



FOR CITY COUNCIL MEETING OF: November 23, 2015
AGENDA ITEM NO.: 3.3(d)

TO: MAYOR AND CITY COUNCIL
THROUGH:  KACEY DUNCAN, INTERIM CITY MANAGER
FROM: MARK BECKTEL, AICP, INTERIM DIRECTOR
URBAN DEVELOPMENT DEPARTMENT 
SUBJECT: LOAN APPLICATION - SALEM RENEWABLE ENERGY AND
TECHNOLOGY CENTER INFRASTRUCTURE IMPROVEMENTS

ISSUE:

Shall the City Council authorize the City Manager to execute the attached application for a Special Public Works Fund loan in the amount of \$2,200,000 from the Oregon Business Development Department to be used for infrastructure improvements for the 60 acre City-owned property located at 5475 Gaffin Road SE, commonly known as the Salem Renewable Energy and Technology Center?

RECOMMENDATION:

Authorize the City Manager to execute the attached application for a Special Public Works Fund loan in the amount of \$2,200,000 from the Oregon Business Development Department (Business Oregon) to be used for infrastructure improvements for the 60 acre City-owned property located at 5475 Gaffin Road SE, commonly known as the Salem Renewable Energy and Technology Center.

SUMMARY AND BACKGROUND:

In 1993, the City acquired 79.24 acres of contiguous property in southeast Salem, between Culver Drive SE and Gaffin Road SE (Attachment 1).

In response to interest from SANYO Solar of Oregon LLC (SANYO Solar) and other renewable energy manufacturing companies, the City created the Salem Renewable Energy and Technology Center (Center). In September 2008, the City completed a master plan for the Center, which included traffic impact analysis, design of internal roadways, utilities, open space, and configuration of up to eight developable lots. The first phase of the subdivision plat was recorded on November 18, 2009. The City obtained the necessary federal, state, and local permits to develop the Center, including a tentative, phased subdivision that allows some flexibility with lots sizes and layouts.

SANYO Solar, later purchased by Panasonic Eco Solutions Solar America, LLC (Panasonic), constructed a 130,000 square foot silicon wafer manufacturing facility on the southern 19.77 acres of the Center in August 2009. As a part of the Panasonic

development, street and utility improvements were constructed, including Gaffin Road SE frontage improvements, a portion of on-site street extension (Gaia Street SE), and the associated underground infrastructure.

To implement the phased subdivision, additional on-site and off-site public improvements may be required. On-site improvements will likely include continuation of Gaia Street SE, from Panasonic's property line to Culver Drive SE, a possible east-west cul-de-sac to serve smaller lots, and possible frontage improvements on Culver Drive SE. Additional off-site improvements may also include widening of Gaffin Road and improvements to the intersection of Gaffin Road and Cordon Road.

Funding for remaining infrastructure at the Center is expected to come from future land sale proceeds. Staff is pursuing an infrastructure loan through Business Oregon to provide the cash flow needed to begin design and engineering of necessary improvements for the next business that locates in the Center. Without a loan, the City lacks the necessary cash flow to begin preparation of improvements and therefore jeopardizes the City's ability to meet the anticipated timeline for building occupancy. A similar loan with Business Oregon was executed in 2008, but expired before the City had the opportunity to draw on it. Similar to the previous Business Oregon loan commitment, funds will not be drawn upon until the City executes a Purchase and Sale Agreement (or similar) with a company committed to constructing a facility at the Center.

FACTS AND FINDINGS:

The City has an opportunity to apply for a loan of up to \$2,200,000 from the Oregon Business Development Department's Special Public Works Fund (SPWF) to fund part of the cost of the required public improvements. Up to \$500,000 of the loan may be forgiven if additional jobs are created within the Park (\$5,000 per job up to 100 jobs). In addition, by applying for the loan, the City agrees to repay the balance of the loan from future Center property sale proceeds. The City expects to generate approximately \$5,496,660 when the remaining lots are sold. Drawing on the loan funds for construction of the needed infrastructure would not occur until the City executes a Purchase and Sale Agreement with a company committed to constructing a facility at the Center.

Preliminary loan terms:

- Pledge of the General Fund's full faith and credit
- No obligation to draw loan funds if they are not needed
- 20 year repayment with no pre-payment penalty
- Up to \$500,000 of loan forgiven as jobs are created
- Interest rate 3.68%
- Loan commitment expected to expire in five years; final terms may vary

Next Steps

If the City's loan application (Attachment 2) is approved, staff will return to Council with the final terms and conditions of the loan and a request to execute the loan documents.

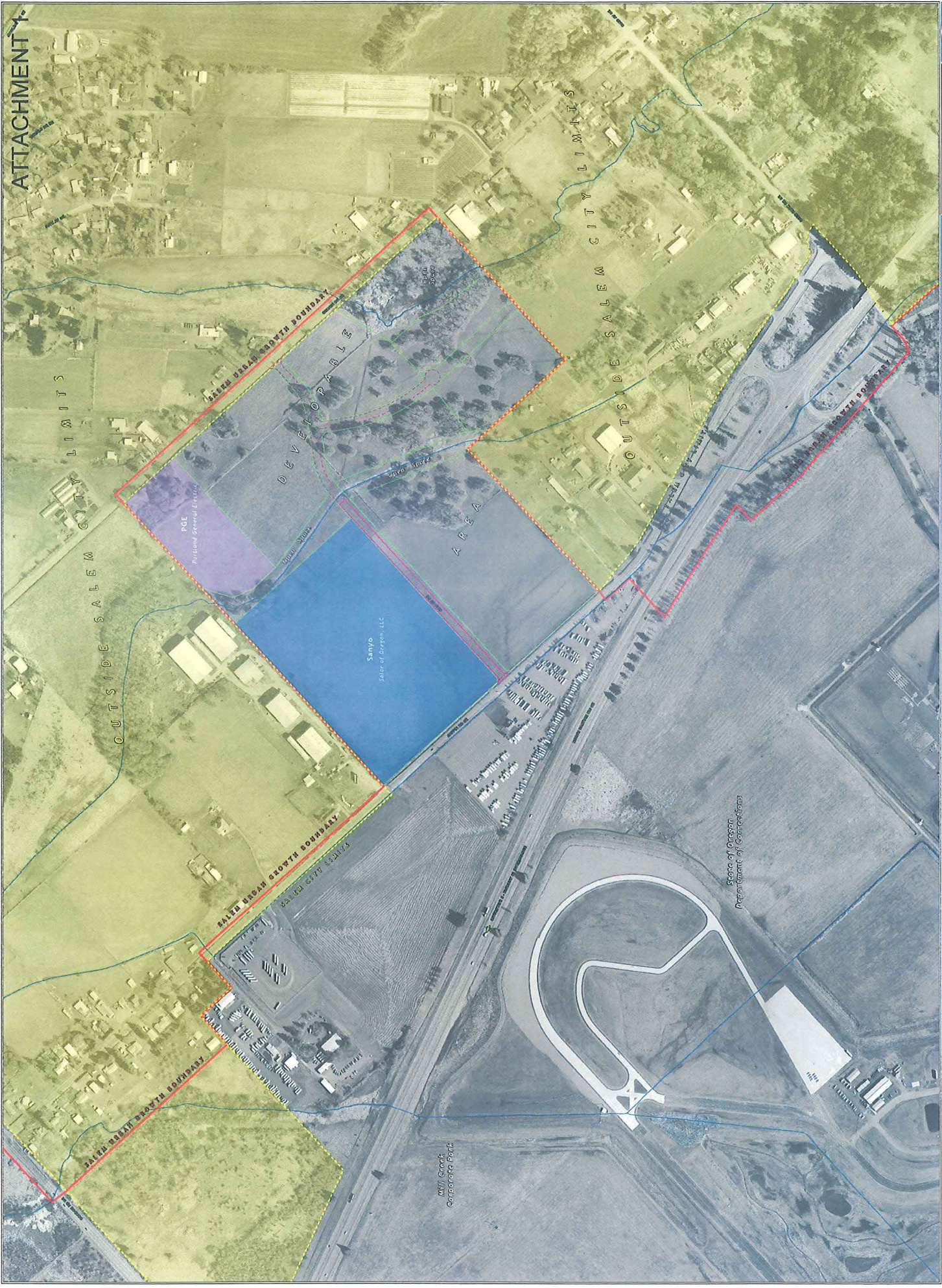


Annie Gorski
Project Manager

Attachments:

1. Location Map
2. Loan Application

Ward 2
November 23, 2015



ATTACHMENT 1



CITY OF SALEM
AT YOUR SERVICE

Salem Renewable Energy and Technology Park

3475 Gaffin Road SE
Urban Development Department



0 100 200
FEET

This project is provided as is, without warranty. The user is responsible for the accuracy of the information. The City of Salem is not responsible for any errors or omissions. The distribution of results is prohibited.

General Application

Applicant

| | |
|--|---|
| City of Salem | 93-6002249 |
| Name | Federal Tax ID Number |
| Urban Development Department | 350 Commercial Street, NE Salem, OR 97301 |
| Street Address | Mailing Address |
| Organization Type: | |
| <input checked="" type="checkbox"/> City | <input type="checkbox"/> County |
| <input type="checkbox"/> Special District under ORS _____ | <input type="checkbox"/> Port District under ORS _____ |
| <input type="checkbox"/> Tribe | |
| Annie Gorski | Project Manager |
| Contact Name | Title |
| (Person we should contact with project questions) | |
| 503-540-2480 | agorski@cityofsalem.net |
| Phone Number | Email Address |
| Fax Number | |

Representation (Information may be found at www.leg.state.or.us/findlegsltr)

| | |
|------------------------|-----------------------|
| 11 | Peter Courtney |
| Senate District Number | Senator's Name |
| 21 | Brian Clem |
| House District Number | Representative's Name |

Project Information

Salem Renewable Energy and Technology Center (SRETC) Infrastructure Projects
Project Name: (e.g., Stayton Water System Improvements)

Opportunity/Problem

Briefly describe the opportunity or problem facing the applicant:

Construction of the remaining on and off-site infrastructure will depend on the size, type, and location of future businesses locating at the SRETC. The development model relies on future land sale proceeds to finance the remaining needed infrastructure. Having no immediate, available funding source limits the City's ability to construct the needed infrastructure within the timeline established by businesses locating at the SRETC.

Response to Opportunity/Problem

Briefly describe the major alternatives considered to address this opportunity or problem:

The IFA loan provides the cash flow needed for the City to complete design, permitting, and construction, prior to receiving land sale proceeds. Having the ability to mobilize quickly is critical to marketing the SRETC to prospective businesses and when committed, meeting their construction timelines.

Land sale proceeds will be used to repay loan proceeds.

Detailed Project Description

Clearly describe the proposed project work to be accomplished:

The tentative subdivision decision for the SRETC identifies the infrastructure required of the remaining phases (and lots) within the SRETC. The most likely near term requirements for any business locating in the SRETC will include extension of Gaia Road and construction of a left turn pocket at the intersection of Gaffin Road and Cordon Road. If approved, the IFA loan will help finance those improvements.

Project Work Plan

List project activity milestones with estimated start and completion dates. Identify estimated date of first cash draw:

| Activity | Estimated Date | |
|--|----------------|--------------|
| | Start | Completion |
| City Council review/approval to apply | Nov 23, 2015 | Nov 23, 2015 |
| Infrastructure Finance Authority and City Council loan/grant approval; loan documents executed | Nov 24, 2015 | Jan 27, 2016 |
| City and Business execute agreement to locate at SRETC City awards design contract | Sep 1, 2016 | Nov 1, 2016 |
| Complete design and prepare construction documents | Nov 1, 2016 | Feb 1, 2017 |
| Complete bid process and award contract | Mar 1, 2017 | May 1, 2017 |
| Construction | Jun 1, 2017 | Jun 1, 2018 |
| | | |
| | | |

Estimated First Draw Date: November 1, 2016

Project Budget

IF THIS APPLICATION IS FOR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) OR
SAFE DRINKING WATER REVOLVING LOAN FUND (SDWRLF) PROGRAM FUNDING,
PLEASE SKIP THIS BUDGET TABLE AND COMPLETE THE PROJECT BUDGET INCLUDED IN THE
PROGRAM-SPECIFIC APPLICATION SUPPLEMENT FORM.

List individual project budget line items with requested budgeted amounts by IFA and non-IFA funding sources. Change budget column labels to identify the specific requested IFA funding sources. Non-IFA sources are those funds other than those requested from IFA.

| Budget Line Item (Adjust budget items to suit the project) <i>Below are general items most used</i> | IFA Funding | | Non-IFA | Total |
|---|-------------|------------------|----------------|------------------|
| | WW | SPWF | Funds | |
| Engineering/Architecture | | \$50,000 | \$200,000 | \$250,000 |
| Construction | | 1,950,000 | | 1,950,000 |
| Construction Contingency | | 200,000 | | 200,000 |
| Land Acquisition | | | | 0 |
| Legal | | | | 0 |
| Construction Management | | | 250,000 | 250,000 |
| Other (Fruitland Creek Mitigation) | | | 30,000 | 30,000 |
| Other) | | | | 0 |
| Other (Specify) | | | | 0 |
| Other (Specify) | | | | 0 |
| Totals | 0 | 2,200,000 | 480,000 | 2,680,000 |

Details of Non-IFA Funds

| Source of Non-IFA Funds | Amount | Status: C-Committed, A-Application S-Submitted, AI-Application Invited, PS-Potential Source | Dates Required Funds will be Committed and Available |
|---|------------------|--|--|
| Development District Fees (Mill Creek Corporate Center) | \$950,000 | C | |
| Remaining land sale proceeds (Panasonic) | 117,000 | C | |
| | | PS | |
| | | | |
| | | | |
| Totals | 1,067,000 | | |

If "Non-IFA funds" include USDA Rural Development funding that will require interim financing, please indicate the source of the interim financing.

General Certification

I certify to the best of my knowledge all information, contained in this document and any attached supplements, is valid and accurate. I further certify that, to the best of my knowledge:

1. The application has been approved by the governing body or is otherwise being submitted using the governing body's lawful process, and
2. Signature authority is verified.

Check one:

- ☐ Yes, I am the highest elected official. (e.g., Mayor, Chair or President)
- ☐ No, I am not the highest elected official so I have attached documentation that verifies my authority to sign on behalf of the applicant. (Document such as charter, resolution, ordinance or governing body meeting minutes must be attached.)

The department will only accept applications with proper signature authority documentation.

Signature

Date

Printed Name

Printed Title

FOR IFA USE ONLY

033003612

Concept Number

1/12/09

Intake Approval Date

Project Type:

☐ Planning

☐ Construction

☐ Other:

☐ Design

☒ Design & Construction