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

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<tr>
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## Requirements

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### Infrastructure

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### Portland Off-Balance

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### Property Redevelopment

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# Five-Year Forecast Project Requirements Detail

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**Commercial Real Estate Lending**

| R01100330 | CPRL-General-RVD | 2,080,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |

**Community Redevelopment Grants**

| G02100330 | DOS-General-RVD | 75,000    | 100,000   | 100,000   | 100,000   | 100,000   | 100,000   |
| G03100320 | SPF-General-RVD | 300,000   | 275,000   | 275,000   | 275,000   | 275,000   | 275,000   |
| Total Property Redevelop | 8,051,373 | 9,051,249 | 29,722,447 | 26,764,447 | 30,086,447 | 26,764,447 |

**Total Program Expenditures:**

| Total Program Expenditures | 46,107,956 | 21,439,082 | 38,480,085 | 37,438,620 | 48,813,853 | 21,629,333 |

**Personnel Services:**

| Personnel Services | 1,082,225 | 883,435 | 1,532,201 | 1,467,584 | 1,952,558 | 885,053 |

**Transfers - Indirect:**

| Transfers - Indirect | 3,224,870 | 3,276,780 | 6,442,022 | 5,206,468 | 6,204,256 | 3,056,818 |

**Fiscal Staff/Admin:**

| Fiscal Staff/Admin | 0 | 0 | 0 | 0 | 0 | 0 |

**Total Fund Expenditures:**

| Total Fund Expenditures | 50,494,290 | 25,679,286 | 45,461,908 | 44,232,667 | 57,970,739 | 25,559,242 |

**Contingency:**

| Contingency | 11,101,724 | 3,893,992 | 1,475,225 | 640,570 | 544,717 | 322,594 |

**Finding Fund Balance:**

| Finding Fund Balance | 0 | 0 | 0 | 0 | 0 | 0 |

**Total Requirements:**

| Total Requirements | 61,655,954 | 29,564,278 | 46,540,114 | 45,079,342 | 58,315,516 | 25,873,129 |
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.