

LEDA Hearing

Case #2021-8

LEDA 21-4: Affordable Solar Installation, Inc., Project

REQUEST: Approval of \$125,000 in Local Economic Development Act Fund, from the City of Albuquerque is requested.

EXECUTIVE SUMMARY: Affordable Solar Installation, Inc., is local company established in 1998 and currently employs 140 full time workers in Albuquerque. The company intends to increase their employment by adding a minimum of 90 new employees over ten years, and potential up to 100 new jobs, primarily consisting of technicians, electricians, and fabricators. These positions pay from \$37,400 to \$70,000. The City Council approved \$7.578 million in City-issued industrial revenue bonds. The Company now seeks LEDA funding, in the amount of \$125,000 from the City. The State has agreed to provide \$500,000 for which the City would act as fiscal agent. The company will be investing \$5.283 million in the land, building and improvements, plus another \$945,000 for equipment. The Company expects to spend approximately \$2.5 million on improvements to the existing site and facility, which will greatly improve the surrounding business development area. The Company spent approximately \$15 million on goods and services in New Mexico in 2020. Of that, approximately \$7 million was spent on services subject to NMGRT. The Company expects that these amounts will increase by about 10 percent annually.

PROJECT SUMMARY: Affordable Solar Installation, Inc., (“Affordable Solar” or “Company”) was founded in 1998 and has grown significantly in Albuquerque since that time to become a major player in the solar industry nationally and internationally. The Company’s rapid growth has led them to seek a new facility to consolidate and continue to grow the various divisions of their operations in Albuquerque.

The City Council approved \$7.578 million in City-issued industrial revenue bonds, for which the company is solely responsible for repayment of all debt, to assist with the purchase and improvement of an existing vacant site and building to accommodate their growth. The Company will consolidate their operation at the new location, which will hold their corporate headquarters, as well as their research and development, warehousing, logistics and light manufacturing or assembly of component parts.

The Company now seeks LEDA funding, in the amount of \$125,000 from the City. The State has agreed to provide \$500,000 for which the City would act as fiscal agent; however, as usual, that transaction is not under review for approval as part of this process and the City proposes to provide \$125,000. LEDA funds will help the Company reimburse LEDA eligible expenses for renovations and improvements following execution of the Project Participation Agreement (“PPA”). The

Company will need to hire 90 additional employees for a total employee count of 230 and compile enough LEDA Eligible Expenses For the full payment of City funds.

Affordable Solar has been recognized as one of the “Best Places to Work” in Albuquerque, and with more than 140 existing employees, they intend to increase their employment by adding 90 new employees over ten years, and potential additional new jobs to 100 primarily technicians, electricians, and fabricators. These positions pay from \$37,400 to \$70,000. The remaining administrative, project management, superintendent and other positions salaries range from \$55,000 to \$130,000, and all of them come with a robust benefits package. In 2020, for the Fastest Growing Companies ranked by Albuquerque Business First, Affordable Solar was #1 for Large Companies. For New Mexico Technology “Flying 40” 2020 Awardees, Affordable Solar ranked #2 in the Top 10 for Total Revenue and #8 for Top 10 Revenue Growth for Companies greater than \$10 Million. The company anticipates revenues of \$200 million in 2021.

Affordable Solar is looking to purchase an existing 3.522-acre site which already contains a noteworthy building of nearly 30,000 square feet at 3900 Singer Boulevard NE. The building originally was designed as an attractive curved green glass facility, which operated as a customer service center for different tenants for many years. Unfortunately, it has been vacant for approximately four years. The Company expects to spend approximately \$2.5 million on improvements to the existing site and facility, which will greatly improve the surrounding business development area.

Affordable Solar has consistently invested in new research and development to keep their Albuquerque-based company in front of the latest technology and knowledge, particularly in the large solar array field, and has broadened their services in the solar industry across 12 states to date. Their goal is to accelerate the development of a clean, safe, innovative technology that has the potential to transform the energy landscape nationally and internationally. The Company plans for nearly 80 percent of their sales to be for out of state customers. The Company has a patent-pending foundation and wiring chassis solution that enables efficient, consistent deployment and installation of large-scale battery energy storage products.

The Company states that their intellectual property creates a consistent advantage that is leveraged to allow for a robust renewable energy workforce, focused in Albuquerque. The plan is for the new Albuquerque facility to house the component fabrication as well as their corporate headquarters. Their primary business is in the large-scale utility projects, for which they provide Engineering, Procurement, and Construction (EPC). Their second largest business division is in the Battery, Energy Storage System (BESS) business, where they have no competition in the state, and very limited competition nationally. They have developed products and methods designed to reduce cost and allow for rapid deployment of solar and energy storage projects in response to national renewable energy developments.

The goals of the Affordable Solar Consolidation and Expansion project are to further create and foster economic growth in the State of New Mexico. One of the primary project goals is to create new economic-base jobs in the community and to create job growth opportunities for existing staff. They state that their “overarching goal is to continue to be at the forefront of the renewable energy industry both inside and outside of New Mexico. “We want to create a sustainable future for

generations to come and we want to employ likeminded individuals that are committed to making a difference in their communities and beyond.”

The State of New Mexico and its local governments are empowered to offer discretionary incentives to companies that support economic development projects that foster, promote, and enhance local economic development efforts. According to State statute, qualifying entities for these projects include:

“A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:

- (1) An industry for the manufacturing, processing, or assembling of any agricultural or manufactured products;**
- (2) A business in which all or part of the activities of the business involves the supplying of services to the general public or to the governmental agencies or to a specific industry or customer, but, other than as provided in subsection (5) of this definition, not including businesses primarily engaged in the sales of goods or commodities at retail;”**

The LEDA application, as shown in Exhibit 1, provides details of the project and the number and types of jobs to be created.

Exhibit 2 delineates the required Project Participation Agreement (“PPA”) between Affordable Solar and the City. The PPA is summarized in Section V, below.

This project includes a fiscal impact analysis provided to the City from the New Mexico Economic Development Department, utilizing the IMPACT DataSource economic impact model. The fiscal impact determination of the project is derived from information the Company provided. The analysis shows that the Company will be making a substantive contribution to the community and that the City could realize net present value of \$8.6 million in taxes from the direct and indirect spending associated with this project over the next 10 years.

FINDINGS:

1. LEDA 21-4 is a qualified project as defined by the State’s Local Economic Development Act and the City’s enabling legislation (F/S O-04-10); and
2. LEDA 21-4 would make positive substantive contributions to the local economy and community by maintaining a minimum of 140 employee headcount in year one and 230 employee headcount by year ten; and
3. Subject to the development of a proposed Letter of Credit or other acceptable security documents, LEDA 21-4 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including remaining in operation for ten years; and

4. Subject to the development of a proposed Letter of Credit or other acceptable security documents, LEDA 21-4 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects, including the requirement that the City recoup the value of its investment within 10 years.

PROJECT ANALYSIS: The project, as proposed in the project application, will be analyzed in accordance with the City’s LEDA project evaluation criteria.

I. PROJECT ELIGIBILITY

1. QUALIFYING ENTITY

The City’s enabling legislation (F/S O-04-10), as well as the State Local Economic Development Act, establishes a definition for a “Qualifying Entity” eligible for LEDA funding assistance. Affordable Solar qualifies under the Act and the Ordinance by meeting the following definition:

As stated in the Summary, qualifying entities for these projects include:

A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:

- (1) An industry for the manufacturing, processing, or assembling of any agricultural or manufactured products;**
- (2) A business in which all or part of the activities of the business involves the supplying of services to the general public or to the governmental agencies or to a specific industry or customer, but, other than as provided in subsection (5) of this definition, not including businesses primarily engaged in the sales of goods or commodities at retail;**

2. ECONOMIC DEVELOPMENT POLICIES AND OBJECTIVES

The City’s enabling legislation also states that applications for LEDA assistance, which meet the policies and objectives of the City’s community economic development plans, shall receive priority. Affordable Solar qualifies as the type of project that meets the City’s identified economic development priorities under (F/S O-04-10) in the following categories:

- (1) Private companies seeking to build, expand, or relocate facilities;**
- (2) Manufacturing firms (including intellectual property such as computer software);**

II. LAND USE, PLAN AND DESIGN ELEMENTS

1. PLAN & ZONING:

Legal Description

The proposed project is located at 3900 Singer Blvd., NE, Albuquerque, Lot 6-A-1 of JEFFERSON COMMONS II, as the same is shown and designated on the Plat entitled, "Correction Plat of Lots 6-A-1, 6-A-2, 6-A-3 and 6-A-4, Jefferson Commons II, Elena Gallegos Grant Projected Section 35, Township 11 North, Range 3 East, N.M.P.M., Albuquerque, Bernalillo County, New Mexico, January 2020", filed in the office of the County Clerk of Bernalillo County, New Mexico on September 21, 2020 in Plat Book 2020C, Page 92, re-recorded October 6, 2020 in Plat Book 2020C, Page 96 as Document No. 2020097853.

Prevailing Site Conditions

The company will be buying a pre-constructed building and its site, which will be modified to accommodate the change in uses, employee growth, and business development expansion plans. The project site originally was developed to be multi-use with the main building (now under consideration), built by a developer with the assistance of the City and economic development partners. It was an attractive curved green-glass office building distinctive in the surrounding area of predominantly square and rectangular stucco and steel buildings. In more recent times, unfortunately, the facility has been vacant. Although vacant for the past four (4) years, this site was developed as office space with a dock high door and a receiving room. It operated for many years as a customer service center for America On-Line (AOL) and then T-Mobile, when AOL was acquired. The project parcel was recently created with a replat that separated the subject building from other buildings that used to be on one large parcel. The company will be investing \$5.283 million in the land, building and \$2.5 million in building improvements, plus another \$945,000 for equipment.

Present Assessed Value

Presently there is no assessed value for the site, since the County Assessor just recently completed a review of the site due to the replanting, and new values would not be assigned until next January 1, 2022. The purchase price for the site and building is \$6,033,000.

Present and Proposed Zoning

The site has been re-platted, and the zoning designation just recently received under the new IDO is NR-BP (Non-Residential/ Business Park). Permissive uses include office, warehousing, light manufacturing, and assembly. The project fits within the permitted uses.

2. LAND USE/INFILL/DESIGN AND CONSERVATION:

The property is located in a development known as "Jefferson Commons". The whole surrounding area along the westside of I-25 out to the main North Diversion water channel is known as the I-25 or Jefferson Corridor and was designed to be developed for the community for mixed uses, with business/warehouse/office/manufacturing uses (along with

an existing rock quarry and Cliff's Amusement Park). Over the years, and more adjacent to the visibility from I-25, other commercial uses such as car dealerships, movie theaters, restaurants and a former Albuquerque Waterpark also were developed.

While the company itself will not be generating alternative energy for the surrounding area, they do plan to lead by example and install roof-top solar as well allowing for electric vehicle parking spaces and charging stations. Low-flow toilets, energy efficient appliances, HVAC system, and new xeriscape landscaping will be included in the development. Affordable Solar intends to be a model employer and is participating in the Mayor's Energy Challenge and will purchase bus passes for employees and bicycle storage racks will be installed. Lockers and showers for employees are being reviewed in the design process.

As mentioned previously, the project site is an existing building located in an existing business park location, and is already in-fill. As noted in their application, the building has fallen into some disrepair due to the lack of use, yet it is in a highly visible location. The infusion of millions of dollars in purchasing, developing and improvements will greatly enhance the area.

Demolition: No major external demolition is planned.

Relocation: No individuals, families, or businesses will be displaced by the activities outlined in this plan.

The project also conforms to the City's Economic Development strategies:

Smart Recruitment, Retention, and Expansion – The Economic Development Department (EDD) is focused on recruiting companies from specific industries that build upon Albuquerque's existing assets. The EDD supports new enterprise creation, cluster development, and strategic attraction and recruitment of businesses that align with and complement existing strengths.

In addition, New Mexico municipal IRB legislation specifically identifies "projects" as land, buildings, equipment and improvements that are suitable for use by any of the following:

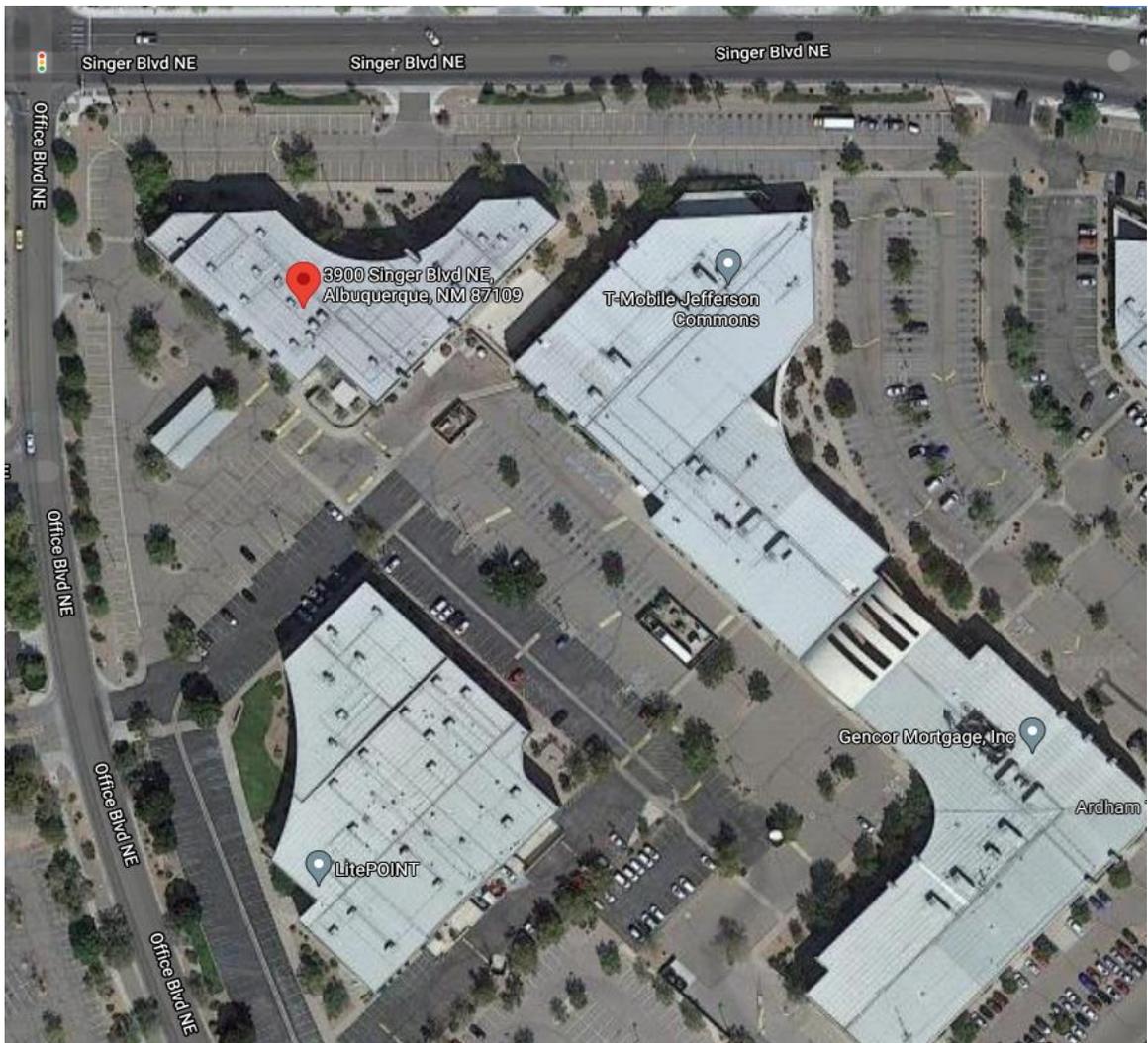
- A. any commercial enterprise in storing, warehousing, distributing or selling products of agriculture, mining or industry but does not include facilities designed for the sale of goods or commodities at retail or distribution to the public of electricity, gas, water or telephone or other services commonly classified as public utilities.

The company has stated that in addition to the information provided in **I. Area Enhancement**, this location will serve as the Company's home office for all current and future employees. The growing number of staff will frequently patron local food establishments, entertainment and supply-based businesses. Having an office in a centralized location, will allow employees, and they will be encouraged, to ride bicycles to work and utilize nearby public transportation which is readily available. The company intends to buy bus pass passes for their employees. As mentioned, the company is striving to be the employer of choice in Albuquerque and a good office environment is instrumental. The Company will pursue any viable and economically feasible means to support this effort which, in turn, would be a win-win situation for both the Company

and the City. Additionally, with their expanded home office, the Company expects increased levels of out-of-state visitors. Within the next few years, they expect 150 visitors per year, remaining in the area for an average of three (3) days.

Infrastructure

- A. It is an existing in-fill development project, as discussed above. The existing office building will be rehabilitated and it has no historic properties/elements.
- B. Although the building has been vacant for four years, it was initially developed to accommodate the kind of employee and business uses projected by the Company.
- C. Affordable Solar is currently not planning on making any significant changes, and no major changes have been identified as needed.



III. ECONOMIC BENEFITS

This project will have numerous positive economic benefits across the community and the state. First, the community will be retaining and expanding a valued Albuquerque employer that does well for its employees, customers, suppliers, the community and the tax base. In addition to the 140 employees they had at the end of 2020, they will be adding another 70 by January 31, 2026 and potentially another 20 by January 31, 2031. And their payroll is expected to increase up to approximately \$12,578,621. Total purchases made in New Mexico last year were about \$15,000,000 in goods and services, with about half of that subject to NM Gross Receipts Tax.

COMPETITION

Established in 1998, Affordable Solar is the largest and most experienced solar and Battery Energy Storage System (BESS) Engineering, Procurement and Construction (EPC) contractor based in New Mexico by a wide margin. According to Greentech Media’s US market data, Affordable Solar was responsible for approximately 60% of the solar capacity deployed in NM in 2018.

The Company has stated that “Affordable Solar Installation, Inc. does not have a true competitor in the City for our primary business, which is as an Engineering, Procurement and Construction (EPC) service provider for large-scale Utility projects. Our second largest division is in the Battery Energy Storage System (BESS) installation business, where there is no competition in the City or the State and very limited competition at the National level. Our Light Commercial Business has very limited local competition, if any. There is local competition in the Residential Business, but this will make up less than 5% of our revenue for 2021.”

E. Effect on Existing Industry and Commerce during and after Construction

The Company has stated that the expansion will allow them to continue to grow and innovate in Albuquerque. As referenced above, they have a patent pending design that streamlines and simplifies the installation of batteries used for energy storage. The Company plans to continue to innovate and to fabricate, assemble and integrate equipment at the new facility. It is important to note that work is presently done in the field, out of the State, less efficiently and at a higher cost.

The salaries for the jobs should meet or exceed the average for similar positions within the community. In a review of positions from the NM Dept. of Labor, it appears that the salaries for the jobs profiled are comparable for similar positions within the community.

1. Net new jobs and employee ramp over the next ten years are as follows:

Year	<i>Cumulative Full Time Job Creation Target</i>	Min Job (90% of target new jobs)	<i>Payroll</i>	<i>Job Determination Period</i>	
1	140+10=150	140+9=149	\$9,339,079	Ordinance Date	1/31/22
2	150+25=175	149+22=171	\$11,216,155	01/01/22	1/31/23

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3	175+15=190	171+13=184	\$12,507,364	01/01/23	1/31/24
4	190+10=200	184+9=193	\$13,510,768	01/01/24	1/31/25
5	200+10=210	193+9=202	\$14,556,527	01/01/25	1/31/26
6	210+5=215	202+4=206	\$15,283,285	01/01/26	1/31/27
7	215+5=220	206+4=210	\$16,037,282	01/01/27	1/31/28
8	220+5=225	210+4=214	\$16,819,424	01/01/28	1/31/29
9	225+5=230	214+4=218	\$17,630,650	01/01/29	1/31/30
10	230+5=235	218+4=222	\$18,471,926	01/01/30	1/31/31

2. Salary rates for each of the positions

Job	No. of net new jobs	Average Salary (or hourly equivalent)	Salary Total
Fabricator	9	\$46,707	\$420,367
Project Manager	6	\$124,886	\$749,318
Energy Developer	3	\$124,886	\$374,659
Logistics Coordinator	3	\$68,687	\$206,062
Engineer	5	\$124,886	\$624,431
Foreman	6	\$81,176	\$487,057
Technician	33	\$49,355	\$1,628,717
Electrician	8	\$87,420	\$699,363
Assistant Project Manager	4	\$81,176	\$324,704
Superintendent	4	\$106,153	\$424,613
Estimator	2	\$106,153	\$212,307
Administration	8	\$68,687	\$549,500
Management	4	\$162,352	\$649,409
Total	95	\$77,374	\$7,350,508

3. Number of people occupying each of the positions over the ramp schedule.

Year	New Payroll	Cumulative net new payroll
2021	\$641,400	\$641,400
2022	\$1,603,500	\$2,244,900
2023	\$962,100	\$3,476,350
2024	\$641,400	\$4,166,834
2025	\$641,400	\$4,955,899
2026	\$702,016	\$5,300,964
2027	\$719,567	\$5,660,185
2028	\$424,836	\$5,660,185
2029	\$314,445	\$6,226,526

2030	\$314,445	\$6,696,635
2031	\$486,457	\$7,350,508

4. Estimated net new payroll - \$4,489,800 annually
5. Confirmation the company pays at least 50% of the employee’s health insurance premium - Confirmed

Year	Jobs Added	Total net new jobs
2021	10	10
2022	25	35
2023	15	50
2024	10	60
2025	10	70
2026	5	75
2027	5	80
2028	5	85
2029	5	90
2030	5	95
2031	5	100*

* Minimum required jobs will be 90% of target new jobs at 90 employee headcounts.

- 1) What percentage of the permanent new jobs is expected to be filled by current Albuquerque area residents, as opposed to people relocated from elsewhere?

At least 90%

- 2) Will jobs benefit low- and moderate-income residents?

Yes

- 3) Will the jobs meet or exceed median wages for the industry within the community?

Yes

- 4) Will the jobs match skills of current city residents?

Yes

- 5) Will new employees be trained to fill the positions?

Yes. Affordable Solar worked with Central New Mexico Community College throughout 2020. This resulted in Affordable Solar having the only State Approved Solar Apprenticeship program.

- 6) What stated advancement opportunities are there?

Affordable Solar strongly believes in promoting from within. We have a history of mentoring and helping our employees to advance their careers. We have examples of

employees that started as interns that are now in upper management positions. We will continue to foster the growth and advancement of our employees during this project.

7) Will “Job Training Incentive Program” or other job training programs be used?

Yes, Affordable Solar also utilizes the Job Training Incentive Program.

8) Will at least 50% of health insurance premiums be covered for employees?

Yes

N. Corporate Citizenship Policy/Plan

List any company policies/plans regarding the promotion of donations and volunteerism policy.

Affordable Solar’s ownership has always placed a high priority on community service. A long-standing company policy is paid-time off for employees to volunteer for a Non-Profit 501c(3) company or a qualified service project of their choice. With regards to a group-coordinated effort, one organization to highlight is the Roadrunner Food Bank (RRFB). In addition to ownership being on the Board of RRFB, Affordable Solar coordinated a targeted campaign whereby employees were enlisted to reach out to frequently utilized vendors for monetary donations and/or encourage a company-sponsored food drive.

LOCAL PURCHASES

The Company spent approximately \$15 million on goods and services in New Mexico in 2020. Of that, approximately \$7 million was spent on services subject to NMGRT. The Company expects that the amounts will increase by about 10 percent annually.

The impact on existing industry and commerce after construction is anticipated to be favorable.

The building has been vacant for a number of years, and the addition of not only an existing workforce of 140, but also of 70 new employees by 2026 and potentially a total of another 20 over the next ten years will bring a large influx of people to support local surrounding businesses and restaurants.

Most importantly, this building has been vacant for four years and is showing signs of disrepair. Affordable Solar will be renovating and rejuvenating an existing building in a high-profile area of Albuquerque. Façade improvements will include repaint and re-stucco, expanded lighting, and general maintenance updates. As a renewable energy company, they will set an example for other businesses by installing roof-top solar as well as electric vehicle charging stations. The proposed operations are not expected to generate any notable air, noise, or waste pollution.

The Company has stated that in addition to the information provided in **I. Area Enhancement**, this location will serve as the Company’s home headquarters office for all current and future employees. The growing number of staff will frequently patron local food establishments, entertainment and supply-based businesses. Having an office in a centralized location, will allow employees, and they will be encouraged, to ride bicycles to work and utilize nearby public

transportation which is readily available. The Company intends to buy bus pass passes for their employees. As mentioned, the Company is striving to be the employer of choice in Albuquerque and a good office environment is instrumental. The Company will pursue any viable and economically feasible means to support this effort which, in turn, would be a win-win situation for both the Company and the city. Additionally, with their expanded home office, the Company expects increased level of out-of-state visitors. Within the next few years, they expect 150 visitors per year, remaining in the area for an average of three (3) days.

D. Competition

There are a number of companies which provide solar panel installation services in the Albuquerque area, however, none of them appear to be direct competitors for the types of products and services provided by the applicant. The application states: “Affordable Solar Installation, Inc. does not have a true competitor in the City for our primary business, which is as an Engineering, Procurement and Construction (EPC) for large-scale Utility projects. Our second largest division is in the Battery Energy Storage System (BESS) installation business, where there is no competition in the City or the State and very limited competition at the National level. Our Light Commercial Business has very limited local competition, if any. There is local competition in the Residential Business, but this will make up less than 5% of our revenue for 2021.”

IV. PROJECT FEASIBILITY

9. **COST/ FEASIBILITY/ FINANCING:**

Funding is subject to City Council approval. Affordable Solar intends to self-fund the improvements through their own working capital, and they are responsible for their own and the City’s fees related to the LEDA applications and associated legal or other administrative fees, including the fiscal impact analysis. The company is utilizing industrial revenue bonds, for which they are solely responsible for payments, as well as other kinds of traditional lending.

10. **DEVELOPER’S RECORD:**

Affordable Solar was selected to be an Albuquerque Business First "Best Place to Work" finalist for 2019. “We're honored to awarded this title and it just goes to show how dedicated we are to our employees. It takes hard work to make people happy and the results of this survey show we work hard at keeping our employees happy. Our employees play a crucial role in us being the premiere Albuquerque-area solar installation company, serving all kinds of customers from public utilities to consumers.”

Additional information is available on www.affordable-solar.com

11. EQUITY:

The project intends to use a combination of financing elements, including an SBA 504 loan, the proceeds from the industrial revenue bonds, LEDA funds and other sources. With a federal Small Business Administration (SBA) loan, the SBA backs forty percent of the loan, and the Company provides ten percent; traditional bank financing provides the other fifty percent.

12. MANAGEMENT:

The Company appears to have a strong, experienced management team.

The Company will self-manage the project during development utilizing a Project Team. The Project Team will include the following Affordable Solar Employees: Ryan Centerwall, CEO, Shawn Ricketts, CFO, Blake Richards, Director of Construction (GB98), and Sandy Barry will provide Project Management by serving as a liaison with other local, NM-licensed contractors who will be utilized based on their various areas of expertise. The Project Team will work closely with a, soon to be selected, local architect who will also attend the weekly meetings with the Project Team to ensure plans, budgets and timelines are being met. Affordable Solar is in possession of a New Mexico Commercial Contractor's License (EE98, EL01 & GB98).

Information of other Company senior personnel are included in the Application and at www.affordable-solar.com.

Based on the description given in the project plan, management appears to be qualified to manage the project. Based on financial information provided, the Company appears capable of managing and completing the Project.

13. FISCAL IMPACT ANALYSIS

This project includes a fiscal impact analysis provided to the City from the New Mexico Economic Development Department, utilizing the IMPACT DataSource economic impact model, as required given the project is a recipient of City funds. The analysis shows that the Company will start out in its first year with more than \$400,000 in positive fiscal impact and an overall positive fiscal impact of \$457,437 over the term of the bonds

The fiscal impact analysis demonstrates that the City will recoup the value of its investment within the ten-year LEDA requirement.

FINDINGS:

1. LEDA 21-4 is a qualified project as defined by the State's Local Economic Development Act and the City's enabling legislation (F/S O-04-10); and

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2. LEDA 21-4 would make positive substantive contributions to the local economy and community by maintaining a minimum of 140 employee headcount in year one and 230 employee headcount in year ten; and
3. Subject to the development of a proposed Letter of Credit or other acceptable security documents, LEDA 21-4 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including remaining in operation for ten years; and
4. Subject to the development of a proposed Letter of Credit or other acceptable security documents, LEDA 21-4 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects, including the requirement that the City recoup the value of its investment within ten years.

STAFF RECOMMENDATION:

Recommended Motion: Based on the findings in the staff report, the ADC recommends to City Council approval for Case #2021-8 LEDA 21-4 Affordable Solar.

Damian Lara, Deputy Director
Economic Development Department

EXECUTIVE SUMMARY

A REPORT OF THE ECONOMIC IMPACT OF ZIA ENERGY CONSOLIDATION IN ALBUQUERQUE, NM

April 16, 2021

Prepared by:

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Prepared using Total Impact



PURPOSE & LIMITATIONS

This report presents the results of an analysis undertaken by the New Mexico Economic Development Department using Total Impact, an economic and fiscal impact analysis tool developed and supported by the Austin, TX based economic consulting firm, Impact DataSource.

The Total Impact model is a customized software program licensed to the New Mexico Economic Development Department. The model includes estimates, assumptions, and other information developed by Impact DataSource from its independent research effort detailed in New Mexico Economic Development Department's Total Impact User Guide.

The analysis relies on prospective estimates of business activity that may not be realized. New Mexico Economic Development Department made reasonable efforts to ensure that the project-specific data entered into the Total Impact model reflects realistic estimates of future activity.

No warranty or representation is made by New Mexico Economic Development Department or Impact DataSource that any of the estimates or results contained in this study will actually be achieved.



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Introduction

This report presents the results of an economic impact analysis performed using Total Impact, a model developed by Impact DataSource. The report estimates the impact that a potential project in the Albuquerque may have on the state and local economy and estimates the costs and benefits for the state and local taxing districts over a 10-year period.

Description of the Project

Established in 1998, Affordable Solar is headquartered in Albuquerque, New Mexico. Our primary services are large scale solar and energy storage integration in 12 states. Our firm has developed products and methods designed to reduce cost and allow for rapid deployment of solar and energy storage projects in response to national renewable energy adoption. Drawing on our experience and a robust research and development initiative we have a patent-pending foundation and wiring chassis solution that enables efficient, consistent deployment and installation of large-scale battery energy storage products. Our intellectual property creates a consistent advantage that is leveraged to allow for a robust renewable energy workforce. Our new Albuquerque facility will house our component fabrication as well as our corporate headquarters.

Existing & Expanded Operations

The Project under analysis represents the expansion of an existing company in the Albuquerque. The existing operations currently support 140.0 direct jobs in the community and 419.7 indirect and induced jobs. The direct workers earn \$60,611 per year and the company supports \$81.2 million per year in taxable sales and spending in the community. Additionally, the company supports taxable property valued at \$0.9 million annually. The table below illustrates the company's economic impact over the next 10 years - including both the existing and expanded operations.

Table 1. Economic Impact of Existing and Expanded Operations Over the Next 10 Years

	Existing Operations	Expansion	Existing & Expanded Ops
Economic Output:			
Direct	\$1,122,186,702	\$532,245,345	\$1,654,432,047
Indirect & Induced	\$750,855,122	\$356,125,360	\$1,106,980,483
Total	\$1,873,041,824	\$888,370,705	\$2,761,412,529
Jobs			
Direct	140.0	95.0	235.0
Indirect & Induced	419.7	285.0	704.7
Total	559.7	380.0	939.7
Salaries			
Direct	\$92,914,296	\$41,691,000	\$134,605,296
Indirect & Induced	\$116,876,893	\$52,443,108	\$169,320,001
Total	\$209,791,189	\$94,134,108	\$303,925,297
Taxable Sales			
Direct	\$785,372,241	\$2,162,226,729	\$2,947,598,970
Indirect & Induced	\$26,562,770	\$11,918,816	\$38,481,587
Total	\$811,935,011	\$2,174,145,546	\$2,986,080,556

The table below illustrates the company's fiscal impact - the net benefits for local taxing districts - over the next 10 years - including both the existing and expanded operations.

Table 2. Fiscal Impact of Existing and Expanded Operations Over the Next 10 Years

	Net Benefits		
	Existing Operations	Expansion	Existing & Expanded Ops
State of New Mexico	\$50,304,594	\$92,153,655	\$142,458,249
Albuquerque	\$31,735,863	\$86,484,526	\$118,220,389
Bernalillo County	\$10,467,844	\$28,757,103	\$39,224,947
Albuquerque Public Schools	\$19,429	\$915,121	\$934,551
Special Taxing Districts	\$17,838	\$321,312	\$339,150
Total	\$92,545,567	\$208,631,718	\$301,177,285

The remainder of this report will reference the combined economic and fiscal impact of the existing and expanded operations.

Economic Impact Overview

The Project's operations will support employment and other economic impacts in the state. The 235.0 workers directly employed by the Project will earn approximately \$62,000 per year initially. This direct activity will support 704.7 indirect and induced workers in the state earning \$26,000 on average. The total additional payroll or workers' earnings associated with the Project is estimated to be approximately \$303.9 million over the next 10 years.

Accounting for various taxable sales and purchases, including activity associated with the Project, worker spending, and visitors' spending in the state, the Project is estimated to support approximately \$2,986.1 million in taxable sales over the next 10 years.

Table 3. Economic Impact Over the Next 10 Years Statewide

	Direct	Indirect & Induced	Total
Economic output generated by direct, indirect, and induced activity	\$1,654,432,047	\$1,106,980,483	\$2,761,412,529
Number of permanent direct, indirect, and induced jobs to be created	235.0	704.7	939.7
Salaries to be paid to direct, indirect, and induced workers	\$134,605,296	\$169,320,001	\$303,925,297
Taxable sales and purchases	\$2,947,598,970	\$38,481,587	\$2,986,080,556

The project is not expected to result in a consequential increase in the state's population. A majority of newly hired employees would likely be current New Mexico residents. However, it is estimated that approximately 24.0% of the new direct workers may be new residents to Bernalillo County. The local population impacts may result in new residential properties constructed in the county and increase the enrollment of local public schools.

Table 4. Population Impacts Over the Next 10 Years for the County

	Direct	Indirect & Induced	Total
Number of direct, indirect, and induced workers who will move to the County	22.8	45.5	68.3
Number of new residents in the County	59.3	118.4	177.7
Number of new residential properties to be built in the County	2.3	4.7	7.0
Number of new students expected to attend local school district	11.4	22.8	34.2

The Project is estimated to support an average of approximately \$3.0 million in new non-residential taxable property each year over the next 10 years. The taxable value of property supported by the Project over the 10-year period is shown in the following table.

Table 5. Value of Taxable Property Supported by the Project Over the Next 10 Years

Year	New Residential Property	The Project's Property			Subtotal Nonresidential Property	Total Residential & Nonresidential Property
		Land	Buildings & Other Real Prop. Improvements	Furniture, Fixtures, & Equipment		
1	\$32,383	\$0	\$1,761,000	\$621,279	\$2,382,279	\$2,414,663
2	\$118,912	\$0	\$1,796,220	\$642,485	\$2,438,705	\$2,557,616
3	\$175,196	\$0	\$1,832,144	\$655,357	\$2,487,501	\$2,662,698
4	\$213,066	\$0	\$1,868,787	\$659,896	\$2,528,683	\$2,741,749
5	\$252,380	\$0	\$1,906,163	\$656,101	\$2,562,264	\$2,814,644
6	\$278,880	\$0	\$2,777,620	\$727,306	\$3,504,926	\$3,783,806
7	\$306,339	\$0	\$2,833,172	\$698,512	\$3,531,684	\$3,838,022
8	\$334,784	\$0	\$2,889,835	\$661,384	\$3,551,219	\$3,886,004
9	\$364,245	\$0	\$2,947,632	\$615,923	\$3,563,555	\$3,927,800
10	\$394,751	\$0	\$3,006,585	\$624,256	\$3,630,841	\$4,025,592

The taxable value of residential property represents the value of properties that may be constructed as a result of new workers moving to the community.

This analysis assumes the residential real property appreciation rate to be 2.0% per year. The Project's real property is assumed to appreciate at a rate of 2.0% per year. The analysis assumes the Project's furniture, fixtures, and equipment will depreciate over time according to the depreciation schedule shown in Appendix A.

Fiscal Impact Overview

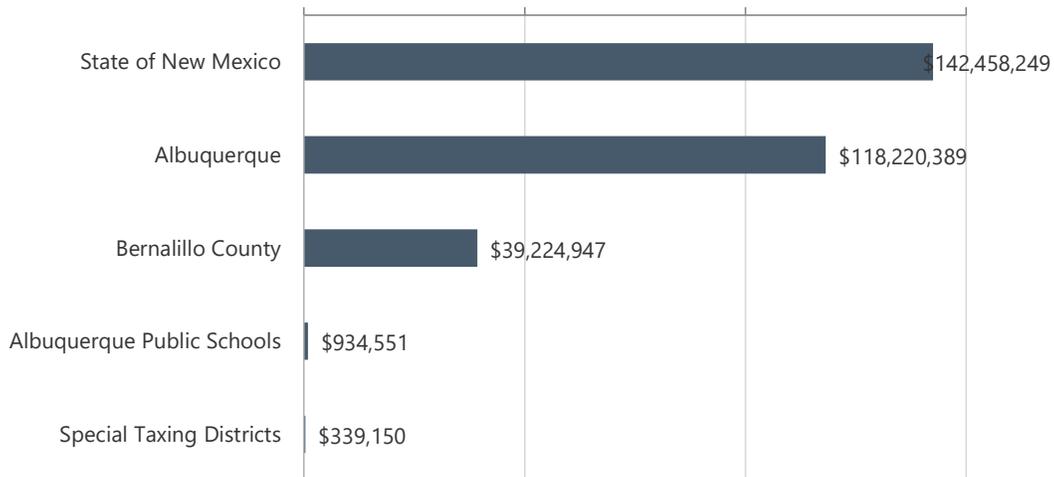
The Project will generate additional benefits and costs for local taxing districts, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages. Overall, the City will receive approximately \$118,220,400 in net benefits over the 10-year period and the Project will generate \$301,177,300 in total for all local taxing districts.

Table 5. Fiscal Net Benefits Over the Next 10 Years for the State and Local Taxing Districts

	Benefits	Costs	Net Benefits	Present Value of Net Benefits*
State of New Mexico	\$149,499,627	(\$7,041,378)	\$142,458,249	\$108,125,871
Albuquerque	\$119,165,699	(\$945,311)	\$118,220,389	\$89,788,365
Bernalillo County	\$39,429,645	(\$204,698)	\$39,224,947	\$29,788,779
Albuquerque Public Schools	\$1,762,514	(\$827,963)	\$934,551	\$682,597
Special Taxing Districts	\$339,150	\$0	\$339,150	\$240,452
Total	\$310,196,635	(\$9,019,350)	\$301,177,285	\$228,640,774

* The Present Value of Net Benefits expresses the future stream of net benefits received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.

Figure 1. Net Benefits Over the Next 10 Years for the State and Local Taxing Districts



State of New Mexico

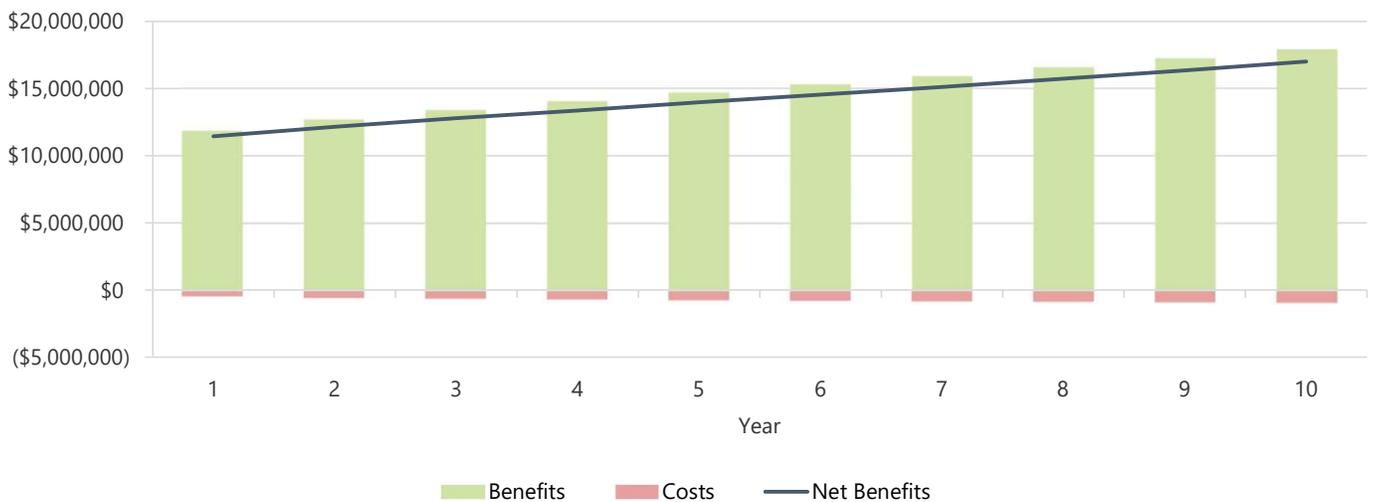
The table below displays the estimated additional benefits to be received by the State of New Mexico over the first 10 years. The project is expected to have a small effect on the statewide population and therefore some additional statewide costs to provide additional services were estimated for the state. Appendix C contains the year-by-year calculations.

Table 6. State of New Mexico: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$116,457,142
Real Property Taxes - Project	\$32,122
FF&E Property Taxes - Project	\$0
Property Taxes - New Residential	\$3,360
Personal Income Taxes	\$13,251,143
Corporate Income Taxes	\$426,591
Miscellaneous Taxes & User Fees	\$19,320,344
<u>Subtotal Benefits</u>	<u>\$149,499,627</u>
Cost of Providing State Services	(\$7,041,378)
<u>Subtotal Costs</u>	<u>(\$7,041,378)</u>
Net Benefits	\$142,458,249
<i>Present Value (5% discount rate)</i>	<i>\$108,125,871</i>

Gross receipts taxes are estimated on new taxable gross receipts resulting from the project. Property taxes are estimated on the firm's property and new residential property constructed. Personal income taxes are estimated based on an effective income tax rate and the earnings of new direct and indirect workers. Corporate income taxes on the direct activity is based on the net taxable income projected by the company. Corporate income taxes on the indirect activity is estimated on a per indirect worker basis and the observed statewide corporate income tax collections per worker. To the extent that the project will result in an increase in new households in the state, additional miscellaneous taxes and user fees have been estimated for the state. Additionally, the costs to provide state services to these new households were also estimated based on recent state expenditure data as detailed in the Appendix.

Figure 2. Annual Fiscal Net Benefits for the State of New Mexico



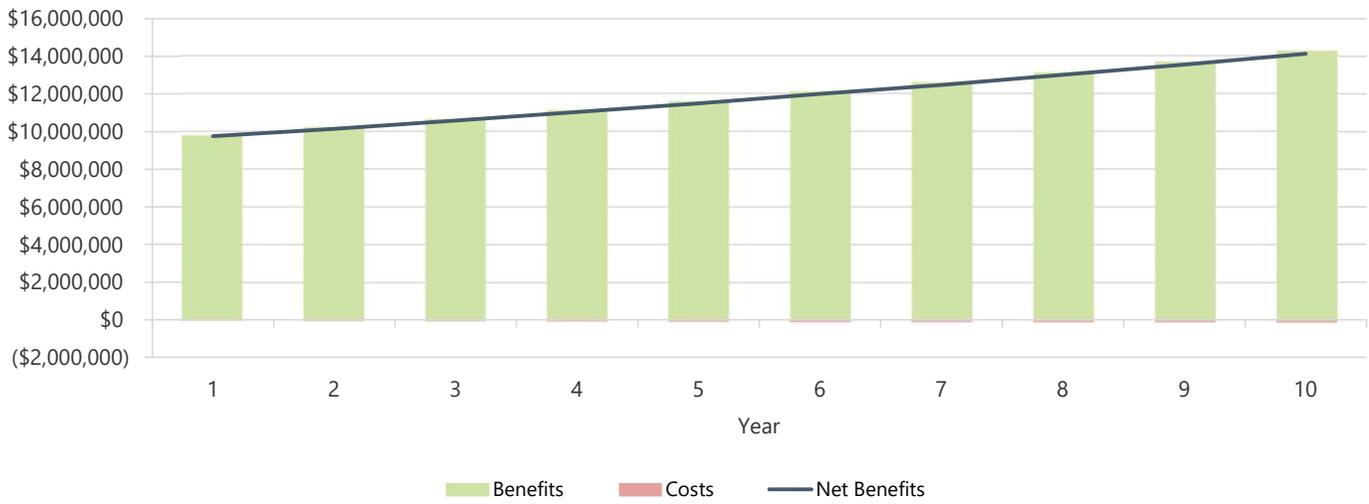
Albuquerque

The table below displays the estimated additional benefits, costs, and net benefits to be received by the City over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 7. Albuquerque: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$117,673,643
Real Property Taxes - Project	\$272,093
FF&E Property Taxes - Project	\$75,600
Property Taxes - New Residential	\$27,894
Utility Revenue	\$538,422
Utility Franchise Fees	\$189,470
Building Permits and Fees	\$42,500
Lodgers Taxes	\$31,186
Miscellaneous Taxes & User Fees	\$314,890
<u>Subtotal Benefits</u>	<u>\$119,165,699</u>
Cost of Providing Municipal Services	(\$363,814)
Cost of Providing Utility Services	(\$581,496)
<u>Subtotal Costs</u>	<u>(\$945,311)</u>
Net Benefits	\$118,220,389
<i>Present Value (5% discount rate)</i>	<i>\$89,788,365</i>

Figure 3. Annual Fiscal Net Benefits for the Albuquerque



Bernalillo County

The table below displays the estimated additional benefits, costs, and net benefits to be received by the County over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 8. Bernalillo County: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$28,407,625
Real Property Taxes - Project	\$288,697
FF&E Property Taxes - Project	\$59,249
Property Taxes - New Residential	\$29,256
Building Permits and Fees	\$0
Miscellaneous Taxes & User Fees	\$176,974
<u>Subtotal Benefits</u>	<u>\$28,961,801</u>
Cost of Providing County Services	(\$204,698)
<u>Subtotal Costs</u>	<u>(\$204,698)</u>
Net Benefits	\$28,757,103
<i>Present Value (5% discount rate)</i>	<i>\$21,768,590</i>

Albuquerque Public Schools

The table below displays the estimated additional benefits, costs, and net benefits to be received by the school district over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 9. Albuquerque Public Schools: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Real Property Taxes - Project	\$267,558
FF&E Property Taxes - Project	\$54,911
Property Taxes - New Residential	\$26,162
State Equalization Guarantee	\$1,394,454
<u>Subtotal Benefits</u>	<u>\$1,743,085</u>
Cost of Educating New Students	(\$827,963)
<u>Subtotal Costs</u>	<u>(\$827,963)</u>
Net Benefits	\$915,121
<i>Present Value (5% discount rate)</i>	<i>\$666,575</i>

Benefits for Other Taxing Districts

The table below displays the estimated additional property taxes to be received by other property taxing districts over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 10. Other Taxing Districts: Benefits Over the Next 10 Years

	Amount
Real Property Taxes - Project	\$245,639
FF&E Property Taxes - Project	\$50,412
Property Taxes - New Residential	\$25,260
Benefits	\$321,312
<i>Present Value (5% discount rate)</i>	<i>\$240,452</i>

City Non-Tax Incentives

The City is considering the following non-tax incentives for the Project.

Table 14. City Incentives Under Consideration

Year	City LEDA
1	\$125,000
2	\$0
3	\$0
4	\$0
5	\$0
6	\$0
7	\$0
8	\$0
9	\$0
10	\$0
Total	\$125,000

These financial incentives may be considered an investment in the Project made by the city. Four calculations analyzing possible investments were made:

1. Net Benefits - detailed above
2. Present Value of Net Benefits - detailed above
3. Rate of Return on Investment - discussed and detailed below
4. Payback Period - discussed and detailed below

The rate of return on investment calculates the average annual rate of return to the city, treating the incentives as the initial investment and the net benefits to the city as the return on investment. The payback period is the number of years that it will take the city to recover the cost of incentives from the additional revenues that it will receive as a result of the Project.

The table below shows an analysis of these incentives, including a calculation of incentives per job, rate of return, and payback period.

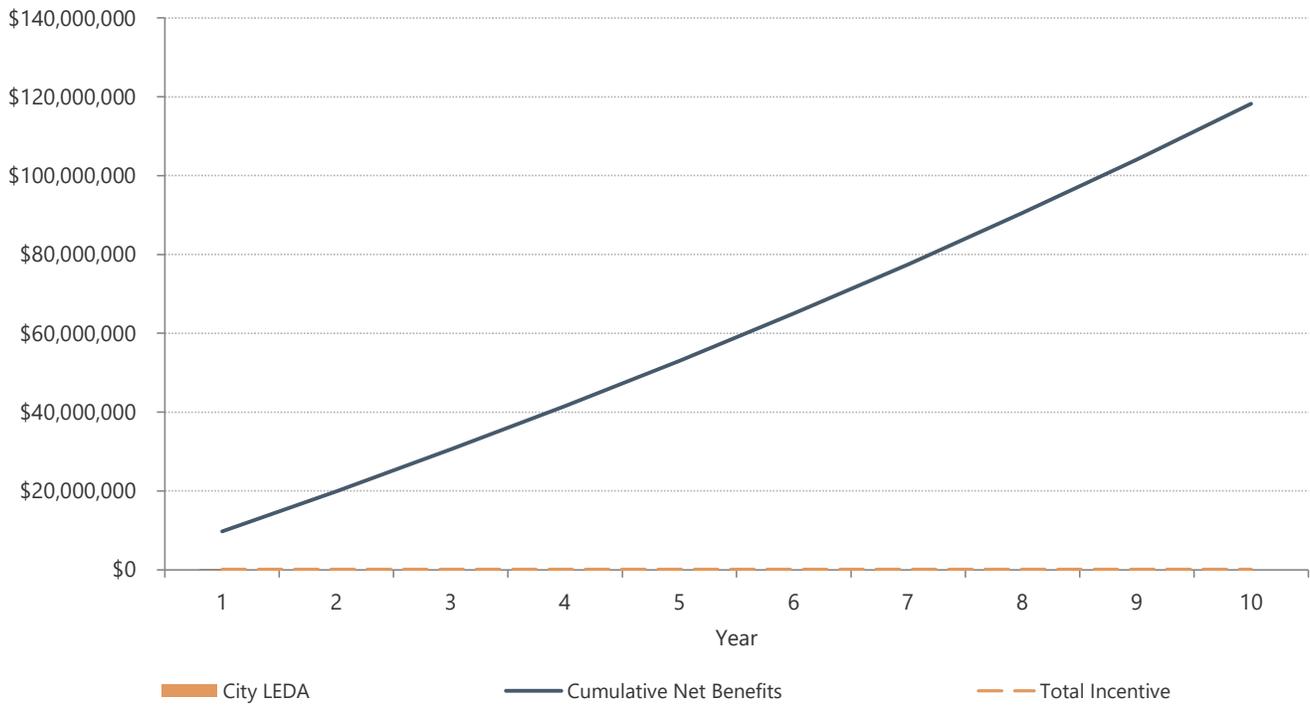
Table 15. Analysis of City Incentives

Total Non-Tax Incentive	\$125,000
Incentive Per Job	\$1,316
Rate of Return	9457.6%
Payback period (years)	0.0

Note: The Rate of Return and Payback Period are calculated based on the sum of annual incentives, not the present value of the incentives.

The graph below depicts the total incentives currently under consideration versus the cumulative net benefits to the City. The intersection indicates the length of time until the incentives are paid back.

Figure 4. City Incentives Under Consideration



State Incentives

The state is considering the following incentives for the Project.

Table 18. State Incentives Under Consideration

Year	LEDA, JTIP and other tax credits
1	\$2,477,000
2	\$0
3	\$0
4	\$0
5	\$0
6	\$0
7	\$0
8	\$0
9	\$0
10	\$0
Total	\$2,477,000

These financial incentives may be considered an investment in the Project made by the state. Four calculations analyzing possible investments were made:

1. Net Benefits - detailed above
2. Present Value of Net Benefits - detailed above
3. Rate of Return on Investment - discussed and detailed below
4. Payback Period - discussed and detailed below

The rate of return on investment calculates the average annual rate of return to the state, treating the incentives as the initial investment and the net benefits to the state as the return on investment. The payback period is the number of years that it will take the state to recover the cost of incentives from the additional revenues that it will receive as a result of the Project.

The table below shows an analysis of these incentives, including a calculation of incentives per job, rate of return, and payback period.

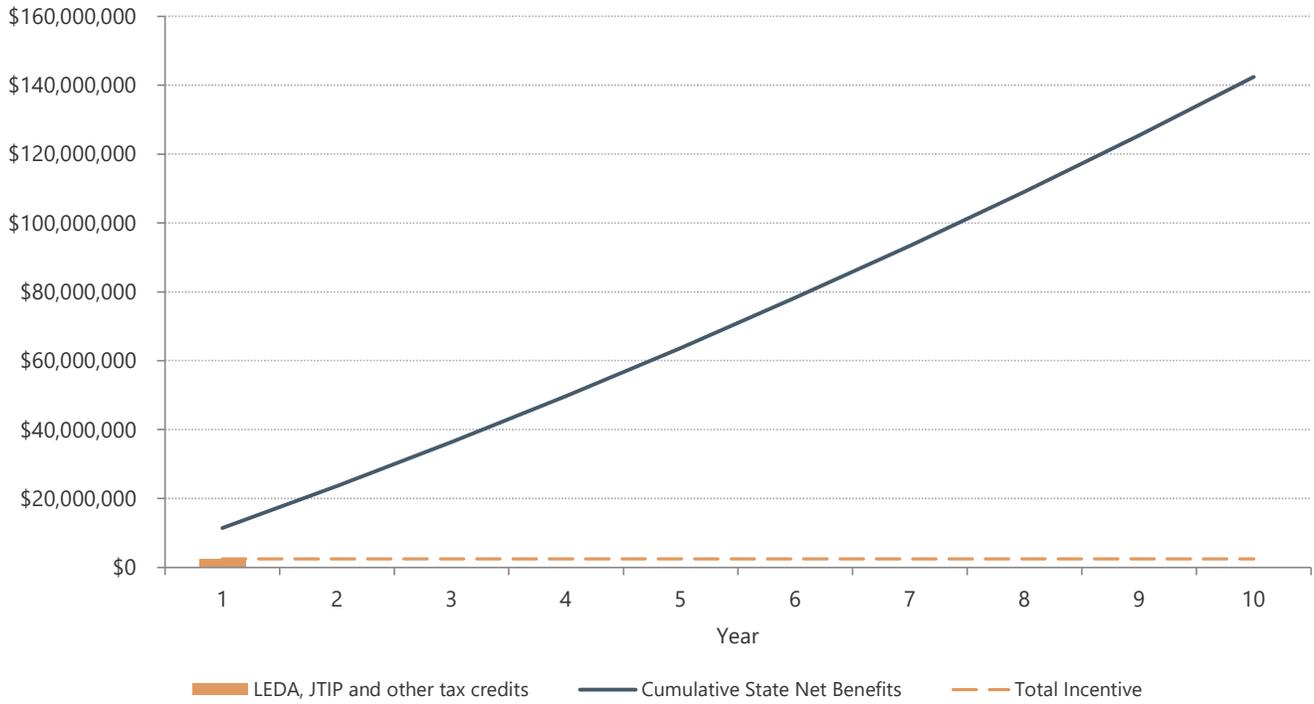
Table 19. Analysis of State Incentives

Total State Incentives	\$2,477,000
Incentives Per Job	\$26,074
Rate of Return	575.1%
Payback period (years)	0.2

Note: The Rate of Return and Payback Period are calculated based on the sum of annual incentives, not the present value of the incentives.

The graph below depicts the total incentives currently under consideration versus the cumulative net benefits to the State. The intersection indicates the length of time until the incentives are paid back.

Figure 6. State Incentives Under Consideration



State LEDA \$500K, JTIP \$883K, HWJTC @ \$710K, MFGITC @ \$48K, Tech JTC @ \$336. Total State incentive of \$2.477M, The analysis assumes \$125K of LEDA from the City of ABQ.

Overview of Methodology

This report presents the results of an analysis undertaken by the New Mexico Economic Development Department using Total Impact, an economic and fiscal impact analysis tool developed and supported by the Austin, TX based economic consulting firm, Impact DataSource.

The Total Impact model combines project-specific attributes with community data, tax rates, and assumptions to estimate the economic impact of the Project and the fiscal impact for local taxing districts over a 10-year period.

The economic impact as calculated in this report can be categorized into two main types of impacts. First, the direct economic impacts are the jobs and payroll directly created by the Project. Second, this economic impact analysis calculates the indirect and induced impacts that result from the Project. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services for the Project. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. Impact DataSource utilizes county-level multipliers to estimate the impact occurring at the sub-county level.

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier. An employment multiplier was used to estimate the number of indirect and induced jobs created or supported in the area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The employment multiplier shows the estimated number of total jobs created for each direct job. The earnings multiplier shows the estimated amount of total salaries paid to these workers for every dollar paid to a direct worker. The multipliers used in this analysis are listed below:

Multiplier		City	County	State
Employment Multiplier	(Type II Direct Effect)	2.4885	2.9846	3.9982
Earnings Multiplier	(Type II Direct Effect)	1.6245	1.8327	2.2579

Calculation of Fiscal Impact

Calculation of Revenues for the State

The state's revenues from gross receipts taxes, property taxes, personal and corporate income taxes were estimated directly using data entered about the project and state tax rates and assumptions about workers moving to the area and possibly building new property.

Impact DataSource estimated the miscellaneous taxes and user fees as a function of statewide personal income. The data used to estimate these factors were obtained from the US Census of Governments and the Bureau of Economic Analysis. Next, these percentages were applied to the total increase in workers' earnings from the economic impact calculations to determine the annual miscellaneous taxes and user fees to be collected by the state related to the permanent increase in economic activity supported by the project.

The fiscal costs associated with the project result from the portion of new worker households that relocate to New Mexico to take a job and the resulting costs to provide state services to these new residents. Impact DataSource estimated the cost of providing state services to new worker households moving to the state by applying the average per household cost of state expenditures to the estimated number of new workers new to the state.

Impact DataSource determined the marginal cost to provide state government services on per household in the state by using approximately 40% of the average cost. The data used to estimate these costs were obtained from the US Census of Governments and US Census. On average, the state incurs \$5,000 in costs to provide these services to households.

Calculation of Revenues for the City

The city's revenues from gross receipts taxes, property taxes, city-owned utilities, utility franchise fees, lodging taxes, and building permits and fees were estimated directly using data entered about the project and local tax rates and assumptions about workers moving to the area and possibly building new property.

The new firm was not asked for nor could reasonably provide some data for calculating some other revenues for the city. For example, while the city will likely receive revenues from fines paid on speeding tickets given to new workers at the firm, the firm may not reasonably know the propensity of its workers to speed. Therefore, some other city revenues were calculated using an average revenue approach. This approach uses two assumptions:

- 1 - The city has two general revenue sources -- revenues from residents and revenues from businesses.
- 2 - The city will collect (a) about the same amount of other revenues from each household of new workers that may move to the city as it currently collects from an average household of existing residents, and (b) about the same amount of other revenues from the new firm (on a per worker basis) will be collected as the city collects from other businesses in the city.

Using this average revenue approach, revenues likely to be received by the city were calculated from the households of new workers who may move to the city and from the new firm using average city revenues per household and per worker calculations. These revenues are labeled as miscellaneous taxes and user fees.

The total annual city revenues used to make average revenue calculations in this analysis were obtained from the city's latest annual budget and the per household and per worker and calculations are detailed in Appendix A.

Calculation of Costs for the City

This analysis sought to answer the question, what additional monies will the city have to spend to provide services to households of new workers who may move to the city and to the firm. A marginal cost approach was used to calculate additional city costs from the new firm and its workers.

This approach uses two assumptions:

- 1 - The city spends money on services for two general groups -- residents and businesses.
- 2 - The city will spend (a) about the same amount for variable or marginal cost for each household of new workers that may move to the city as it currently spends for an average household of existing residents, and (b) about the same amount for variable or marginal costs for the new firm (on a per worker basis) as it spends for other businesses in the city.

Calculation of Net Benefits for the City

Net benefits calculated in this analysis are the difference between additional city revenues over a ten-year period and additional city costs to provide services to the new firm and its workers and indirect workers who may move to the city.

Calculation of Revenues, Costs and Net Benefits for the County

The model estimates additional revenues, costs and net benefits for the county using the same methodology described for the city relying on county budget data.

Calculation of Revenues for Public Schools

The school district's revenues from property taxes were calculated on the new residential property for some new direct and indirect workers who may move to the county and on the firm's property that will be added to local tax rolls.

However, school district revenues from state and federal funds and other local funding were calculated using an average revenue approach. This approach used the assumption that the school district will collect about the same amount of these revenues for each new student in the household of a new worker who may move to the county as it currently collects for each existing student.

Calculation of Costs for Public Schools

A marginal cost approach was used to calculate additional school district costs from the new firm and its workers. This approach uses the assumption that the school district will spend about the same amount for variable or marginal cost for each new student as it spends for each existing student.

Calculation of Net Benefits for Public Schools

Net benefits calculated in this analysis are the difference between additional school district revenues over a ten-year period and marginal costs for the school district to provide services to students in the households of new workers who may move to the county.

The school district's total annual revenues and expenses to make average revenue and marginal costs calculations in this analysis were obtained from the school district's latest annual budget.

Calculation of Property Taxes to be Collected by Countywide Special Taxing Districts

Revenues for countywide special taxing districts from property taxes were calculated on the new residential property for some new direct and indirect workers who may move to the county and on the firm's property that will be added to local tax rolls.

While each of these special taxing districts may incur additional costs from new residents and from the new firm, these additional costs were not calculated in this analysis.

About Impact DataSource

Impact DataSource is an Austin economic consulting, research, and analysis firm founded in 1993. The firm has conducted over 2,500 economic impact analyses of firms, projects, and activities in most industry groups in New Mexico and more than 30 other states.

In addition, Impact DataSource has prepared and customized more than 50 economic impact models for its clients to perform their own analyses of economic development projects. These clients include the Frisco EDC in Texas and the Metro Orlando (Florida) Economic Development Commission.

APPLICATION
for
LOCAL ECONOMIC DEVELOPMENT ACT (LEDA)
Project Approval

Name of Project: Zia Energy Consolidation and Expansion

Location of Project: 3900 Singer Blvd NE Albuquerque, NM 87109

Company Name: Affordable Solar Installation, Inc., a subsidiary of Zia Energy Group, Inc.

Contact Person: Shawn Ricketts

Address: 4840 Pan American Freeway East, NE
Albuquerque, NM 87109

Telephone: 505-340-6442

Email: shawn.ricketts@affordable-solar.com

Counsel: Lastrapes, Spangler & Pacheco, P.A.

Address: 333 Rio Rancho Dr. Suite No. 401

Rio Rancho, NM 87124

Telephone: 505-892-3607

Amount Requested: **\$7,578,000** ___ Fee Submitted: \$2500

FOR STAFF USE

Staff Assigned: _____

Case Number: _____

Fee Received: \$ _____

ADC Hearing Date: _____

Council Dates (Tentative): Introduction _____

Committee _____ Council Hearing _____

PREFACE

This Application is being submitted to the Development Commission of the City of Albuquerque for review prior to consideration by the City Council of an Ordinance for the Local Economic Development Act in accordance with Council Ordinance O-04-10. Pursuant to those Council actions this is the first step towards the issuance of an ordinance pursuant to: the Local Economic Development Act (5-10-1 to 5-10-13 NMSA 1978 as amended); or, pursuant to the home rule powers of the City given by Article X, Section 6 of the New Mexico Constitution and the City's Charter.

The Plan contains the information required by City Council Ordinance O-04-10 and conforms with and compliments the policies established for the local Economic Development Act pursuant to that Council action.

The purpose of the Application is to identify the project area and to present the plan and the uses to which the LEDA proceeds will be put if issued. This Application is presented to demonstrate to the City of Albuquerque the public benefits of this project and to help the City evaluate its merit in comparison to other projects submitted. The applicant and its agent will endeavor to provide the City any additional information reasonably requested.

APPLICATION DESCRIPTION

Please prepare the LEDA application according to the following outline. Headings must be present and visible and all required information included. Please prepare the information needed for the fiscal impact analysis in the same manner but attached separately from the following outline.

I. GENERAL DESCRIPTION

Give a brief overview of the project, including general location, proposed development, use, and total amount requested. Include a statement of the benefit to be gained by the Albuquerque community from this development. The General Description should explain what will be done with the LEDA funds if approved.

Established in 1998, Affordable Solar is headquartered in Albuquerque, New Mexico. Our primary services are large scale solar and energy storage integration in 12 states. Our firm has developed products and methods designed to reduce cost and allow for rapid deployment of solar and energy storage projects in response to national renewable energy adoption. Drawing on our experience and a robust research and development initiative we have a patent-pending foundation and wiring chassis solution that enables efficient, consistent deployment and installation of large-scale battery energy storage products. Our intellectual property creates a consistent advantage that is leveraged to allow for a robust renewable energy workforce. Our new Albuquerque facility will house our component fabrication as well as our corporate headquarters. The goals of the Zia Energy Consolidation and Expansion project are to further create and foster economic growth in the State of New Mexico. One of the primary project goals is to create new jobs in the community and to create job growth opportunities for existing staff. Our overarching goal is to continue to be at the forefront of the renewable energy industry both

inside and outside of New Mexico. We want to create a sustainable future for generations to come and we want to employ likeminded individuals that are committed to making a difference in their communities and beyond.

Affordable Solar will use the LEDA funds granted by the City of Albuquerque for qualified expenditures on their expansion project. The primary use of the funds will be for building improvements, as part of the project.

II. SITE AND EXISTING CONDITIONS

A. Legal Description

Give both the precise and complete legal description and address or identification of location. (For example: The proposed project is located at 5300 2nd Street N.W. The site is more particularly described as Tracts B-1 and C of the Plan of Division of Lands of Mel Sanchez and Lath & Plaster Supply Company, as the same is shown and designated on the plat of said land filed in the office of the County Clerk on April 27, 1979 in Bernalillo County, New Mexico, containing approximately 11.15 acres.)

The proposed project is located at 3900 Singer Blvd., NE, Albuquerque, Lot 6-A-1 of JEFFERSON COMMONS II, as the same is shown and designated on the Plat entitled, "Correction Plat of Lots 6-A-1, 6-A-2, 6-A-3 and 6-A-4, Jefferson Commons II, Elena Gallegos Grant Projected Section 35, Township 11 North, Range 3 East, N.M.P.M., Albuquerque, Bernalillo County, New Mexico, January 2020", filed in the office of the County Clerk of Bernalillo County, New Mexico on September 21, 2020 in Plat Book 2020C, Page 92, re-recorded October 6, 2020 in Plat Book 2020C, Page 96 as Document No. 2020097853.

B. Prevailing Site Conditions

Describe the present use and development of the site, including any improvements, vacant land, etc.

Although vacant for the past four (4) years, this site was historically used as office space with a dock high door and a receiving room. The parcel was recently created with a replat that separated the subject building from other buildings that used to be on one large parcel.

C. Present Assessed Value

Give the present assessed value according to the Bernalillo County Assessor's office. You may also list a current appraised value if you feel it will make the post-development value clearer.

As stated above, the parcel was recently created with a replat that separated the subject building from other buildings that used to be on one large parcel. Since the new plat was just finalized in October 2020, the County Assessor has not re-assessed the new parcel. The most recent assessment was for roughly 17 acres and 169,560 square feet of building, which included the 3.52 acres and 29,560 SF building of the subject

parcel. Based on the square footage value of the most recent assessment of the larger parcel, we would estimate the assessment value of the subject parcel to be approximately \$2,920,360.

D. Present and Proposed Zoning

Give the current zoning of the property. If any change in zoning is required for the proposed use, give the proposed new zone. We recommend that zoning changes required be requested before the project plan reaches the Development Commission.

Based on this request, attached is a Zonal Certification application which was completed and submitted to the City of Albuquerque, Planning Department, Code Enforcement Division on March 3, 2021.

III. PROJECT PLAN

A. Information Concerning Applicant

Describe the development entity – corporation, syndicate, individual, etc., and give information about the experience of the company or of significant individuals involved in the type of development or industry proposed. Include as an attachment resumes of main principals, or other information which will bear on the experience and credibility of the development entity.

Established in 1998, Affordable Solar is the largest and most experienced solar and ESS EPC contractor based in New Mexico by a wide margin. According to Greentech Media's US market data, Affordable Solar was responsible for approximately 60% of the solar capacity deployed in NM in 2018.

In 2019 and 2020, Affordable Solar designed and constructed over 195 Mega-Watt, Alternating Current (MWac) of combined utility, commercial, and industrial solar installations across New Mexico. For Battery Energy Storage projects, we have been awarded or contracted 655 MW / 2,363 Mega-Watt Hours (MWh). At the forefront in the installation of Energy Storage Systems (ESS), Affordable Solar has a patent-pending foundation and wiring chassis solution that enables efficient, consistent deployment and installation. Affordable Solar's current Operations and Maintenance fleet in New Mexico is 325 MWac. In 2021, we've been awarded over 400 MW of new solar project capacity by electric cooperatives and various commercial, industrial, and municipal clients in New Mexico and across the Mountain-west. We have also deployed the only customer-sided commercial solar + energy storage system in PNM territory.

Our commercial development, design, and installation management team have a combined experience of over 100 years in the US solar industry. We have multiple NABCEP-certified solar professionals employed in our installation business and provide best-in-class solar installations for our customers. Our team not only supports local customers, but also supports key strategic clients in developing solar projects across multiple states. We have contractor's licenses in NM, AZ, UT, CA, and NV.

Affordable Solar has become a trusted partner for our clients and works tirelessly and with integrity to evaluate projects and provide solutions that meet our clients' goals, capital return requirements, and overall project objectives in a safe, efficient, and cost-effective manner. Our success stems from the professionalism and honesty we provide to all of our clients -large or small- and our mission is centered on maintaining these traits while ensuring the success of our clients' projects.

Affordable Solar self-performs our installations in conjunction with specialty subcontractors where needed.

As an employer, Affordable Solar is consistently ranked as one of the Best Places to Work by Albuquerque Business First. In 2020, for the Fastest Growing Companies ranked by Albuquerque Business First, Affordable Solar was #1 for Large Companies. For New Mexico Technology "Flying 40" 2020 Awardees, Affordable Solar ranked #2 in the Top 10 for Total Revenue and #8 for Top 10 Revenue Growth for Companies greater than \$10 Million

B. Tax Issues

Please provide a statement declaring that the applicant has no outstanding substantive federal, state or local tax issues. If, however, there are pending issues, thoroughly describe all issues and their status.

Neither Affordable Solar Installation, Inc. nor any of its affiliates has any outstanding substantive federal, state or local tax issues.

C. Information Concerning Products and Process

Identify the products and/or processes involved with this project. Specifically address the question of whether the proposed development will generate air, noise, or waste pollution or traffic congestion. Include any plans for the reduction and disposal of waste and/or project emissions.

Our primary services are large scale solar and energy storage integration in 12 states. Our firm has developed products and methods designed to reduce cost and allow for rapid deployment of solar and energy storage projects in response to national renewable energy adoption. Drawing on our experience and a robust research and development initiative we have a patent-pending foundation and wiring chassis solution that enables efficient, consistent deployment and installation of large-scale battery energy storage products. Our intellectual property creates a consistent advantage that is leveraged to allow for a robust renewable energy workforce. Our new Albuquerque facility will house our component fabrication as well as our corporate headquarters

D. Competition

Please describe any competition in the same area of commerce or industry existing in the City. Since the Development Commission and City Council do not wish to make public funds available for projects with local competition, this statement is very important.

Affordable Solar Installation, Inc. does not have a true competitor in the City for our primary business, which is as an Engineering, Procurement and Construction (EPC) for large-scale Utility projects. Our second largest division is in the Battery Energy Storage System (BESS) installation business, where there is no competition in the City or the State and very limited competition at the National level. Our Light Commercial Business has very limited local competition, if any. There is local competition in the Residential Business, but this will make up less than 5% of our revenue for 2021.

E. Effect on Existing Industry and Commerce during and after Construction

Describe the predicted effects of the project including construction jobs generated, increased employment, increased sales, new industrial base, possible spin-off business, etc.

Year	Jobs Added	Total net new jobs
2021	10	10
2022	25	35
2023	15	50
2024	10	60
2025	10	70

Year	Revenue Projection
2021	\$200,000,000
2022	\$250,000,000
2023	\$300,000,000
2024	\$300,000,000
2025	\$300,000,000

Our expansion will allow us to continue to grow and innovate. As referenced above, we have a patent pending design that streamlines and simplifies the installation of batteries used for energy storage. We plan to continue to innovate and to fabricate, assemble and integrate equipment at our new facility, work which is presently done in the field, out of the state, less efficiently and at a higher cost. For additional information, refer to the Fiscal Impact Analysis spreadsheet.

F. Property Acquisition

Indicate if LEDA proceeds will be used to acquire real property (land and/or buildings), and whether the real property is presently owned by the applicant, or is under option.

Affordable Solar will buy a pre-constructed building, which will be modified to accommodate our employee growth and business development expansion plans. The building is under option, pending due diligence and closing.

G. Description of Proposed Development

Describe any construction to be undertaken in the project, including square footage, construction type, and location of construction on the project site. Indicate whether existing buildings on the site will be rehabilitated or incorporated in the construction. Detail any demolition which will be required by the project and indicate whether demolition involves any identified historic properties. If possible, attach a conceptual site plan and elevation (alternately, these may be presented at the Development Commission hearing). If project involves an existing facility, describe the facility.

To accommodate Affordable Solar's rapid growth, the prevailing site which consists of approximately 3.522 acres of land and a single office building, approximately 29,555 sq. ft., will be critical for our planned expansion. This is an "as is" purchase and significant repairs are expected as the building has been vacant for four (4) years. The existing office building will be rehabilitated and has no historic properties/elements. Internal, non-load bearing walls will be moved, updated and additional bathrooms are needed, and an expanded and upgraded breakroom will be added along with various meeting and collaboration spaces. Information technology upgrades will be necessary. Due to internal water leaks, various cosmetic updates will be done, i.e. painting and carpet/tile. Of the 29,555 sq. ft. of office space, approximately 12,510 sq. ft. will be converted to warehouse/fabrication/assembly space. The external expansion plans include significantly modifying the existing loading dock adding two (2) new overhead doors and a 38'x94' ramp. A fenced yard, meeting all the primary building codes as well as being aesthetically pleasing, would be approximately 38'x130'. Based on a structural assessment of the roof, potential roof modifications to accommodate a roof-top solar PV array which will be constructed. Plans also includes installing a Battery Energy Storage System (BESS) to maximize the energy efficiency of the solar Photovoltaic (PV) array.

H. Infrastructure

Indicate if Project will require any extension or relocation of utility or road systems. If additional infrastructure is required, what cost sharing agreements have been reached between the applicant and the city?

Affordable Solar is currently not planning on making any significant changes.

I. Area Enhancement

Describe how project design and placement will enhance the area.

Most importantly, this building has been vacant for four (4) years and is showing signs of disrepair. Affordable Solar will be renovating/rejuvenating an existing building in a high-profile area of Albuquerque. Façade improvements will include repaint and/or re-stucco, expanded lighting, and general maintenance updates. As a renewable energy company, we will set an example for other businesses by installing roof-top solar as well as electric vehicle charging stations.

J. Local Purchasing

Please provide an estimated annual expenditure on goods and services locally procured that are subject to the New Mexico gross receipts tax, and an estimated annual increase in such an expenditure.

Zia Energy Group and its affiliates purchased approximately \$700,000 in services which New Mexico Gross Receipts Tax were paid on last year. We expect this amount to increase by 10% per annum, over the next five years.

In addition, Zia Energy Group and its affiliates procured approximately \$100,000 in materials that New Mexico Gross Receipts Tax were paid on in 2020. We expect this amount to increase by approximately 10% per annum as well.

K. Relocation of Individuals or Businesses

No individuals, families or businesses should be displaced by the activities outlined in this plan. If any relocation is required, detail the assistance the applicant will give in relocation.

No individuals, families or businesses should be displaced by the activities outlined in this plan. If any relocation is required, detail the assistance the applicant will give in relocation.

No individuals, families or businesses will be displaced by the activities outlined in this plan.

L. Number and Types of Jobs Created

Identify the number and type (i.e., professional, clerical, assembly line, etc.) of permanent jobs which will be created in the project. If any existing jobs are to be retained to the project site, describe separately. Please include the wages of all positions to be created. The following questions must also be answered:

Job	# of net new jobs	Salary (or hourly equivalent)	Salary Total
Fabricator	6	\$37,400	\$224,400
Project Manager	4	\$100,000	\$400,000
Energy Developer	2	\$100,000	\$200,000
Logistics Coordinator	3	\$55,000	\$165,000
Engineer	4	\$100,000	\$400,000
Foreman	4	\$65,000	\$260,000
Technician	20	\$39,520	\$790,400
Electrician	8	\$70,000	\$560,000
Assistant Project Manager	4	\$65,000	\$260,000
Superintendent	4	\$85,000	\$510,000
Estimator	2	\$85,000	\$170,000
Administration	6	\$55,000	\$330,000
Management	3	\$130,000	\$390,000
Total	70	\$64,140	\$4,489,800

- 1) What percentage of the permanent new jobs is expected to be filled by current Albuquerque area residents, as opposed to people relocated from elsewhere? At least 90%
- 2) Will jobs benefit low and moderate income residents? Yes
- 3) Will the jobs meet or exceed median wages for the industry within the community? Yes
- 4) Will the jobs match skills of current city residents? Yes
- 5) Will new employees be trained to fill the positions? Yes. Affordable Solar worked with Central New Mexico Community College throughout 2020. This resulted in Affordable Solar having the only State Approved Solar Apprenticeship program.

6) What stated advancement opportunities are there? Affordable Solar strongly believes in promoting from within. We have a history of mentoring and helping our employees to advance their careers. We have examples of employees that started as interns that are now in upper management positions. We will continue to foster the growth and advancement of our employees during this project.

7) Will “Job Training Incentive Program” or other job training programs be used? Yes, Affordable Solar also utilizes the Job Training Incentive Program.

8) Will at least 50% of health insurance premiums be covered for employees? Yes

M. Corporate Citizenship Policy/Plan

List any company policies/plans regarding community charitable and civic donations and volunteerism policy.

Affordable Solar’s ownership has always placed a high priority on community service. A long-standing company policy is paid-time off for employees to volunteer for a Non-Profit 501c(3) company or a qualified service project of their choice. With regards to a group-coordinated effort, one organization to highlight is the Roadrunner Food Bank (RRFB). In addition to ownership being on the Board of RRFB, Affordable Solar coordinated a targeted campaign whereby employees were enlisted to reach out to frequently utilized vendors for monetary donations and/or encourage a company-sponsored food drive.

N. Positive Contributions

List all positive contributions that the project will make to the neighborhood.

In addition to the information provided in **I. Area Enhancement**, this location will serve as the Company’s home office for all current and future employees. Our growing number of staff will frequently patron local food establishments, entertainment and supply-based businesses. Having an office in a centralized location, will allow employees, and they will be encouraged, to ride bicycles to work and utilize nearby public transportation which is readily available. We are continually striving to be the employer of choice and a good office environment is instrumental. The Company will pursue any viable and economically feasible means to support this effort which, in turn, would be a win-win situation for both the Company and the city. Additionally, with our expanded home office, the Company expects increased level of out-of-state visitors. Within the next few years, we expect 150 visitors per year, remaining in the area for an average of three (3) days.

O. Management

Who will manage the project? If the project will be managed by someone other than the applicant, does the applicant have any long-range involvement?

The company will self-manage the project during development utilizing a Project Team. The Project Team will include the following Affordable Solar Employees: Ryan Centerwall, CEO, Shawn Ricketts, CFO, Blake Richards, Director of Construction (GB98), and Sandy Barry will provide Project Management by serving as a liaison with other local, NM-licensed contractors who will be utilized based on their various areas of

expertise. The Project Team will work closely with a, soon to be selected, local architect who will also attend the weekly meetings with the Project Team to ensure plans, budgets and timelines are being met. Affordable Solar is in possession of a New Mexico Commercial Contractor's License (EE98, EL01 & GB98).

IV. SUSTAINABILITY ISSUES

A. **Energy:** Indicate in detail if and how the Project will create, produce or use renewable energy and renewable energy technology. Describe any energy conservation processes that the company already has and/or plans to use in its facility operations and processes; this may include energy efficient construction, machinery or equipment, recycling, energy efficiency programs with local utilities, or energy efficient lighting or windows, or other items.

Affordable Solar will be installing a roof-top solar array, electric car charging stations and a battery energy storage system. Only appliances with Energy Star certification will be purchased/installed. The same applies to any heating and/or HVAC unit replacement.

B. **Water Conservation:** Estimate average daily and monthly water consumption and include any plans for the conservation, reduction or re-use of water; this may include areas in the facility's operations, or items such as xeriscaping, low-flow toilets, or recycling in product production.

We have no current estimates of the daily water usage. For the remodeling, low-flow toilets will be installed. Any landscaping modifications will include xeriscape plants.

C. **Any other programs, processes, sponsorships other than those mentioned here or in other/sections, such as III. C. (Information on Products and Processes) or III. I. (Area Enhancement)? This may include anything such as: encouragement of alternative transportation modes (employer works with transit department to reduce cost of transit passes for employees); special bicycle parking/lockup; employee lockers for clothes change; charging stations; close-in parking spots for carpoolers; Arbor Day sponsorship?**

Affordable Solar joined the Mayor's Energy Challenge in 2020 and will join again in 2021/2022. As part of that program, bus passes will be offered to employees and bicycle storage racks will be constructed. Plans are being discussed for employee lockers and showers. EV charging stations will be installed.

V. PROJECT FINANCING

A. **Cost of Project, LEDA Funding Amount and Private Financing**

Provide the total cost of the project and the amount of LEDA funds requested. The amount requested should be no more than that needed to complete the project in addition to equity or conventional financing. Also provide the amount and sources of private financing (equity or conventional financing) involved in this project; this may include the value of land and existing facilities, if relevant.

The total anticipated cost of the project is outlined in Section B below. We plan to finance the project through a 504 (40%) Traditional Financing (50%) and Equity (10%). We are still finalizing the details around financing.

B. Estimated Value After Completion

Indicate the estimated appraised value of the project after completion.

Description	Cost
Land*	
Site Improvements	\$2,500,000
Building	\$3,533,000
Total	\$6,033,000

C. Feasibility

Present information to show that the project can reasonably be expected to remain viable, including sufficient revenue to liquidate any related debt, and/or maintain operations for ten (10) years. This information may be an attached pro forma, and should be sufficiently detailed to show the assumptions on which the projections are based. However, a firm third party commitment to provide financing for the project will be considered sufficient evidence of feasibility, and no pro forma will be needed in such cases.

	Year Zero	Year One	Year Two	Year Three	Year Four	Year Five
Service Description	Actual Expenses 2020	Projectd Expenses 2021	Projectd Expenses 2022	Projectd Expenses 2023	Projectd Expenses 2024	Projectd Expenses 2025
Revenues	\$70,442,943	\$200,000,000	\$250,000,000	\$300,000,000	\$300,000,000	\$300,000,000
Cost of Sales	\$60,629,735	\$165,000,000	\$206,250,000	\$247,500,000	\$247,500,000	\$247,500,000
Gross Profit	\$9,813,208	\$35,000,000	\$43,750,000	\$52,500,000	\$52,500,000	\$52,500,000
Operating Expenses	\$8,078,488	\$20,000,000	\$25,000,000	\$30,000,000	\$30,000,000	\$30,000,000
Income from Operations	\$1,734,720	\$15,000,000	\$18,750,000	\$22,500,000	\$22,500,000	\$22,500,000
Other Income (Expense)	\$1,159,275	\$4,230,000	(\$1,000,000)	(\$1,500,000)	(\$1,500,000)	(\$1,500,000)
Net Income	\$2,893,995	\$19,230,000	\$17,750,000	\$21,000,000	\$21,000,000	\$21,000,000

D. Construction Schedule

Give the date of anticipated beginning and completion of construction, if applicable.

Based on the currently scheduled closing date of May 25, 2021, if there are no delays, the Company anticipates starting the remodeling and construction by early June 2021 with an estimated completion date of December 31, 2021.

Attachments: Attach to the plan a map location of the project (you may use the base maps from the City Zone Atlas if you wish), and any other information as desired to

supplement the plan. If you are attaching glossy or colored printed material, please submit 20 copies.

The Company has included the requested 25 copies of three (3) documents: the City Zone Atlas map, an aerial of the property, and a conceptual overview of the dock and yard expansion.