S.A, is Spain's second largest power company, and its U.S. subsidiary Iberdrola Renewables, Inc. (Iberdrola), has agreed to renew its North American headquarters 57,082 square foot lease in the Building, as identified in the map in the attached Project Summary (See Attachment B).

#### PUBLIC BENEFIT

The Grant provides an opportunity for PDC to assist the Landlord in investing in Tax Increment Financing (TIF)-eligible improvements to the Building in order to attract and retain tenants, including Iberdrola's North American headquarters operations. Iberdrola is a significant member of Portland's Clean Tech cluster and retaining it in the City of Portland is supportive of the City of Portland's Economic Development Strategy, *A Five-year Plan for Promoting Job Creation and Economic Growth*.

Iberdrola offers family-wage salaries with benefits, and provides the corporate leadership skill set necessary to expand the Clean Tech cluster in the Portland region. The Portland operation supports approximately 400 jobs with a 2010 payroll of approximately \$71.8 million, and indirect jobs of 1,103.

#### 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**

Public participation was not sought in connection with the Grant.

## **COMPLIANCE WITH ADOPTED PLANS AND POLICIES**

PDC's assistance represents a unique opportunity to advance the City of Portland's Economic Development Strategy. In addition to the significant job retention and expansion aspects that the Grant will help to facilitate, the Grant will also achieve redevelopment goals of the River District URA Plan by funding TIF-eligible improvements to a fully-leased Class A building in the Central Business District.

SPF Brewery Blocks, LLC will be required to comply with PDC's Business and Workforce Equity Policy, the Green Building Policy, and prevailing wage.

## **FINANCIAL IMPACT**

The Requested FY 2012-13 River District Budget, Attachment A, has not specifically allocated for the Grant. There is currently an uncommitted \$2,000,000 in the River District Business Finance budget and uncommitted \$2,080,000 in the River District Commercial Property Redevelopment Loan budget that can fund the Grant.

## **RISK ASSESSMENT**

Despite providing the Grant to the Landlord for the tenant improvements to the Building, there is still a risk that Iberdrola may not retain its headquarters or presence in the Building. This risk is mitigated by language in a separate agreement between Iberdrola and PDC. At the time of execution of the Grant Agreement, such agreement will require Iberdrola to pay PDC liquidated damages if Iberdrola does not maintain its North American headquarters in the building for a minimum of seven years, or if it does not maintain its tenancy in the Building under a 10-year lease commencing March 2012.

## **WORK LOAD IMPACT**

The Urban Development Department, the Central City Division, Business & Industry Division and Legal department have allocated staffing associated for this project.

## **ALTERNATIVE ACTIONS**

The Board could elect not to authorize entering into the Grant agreement or direct staff to make changes to it. If the Board elects not to authorize the Grant, the Landlord would likely

not perform the tenant improvements that would provide the incentive to Iberdrola to remain in the Building.

## **CONCURRENCE**

The Grant request to SPF Brewery Blocks, LLC was reviewed by PDC's Financial Investment Committee on August 30, 2011, and the members recommended approval of the Grant.

PDC officials and Mayor Adams have been working with Iberdrola since 2009 to assist with its long-term real estate needs. Other properties in Portland and Vancouver were considered, but ultimately Iberdrola chose to extend its tenancy in the Building.

## **BACKGROUND**

Iberdrola established Portland as its North American headquarters in 2007 when Iberdrola Renewables, S.A. purchased Scottish Power plc. Iberdrola is now the second-largest wind operator in the U.S. with more than 3,800 megawatts on the grid from more than 40 wind farms. The company is also focused on developing the next generation of renewable technologies including solar, biomass and natural gas. Current employment in Portland is approximately 400 with more than 250 involved with operation and maintenance of wind farms across the U.S.

Iberdrola is a significant member of Portland's Clean Tech cluster and retaining it in the City of Portland is supportive of the City of Portland's Economic Development Strategy. Iberdrola offers family wage jobs with benefits and provides the corporate leadership skills necessary to increase the Clean Tech cluster in Portland and the region.

Since June 2010, PDC has partnered with Business Oregon and Oregon Manufacturing Extension Partnership (OMEP) to identify opportunities to build a regional supply chain with Iberdrola and other wind farm operators. This effort will provide Iberdrola more options to source parts regionally to reduce lead times and transportation costs for maintenance of farms it operates in the Northwest. PDC is working closely with OMEP to identify specific needs and work with local suppliers to retool, provide training and needed certifications. A workshop in June 2010 was attended by Iberdrola and other manufacturers to encourage more than 130 regional businesses to work together regionally. Following the Windpower 2011 trade show, three local suppliers--Premier Gear, Miles Fiberglass, and Renewable Energy Composites--received contracts with wind energy firms.

Iberdrola sponsors community events, local education, and employee volunteerism with local charities. They contribute \$50,000 per year to Columbia Gorge Community College in The Dalles for the Renewable Energy Technician Training Program. Iberdrola employees and leadership have been making and serving dinners for families at the Ronald McDonald House for the past seven years.

Iberdrola has been exploring alternative locations for its North American headquarters beyond Portland, Oregon, and has considered Austin, Texas, Houston, Texas, Denver, Colorado and Philadelphia, Pennsylvania. Negotiations on space in other locations are on hold subject to satisfactory resolution of lease negotiations in Portland and PDC's ability to assist. In February 2011, Mayor Sam Adams and PDC Chairman Scott Andrews met with the Chief Executive Officer of Iberdrola Renewables, S.A. to encourage the retention of the Iberdrola headquarters in Portland.

**ATTACHMENTS:**

- A. River District URA FY 2012-2013 Requested Budget
- B. Project Summary

### URA FINANCIAL SUMMARY

#### Five-Year Forecast Project Requirements Detail

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
<b>River District URA</b>						
<b>Resources</b>						
Beginning Fund Balance	9,943,486	5,226,523	3,893,992	1,478,228	846,679	644,723
Interest on Investments	30,000	0	0	0	0	0
Loan Collections	450,000	600,000	600,000	600,000	600,000	600,000
Long Term Debt	25,475,100	0	22,000,000	22,280,354	40,000,000	4,280,354
Property Income	582,348	582,348	582,348	582,348	582,348	582,348
Reimbursements	200,000	0	100,000	100,000	100,000	100,000
Short Term Debt	24,975,000	23,155,407	19,763,774	20,038,412	16,186,489	19,665,704
<b>Total Fund Resources</b>	<b>61,655,934</b>	<b>29,564,278</b>	<b>46,940,114</b>	<b>45,079,342</b>	<b>58,315,516</b>	<b>25,873,129</b>
<b>Requirements</b>						
<b>Program Expenditures</b>						
<b>Administration</b>						
<b>Financial Administration</b>						
A45101330 Debt Management-RVD	50,000	50,000	50,000	50,000	50,000	50,000
A45997330 Portland Harbor-RVD	85,000	0	0	0	0	0
<b>Administration Total</b>	<b>135,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
<b>Business Dev</b>						
<b>Cluster Industry Development</b>						
B15100330 Cluster Development-RVD	200,000	100,000	100,000	100,000	100,000	100,000
B15102330 Site Recruitment-RVD	71,250	75,000	75,000	75,000	75,000	75,000
B15401330 Design Forum/PDX-RVD	1,000,000	5,000	1,000,000	0	0	0
<b>Business Lending</b>						
L02100330 BIF-General-RVD	2,000,000	2,000,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Business Dev Total</b>	<b>3,271,250</b>	<b>2,180,000</b>	<b>3,675,000</b>	<b>2,675,000</b>	<b>2,675,000</b>	<b>2,675,000</b>
<b>Infrastructure</b>						
<b>Parks</b>						
N33011915 Nbrhd Prk(The Fields)-RVD-Adm	1,550,000	4,130,000	0	0	0	0
N33012015 Nbrhd Park SDC Credit-RVD-Adm	400,000	0	0	0	0	0
<b>Public Facilities</b>						
N33022015 Union Station-RVD-Adm	1,706,500	5,446,500	6,500	6,500	6,500	6,500
<b>Transportation</b>						
N33033715 Streetcar Loop Project-RVD	0	500,000	0	0	0	0
N34630015 Dtn Retail Infra-SPB-Adm	240,924	0	0	0	0	0
<b>Infrastructure Total</b>	<b>3,897,424</b>	<b>10,076,500</b>	<b>6,500</b>	<b>6,500</b>	<b>6,500</b>	<b>6,500</b>
<b>Portland Hsg Bureau</b>						
<b>PHB Housing</b>						
H15138330 Pearl Family Housing-RVD	547,758	0	0	0	0	0
H15430330 Affordable Rental Hsg-RVD	1,227,314	2,172,333	5,026,118	8,003,673	7,996,038	8,008,406
H15900330 PHB Staff & Admin-RVD	492,919	0	0	0	0	0
H15930330 Fairfield Apartments-RVD	500,000	0	0	0	0	0
H15938330 Blanchet House Redev-RVD	4,022,950	0	0	0	0	0
H15940330 RAC - Access Center-RVD	19,378,670	0	0	0	0	0
H15951330 Yards at Union Station-RVD	3,982,438	0	0	0	0	0
<b>Portland Hsg Bureau Total</b>	<b>30,152,049</b>	<b>2,172,333</b>	<b>5,026,118</b>	<b>8,003,673</b>	<b>7,996,038</b>	<b>8,008,406</b>
<b>Property Redev</b>						
<b>Commercial Property Redevelopm</b>						
A35401330 Central City 2035-RVD	0	157,802	0	0	0	0
A45997330 Portland Harbor-RVD	0	32,000	0	0	0	0
N33024015 Multnomah County-RVD-Adm	0	0	10,000,000	0	0	0
P33013715 Grove Hotel-RVD-Adm	2,707,850	0	0	0	0	0
P33050015 Post Office-RVD-Adm	420,000	500,000	8,000,000	16,000,000	25,000,000	7,000,000
P33050115 Dtn Retail Strat-RVD-Adm	259,076	500,000	250,000	250,000	250,000	250,000
P33050415 Centennial Mills Rdv-RVD-Adm	472,000	300,000	7,836,000	3,088,000	0	0

Five-Year Forecast Project Requirements Detail

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
P33051215 N Pearl Distr Plan-RVD-Adm	500,000	0	0	0	0	0
P33051515 Station Place Garage-RVD-Adm	233,147	223,147	223,147	223,147	223,147	223,147
P33052115 10th & Yamhill Redev-RVD-Adm	0	0	0	3,750,000	9,200,000	0
P33052715 PNCA-RVD-Adm	750,000	0	0	0	0	0
P33053219 Horse Barn Relocation-RVD-mgmt	750,000	1,750,000	0	0	0	0
P33054315 RD Enviro-RVD-Adm	65,000	75,000	0	0	0	0
P33054415 One Waterfront PI-RVD-Adm	7,000	6,000	6,000	6,000	6,000	6,000
P33054515 Blocks A&N-RVD-Adm	32,300	32,300	32,300	32,300	32,300	32,300
<b>Commercial Real Estate Lending</b>						
R01100330 CPRL-General-RVD	2,080,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
<b>Community Redevelopment Grants</b>						
G02100330 DOS-General-RVD	75,000	100,000	100,000	100,000	100,000	100,000
G03100330 SIP-General-RVD	300,000	275,000	275,000	275,000	275,000	275,000
<b>Property Redev</b>	<b>Total</b>	<b>8,651,373</b>	<b>6,951,249</b>	<b>29,722,447</b>	<b>26,704,447</b>	<b>10,886,447</b>
<b>Total Program Expenditures</b>	<b>46,107,096</b>	<b>21,430,082</b>	<b>38,480,065</b>	<b>37,439,620</b>	<b>48,813,985</b>	<b>21,626,353</b>
Personal Services	1,062,225	863,435	1,539,201	1,497,584	1,952,558	865,053
Transfers - Indirect	3,324,879	3,376,769	5,442,622	5,295,463	6,904,256	3,058,839
PHB Staff/Admin	0	0	0	0	0	0
<b>Total Fund Expenditures</b>	<b>50,494,200</b>	<b>25,670,286</b>	<b>45,461,888</b>	<b>44,232,667</b>	<b>57,670,799</b>	<b>25,550,245</b>
Contingency	11,161,734	3,893,992	1,478,226	846,675	644,717	322,884
Ending Fund Balance	0	0	0	0	0	0
<b>Total Requirements</b>	<b>61,655,934</b>	<b>29,564,278</b>	<b>46,940,114</b>	<b>45,079,342</b>	<b>58,315,516</b>	<b>25,873,129</b>

### PROJECT SUMMARY

- Project Name:** SPF Brewery Blocks, LLC Grant
- Description:** PDC grant for \$1,155,000 for tenant improvements at 1125 NW Couch.
- Location:** 1125 NW Couch
- URA:** River District
- Current Phase:** Approval of the Grant Agreement
- Next Milestone:** Execution of the Grant Agreement
- Completion Target:** Execution of the Grant by March 1, 2012, and completion of the tenant improvements by December 31, 2015.
- Outcome:** Incent retention of Portland as Iberdrola’s North American headquarters
- Site/Project Map:** Subject property is labeled below as Block 4.

