

Story from the Field: NMTC Investment Tips the Scale to Bring New Solar Manufacturing Facility to New Mexico

Allocatee:	Finance New Mexico, LLC
Controlling Entity:	New Mexico Finance Authority
Service Area:	Statewide: New Mexico
Allocation:	\$110 million (Round V)

“This facility is proof that smart policy can create jobs and spur investment,” said New Mexico Governor Bill Richardson at the recent grand opening of the new SCHOTT Solar manufacturing facility in Albuquerque, New Mexico. The facility is the first NMTC project that Finance New Mexico, LLC has financed and the facility will bring more than 1,500 new ‘green’ manufacturing jobs to the community.

Finance New Mexico, LLC was created in 2006 as a CDE affiliated with the New Mexico Finance Authority, which is the state agency designated to finance infrastructure, public projects and economic development throughout the state. The state launched Finance New Mexico, LLC to increase its capacity to finance small and medium-sized businesses and specifically “green” businesses that will promote or develop clean energy and create jobs for residents of New Mexico.



Photo: Pat Berritt

In July 2008, soon after being awarded a \$110 million NMTC allocation, Finance New Mexico, LLC worked aggressively through its public and private networks to solicit financing requests from businesses that met the CDE’s

ambitious NMTC impact goals. Finance New Mexico, LLC established a process that screened and scored businesses and projects seeking NMTC financing in order to ensure that businesses chosen had the maximum impact in terms of job creation, advancing green technologies, and encouraging economic growth and stability.

One of the first businesses to approach the state for NMTC financing was SCHOTT Solar, a German-based manufacturer of solar energy technology products. The company was looking to build a new plant in the United States and one of the sites being considered was Mesa del Sol, a community in southeast Albuquerque. Founded 125 years ago, Schott is a major manufacturer of solar energy products with operations in 42 countries and markets



Photo: Pat Berritt

throughout the world. The company manufactures receivers that convert energy from the sun into electricity using concentrated solar radiation. In requesting NMTC financing from Finance New Mexico, LLC, SCHOTT Solar outlined its plans to establish a facility that would bring more than 1,500 green manufacturing jobs to the area, with 350 coming on line within a year, and all paying good wages with

benefits. In addition, the presence of SCHOTT Solar in the state would establish New Mexico as a manufacturing base for the solar industry which was one of the CDE’s prime objectives.

The total development cost of the SCHOTT Solar manufacturing plant was \$125 million. Finance New Mexico, LLC and the state competed with other locations to secure the project and was successful in demonstrating that the financing gap could be partially filled with NMTC. The CDE was reluctant to commit close to 25 percent of its NMTC allocation to a single project. Therefore, Finance New Mexico, LLC approached US Bancorp and its CDE, US Bancorp Community Development Corporation CDE (USBCDC CDE), to jointly finance the transaction.

While the community of Mesa del Sol was in many ways an ideal site for SCHOTT Solar because it was planned as a ‘sustainable’ community using “New Urbanism” design principles, the community had deficiencies in terms of infrastructure, power and other needs related to the condition of the soils and water retention processes. All of these combined to make the site and site development costs relatively more expensive as compared to other site options that SCHOTT Solar was exploring. Finance New Mexico, LLC understood that the NMTC investment would allow SCHOTT Solar to stay within its projected project budget and allow the company to develop a plant in New Mexico.

In October 2008 SCHOTT Solar and Finance New Mexico, LLC came to an agreement and in December the financing was closed. Finance New Mexico, LLC committed \$15.5 million of its NMTC allocation to financing the SCHOTT facility and USBCDC CDE committed \$6 million of its NMTC allocation to the project – for a total of \$21.5 million in NMTC-financed debt. Finance New Mexico, LLC provided a 7-year, interest-only loan carrying a 2 percent interest rate. The loan is structured so that 12 percent of the debt, or \$1.8 million, will convert to equity after 7 years and \$1.8 million will be returned in cash to the New Mexico Finance Authority to finance other economic development activities throughout the state. US Bancorp is the sole NMTC investor in the SCHOTT Solar project.



Photo: Pat Berrett

SCHOTT Solar’s manufacturing plant incorporates green elements in its construction and design, and promotes clean energy in its products. The first phase of the SCHOTT Solar facility officially opened on May 11, 2009 and 350 employees are already working at the plant with production and employment expected to ramp up over the summer. In addition to the full time employment created, more than 300 construction jobs will be created throughout the remaining development phase of the new plant. The state is working with SCHOTT Solar to see that at least 90 percent of the short-term and long-term jobs created go to local residents.

When the facility is completed, SCHOTT Solar will employ more than 1,500 people and is forecast to have direct and indirect economic impacts of over \$1 billion by 2020. Long-term plans call for the facility to expand to 800,000 square feet to accommodate several more production lines, with a planned investment of over \$500 million.