



FOR CONSIDERATION

March 28, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Buffalo Billion Initiative – Buffalo (Western New York Region – Erie County) – Fort Schuyler Management Corporation/RiverBend Park Capital – Buffalo Regional Innovation Cluster (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Section and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

General Project Plan

I. Project Summary

Grantee: Fort Schuyler Management Corporation (the “FSMC”) on behalf of the State University of New York (“SUNY”) College of Nanoscale Science and Engineering (the “CNSE”)

Beneficiary
Companies: Soraa, Inc. (“Soraa”)
Silevo, Inc. (“Silevo”)
Additional Beneficiaries to be identified in the future

ESD* Investment: A grant of up to \$118 million to be used as reimbursement for design and planning costs and new machinery and equipment.

* The New York State Urban Development Corporation doing business as Empire State Development (“ESD” or the “Corporation”)

Project Location: 1339-1341 South Park Avenue, Buffalo, Erie County

Proposed Project: Establish the Buffalo High-Tech Manufacturing Innovation Hub at RiverBend Park (“RiverBend”).

Project Type: Business attraction

Regional Council: The Western New York (“WNY”) Regional Economic Development Council oversees the implementation of the Buffalo Billion Investment Development Plan. This project is part of Governor Cuomo’s Buffalo Billion Initiative to promote advanced technology, manufacturing and smart growth; increase highly-skilled jobs; and maintain and attract young people to the WNY Region.

Employment Goals: Initial employment at time of application to ESD: 0
Current employment level: 0
Minimum employment on January 1, 2020: 850*

* Employees will be on the Beneficiaries’ payroll including Soraa, Silevo and additional Beneficiaries to be identified in the future.

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Planning & Design	\$5,000,000
Machinery & Equipment	113,000,000
Personnel	160,000,000
Operating Expenses	<u>1,340,000,000</u>
Total Project Costs	<u>\$1,618,000,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD – Grant	\$118,000,000	7%
Grantee Equity*	<u>1,500,000,000</u>	<u>93%</u>
Total Project Financing	<u>\$1,618,000,000</u>	<u>100%</u>

*Equity will be contributions from FSMC, Soraa, Silevo, and future Beneficiary Companies.

III. Project Description

A. Grantee

Industry: Real Estate Development

Company History: Authorized by Chapter 530 of the Laws of 2010, FSMC was formed by the State University of New York Research Foundation, in partnership with the State University of New York Institute of Technology (“SUNYIT”) to facilitate nanotechnology and semiconductor development. FSMC is authorized to purchase, construct, develop and manage facilities co-

located with the SUNYIT educational campus at the SUNYIT Marcy Technology Complex as well as ground sub-lease the property west of Edic Road constituting the Marcy Nanocenter project to Mohawk Valley Economic Development Growth Enterprises (“EDGE”) to attract nanomanufacturing operations by a commercial partner.

The CNSE is a global education, research, development, and technology deployment resource dedicated to preparing the next generation of scientists and researchers in nanotechnology. Since its inception in 2004, it has been leveraging its resources in partnership with business and government to support accelerated high technology education and commercialization, and seeks to create jobs and economic growth for nanotechnology-related industries.

Ownership: The Grantee is a 501(c)(3) not-for-profit organization.

Market: Worldwide advanced technology industries

ESD Involvement: In November 2013, the Governor announced a \$225 million award from the Buffalo Billion Initiative for RiverBend, a \$1.7 billion public and private-sector partnership to convert a vacant former manufacturing site into a state-of-the-art hub campus for high-tech and green energy manufacturing businesses. RiverBend, which will be strategically located in a newly-developed “smart growth” urban commerce park with multi-modal transportation opportunities, will serve as a building block of continued growth in advanced manufacturing, which is a primary focus of the WNY REDC. Initially, two California-based clean energy companies, Sora and Silevo, will serve as the anchor tenants in the newly-constructed RiverBend complex by relocating major parts of their respective operations to Buffalo. It is expected that once fully constructed, RiverBend will house multiple industry-related companies. \$118 million of the \$225 million award will reimburse FSMC for planning/design costs and machinery and equipment acquisition; the remaining \$107 million will reimburse FSMC with the real estate acquisition, site and infrastructure development, and facility construction. The balance of \$107 million will be presented for consideration by the ESD Directors at a later time.

Past ESD Support:

Program	Project #	Amount	Date Start (ESD Directors' Approval date)	Date End (Project Completion: Contract Expiration or Job Requirement)	Purpose
Local Assistance	V062	\$2,250,000	October 22, 2009 (\$4M was originally awarded to EDGE on May 17,2007)	May 5, 2011	Working Capital Grant – Advanced rent payment to FSMC for the 15-year ground lease of the Marcy Nanocenter site by EDGE.
New York State Economic Development Assistance Program	W277	\$1,300,000	November 19, 2009 (\$10M was originally awarded to EDGE on September 19, 2008)	March 31, 2013	Capital Grant – \$1.3 M for design and construction of the 300mm wafer clean room for the Computer Chip Commercialization Center (“Quad C”).
Economic Transformation Program	X812	\$15,000,000	November 2003	December 2014	Capital Grant for construction of the 253,000-square-foot Quad C.
State and Municipal Facilities Program	Y728	\$20,000,000	January 2014	December 2014	Capital Grant – Purchase and install new advanced technology semiconductor packaging equipment and construction of the Quad C

B. Beneficiary – Sora

Industry: Sora is the only manufacturer of light-emitting diode (“LED”) products made from pure gallium nitride substrates (GaN on GaNTM), which are up to one thousand times more precise than other LEDs.

History: The Company was formed in 2008 by a team of engineering and semiconductor industry professors to manufacture the new GaN on GaNTM technology.

Ownership: The Company is privately owned.

Size: Soraa has one location in Galeta, California.

Market: The Company markets GaN on GaN™ LED products worldwide primarily to the restaurant, retail, hospitality, homeowners, and museums with need for high-grade, brilliant lighting.

Past ESD Support: This is Soraa’s first project with ESD.

C. Beneficiary – Silevo

Industry: Silevo manufactures hybrid solar cells which convert solar energy into electricity, known as photovoltaic (“PV”) applications, ultimately used in high-performance, low-cost solar panels.

History: The Company was founded in Fremont, California in 2007.

Ownership: Silevo is privately owned.

Size: The Company has a headquarters and research and development facility in Fremont, California, with 35 people and a high-volume manufacturing facility in Hangzou, China with approximately 165 employees.

Market: Silevo’s technology is utilized in industrial solar and semiconductor applications.

Past ESD Support: This is Silevo’s first project with ESD.

D. The Project

Completion: December 2019

Activity: The \$1.6 billion project involves planning and design costs; the acquisition and installation of specialized machinery and equipment, furniture, fixtures and related equipment; personnel; and operating expenses. The specialized equipment costs will be incurred over a two-year period by FSMC. The personnel and operating expenses will be incurred over a five-year period by Soraa and Silevo and/or future Beneficiaries. FSMC will own the equipment, which will be utilized by Soraa and Silevo, the anchor tenants, initially, and will be offered for use by other industry-related companies expected to relocate or establish operations at RiverBend.

By mid-2014, FSMC will acquire a previously contaminated industrial property owned by the City of Buffalo and immediately begin site and

infrastructure development, followed by the construction of an approximate 280,000-square-foot LEED-certified facility, which is expected to be complete in November 2015.

Soraa will relocate its corporate research and development (“R&D”) and manufacturing operations to RiverBend, investing \$750 million for the build-out of 50,000-square-feet of space, including 35,000-square-feet of clean rooms. It will also acquire specialized equipment including lithography, deposition, inspection, etching, metallization, and wafer dicing equipment. It is expected that Soraa will employ or cause to employ through the recruitment of suppliers and associated companies, 375 jobs, including engineers, technicians, operators and maintenance and facilities staff.

RiverBend will be the home of Silevo’s first North American manufacturing operation, a 200 megawatt production facility. Silevo, will occupy 232,000 square feet, including 212,000 square feet for manufacturing and 20,000 square feet for administration and business offices, and will invest \$750 million in facility build-out and manufacturing equipment. The Silevo plant will focus on the manufacturing of its innovative hybrid solar module technology, Triex, as well as continuing R&D functions to achieve next generation improvements to remain competitive in the marketplace. Silevo will employ or cause to employ through the recruitment of suppliers and associated companies, 475 jobs, including manufacturing engineers, operators, maintenance, and facility staff.

While Soraa and Silevo will be the anchor tenants, establishing operations in the initial 280,000-square-foot facility, it is expected that RiverBend will consist of at least six new structures which will be constructed over time to accommodate approximately 1,200 new manufacturing jobs in the field of biotech, high tech and green energy.

Results:

The project is projected to create 850 jobs by January 1, 2020, and establish Buffalo as a nexus for advanced research and manufacturing for clean energy technologies and attract businesses from around the world. The RiverBend project will promote smart growth by transforming a vacant manufacturing site in a distressed area that was previously owned by Republic Steel into a vibrant hub of technology. Additionally, the project will spur adjacent private-sector investment for consumables, amenities, and services, increase demand for housing, and attract and retain people to the WNY Region by providing highly-skilled and unskilled employment options.

Business Investment

Project:

Benefit-Costs Evaluations are used in evaluating projects that are categorized as Business Investment, Infrastructure Investment, and Economic Growth Investment and that involve 1) job retention and/or creation and/or 2) construction-related activity. For Business Investment projects, benefits typically reflect the impact of both jobs and construction-related activity. For Infrastructure Investment and Economic Growth Investment projects, which generate long-term benefits not captured in the period of analysis and may involve no permanent job commitments, the estimated benefits typically reflect only construction-related activity.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$30,641,862;
- Fiscal cost to NYS government is estimated at \$221,883,495;
- Project cost to NYS government per direct job is \$650,033;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$280,505;
- Ratio of project fiscal benefits to costs to NYS government is 0.14:1;
- Fiscal benefits to all governments (state and local) are estimated at \$53,338,115;
- Fiscal cost to all governments is \$221,883,495;
- All government cost per direct job is \$650,033;
- All government cost per total job is \$280,505;
- The fiscal benefit to cost ratio for all governments is 0.24:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$407,424,224, or \$515,066 per job (direct and indirect);
- The economic benefit to cost ratio is 1.84:1;
- Project construction cost is \$107,000,000, which is expected to generate 962 direct job years and 604 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 1.21 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is five years.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

Grantee Contact:

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Soraa Contact: Mr. Tom Caulfield, President and Chief Operating Officer
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Silevo Contact: Mr. Jeff Osorio, Chief Financial Officer
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ESD Project No.: Y962

Project Team:	Origination	Christina Orsi
	Project Management	Jean Williams
	Legal	Steve Gawlik
	Contractor & Supplier Diversity	Vikas Gera
	Finance	Ross Freeman
	Environmental	Soo Kang

E. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$118,000,000 capital grant (\$1,180,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will demonstrate no materially adverse changes in its financial condition prior to disbursement.
3. Up to \$118 million will be disbursed to the Grantee no more frequently than monthly, for invoices due and payable for planning and design costs and the acquisition and installation of equipment, incurred by FSMC. Requisitions for payment after the initial disbursement must include supporting documentation for the previous disbursement, including proof of payment for previously submitted payable invoices. The Grantee shall submit proof of payment for the final equipment disbursement within ninety (90) days of ESD's disbursement of these funds.

Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenditures reimbursed by ESD's grant must be incurred on or after June 1, 2013, to be considered eligible project costs. All disbursements must be requested by April 1, 2020.

4. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$118 million, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New

York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

IV. Statutory Basis – Buffalo Regional Innovation Cluster

The project was authorized in the 2013-2014 New York State budget. No residential relocation is required as there are no families or individuals residing on the site.

V. Environmental Review

ESD staff has determined that the approval of funding to be used for the costs of design and planning and new machinery and equipment for the proposed RiverBend project constitutes a Type II action as defined in the New York State Environmental Quality Review Act (“SEQRA”), and therefore no environmental review is required in connection with the authorization. The development of the RiverBend project is subject to a review pursuant to SEQRA, which will be completed by a lead agency before it is undertaken, funded or approved by an agency.

VI. Non-Discrimination and Contractor & Supplier Diversity

ESD’s Non-Discrimination and Contractor & Supplier Diversity policies will apply to this Project. The Recipient shall be required to include minorities and women in any job opportunities created, to solicit and utilize Minority and Women Business Enterprise (“MWBEs”) for any contractual opportunities generated in connection with the Project and shall be required to use Good Faith Efforts (pursuant to 5 NYCRR §142.8) to achieve meaningful MWBE Participation in the project. ESD will review and assign appropriate MWBE goal requirements at a later date as the details regarding specific project procurements emerge.

VII. ESD Employment Enforcement Policy

ESD's Employment Enforcement Policy will not apply since the project will not directly create or retain jobs.

VIII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

IX. Additional Submissions to Directors

Resolutions
New York State Map
Project Finance Memorandum
Benefit-Cost Analysis

Buffalo Billion Initiative – Buffalo (Western New York Region – Erie County) – Fort Schuyler Management Corporation/RiverBend Park Capital – Buffalo Regional Innovation Cluster (Capital Grant) – Findings and Determinations Pursuant to Section 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Fort Schuyler Management Corporation/Riverbend Park Capital – Buffalo Regional Innovation Cluster (Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that there are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the President and Chief Executive Officer of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, the President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Fort Schuyler Management Corporation a grant for a total amount not to exceed One Hundred Eighteen Million Dollars (\$118,000,000) from the Buffalo Regional Innovation Cluster, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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