

SPORTING CHANCE:

Humpy Wheeler looks back on career in racing and exit from SMI
P3



CHARLOTTE BUSINESS JOURNAL

VOLUME 25 NUMBER 10 • MAY 28, 2012

www.charlottebusinessjournal.com • \$2.00

BofA grabs bigger piece of tower

Bank takes space off market as it plans to use 95% of new building

WILL BOYE | STAFF WRITER
wboye@bizjournal.com

Bank of America Corp. has taken its new, 32-story uptown office tower off the market and plans to fill all but 5% of the space with its own employees.

The move by the Charlotte banking giant is being cheered as a positive development by city boosters — and especially owners of uptown office buildings, who have been battling tepid demand, rising vacancy and sagging rental rates.

BofA could use the building to accommodate future growth but will also seek to optimize its Charlotte office space and potentially relocate employees from other properties uptown. Wells Fargo & Co is in the midst of that process, shedding some uptown office space and consolidating employees into four buildings.

BofA has about 15,000 employees in the Charlotte area and is the fourth-largest nongovernmental employer here. "We plan to occupy the building," says spokeswoman Kelli Cishok. "We continuously review our portfolio to ensure that we are optimizing our space here in Charlotte. 1 Bank of America Center will give us additional space to occupy subject to our business needs."

TOWER PAGE 15



QUICKINFO

SPACE PLANNING

Four new towers totaling 3 million square feet have opened uptown since May 2009:

- **NASCAR Plaza**, anchored by the NASCAR Media Group
- **440 South Church**, anchored by Ally Bank
- **Duke Energy Center**, anchored by Duke Energy Corp. and Wells Fargo & Co.
- **1 Bank of America**, anchored by Bank of America Corp.

Bank of America plans to seek LEED Gold certification for its new uptown tower, which includes a range of sustainable design features, including green roofs and water-conservation strategies.

Money hunt costs developers

Fort Mill finance company facing growing roster of suits

Construction stopped at Bretagne in 2009. Wachovia has started foreclosure proceedings on the development.



PHOTO: MARY PERLO

KEN GLANS | SENIOR STAFF WRITER
kglans@bizjournal.com

Advantage Financial Corp. first made some of the six-figure loans for homes in trendy Barter Village in about 2004.

In the middle of the banking crisis, owners Tom Brandenburg II and Craig Richards, operating from an office on Market Street in the Fort Mill community, switched their attention to commercial loans two years ago.

They told people such as Rick Walliser, developer of the planned The Regions of Bretagne gated community, they could deliver access to \$2 billion

ADVANTAGE PAGE 15

Duke's solar effort clouding growth?

JOHN DOWNEY and SUSAN STABLEY
STAFF WRITERS

Developers, contractors and renewable-energy advocates see Duke Energy Carolinas putting the squeeze on the local solar industry.

Independent solar companies say they can't even get in the door to negotiate with the Charlotte energy giant.

"It's not difficult to do a deal with them," says Richard Harkrader of Carolina Solar Energy in Durham. "It's impossible."

Critics say that's slowing the growth of the nascent solar industry despite major efforts by state and Charlotte economic developers to encourage it. Ultimately, fewer projects for local developers means fewer clean-energy jobs created in the region.

SOLAR PAGE 16

Land swap may spur ReVenture

City in talks for deal that would create wastewater plant, solve dump issue.

P8

Community banks see trouble in bill

Small lenders fret over unintended results of effort to rein in big banks.

P6

Big deals building NCRC momentum

New tenants expected to help research campus attract more business.

P9

What Curtiss-Wright deals mean here

Manufacturer's expansion in offshore plants should lead to local HQ growth.

P11



Sponsors chart a new path at track

Companies use sea of interactive displays to engage new customers.

P5

THE LIST MINORITY-OWNED COMPANIES

P20

| | |
|---------------------|--------|
| BANK NOTES | 12 |
| ENTREPRENEURS | 23 |
| GOING GREEN | 13 |
| LEADS | 27 |
| MARKETPLACE | 37 |
| PEOPLE ON THE MOVE | 24 |
| POWER CITY | 13 |
| READER'S GUIDE | 38 |
| REAL ESTATE ROUNDUP | 18 |
| SPECIAL REPORT | 17 |
| TABLE TALK | 4 |
| TOP 25 LISTS | 20, 21 |
| VIEWPOINT | 39 |
| WEB HIGHLIGHTS | 38 |

BREAKING NEWS! Check our Web site at charlottebusinessjournal.com | Our reporters give you the inside story at **The Charlotte Blog**

To subscribe to the
Charlotte Business Journal,
call (704) 973-1100

Stimulus listings

Find out about requests for proposals and contracts awarded via economic-stimulus funds. On page 14 and at charlottebusinessjournal.com.



commercial

SOLAR: How Duke Energy's plans are holding back renewable jobs in region

FROM PAGE 1

Duke has relied on buying power from a single, large solar farm and owning additional solar projects itself. That has often pushed local developers east or to the Asheville area, where Raleigh-based Progress Energy Carolinas has a different business model.

Progress does not plan to own and operate projects. And the projects it buys power from are much smaller than Duke's. So a number of developers have gained agreements to sell solar power to Progress.

In Charlotte, Optima Engineering founder Keith Pehl says all 17 of the independent commercial solar projects his company brought to Duke Energy in the past two years foundered on failed power-purchase negotiations.

Pehl contends Duke's approach is to control the local market and refuse to pay competitive prices for power from developers and building owners.

"It leaves everyone else out who is trying to make it happen," Pehl says.

Owen Smith, Duke's managing director of renewable energy and carbon strategy, denies that. He says Duke is simply maintaining discipline on the price it will pay for solar power.

A number of solar and other renewable companies have sprung up in North Carolina. But they cannot pursue sizable projects without an agreement from a utility to buy the power they produce, known in the industry as power-purchase agreements.

Duke wants a mix of projects it owns and power it buys through those agreements, Smith says.

Thus, it has agreed to buy power from a 16-megawatt solar farm SunEdison of Maryland is building in Davidson County. And it plans to build, own and operate 10 megawatts worth of solar panels on leased property.

There are rare exceptions. The city will soon choose a developer for a 250-kilowatt solar array near Charlotte-Douglas International Airport. Duke will pay 14 to 18 cents per kilowatt-hour for that project.

N.C. solar companies say that's an unheard-of price for Duke.

The company typically hasn't offered more than 11 to 12 cents — a price developers and property owners say can't justify the capital expense of installing photovoltaic panels.

Smith says Duke agreed to the airport-area project more than a year ago, before it settled on its current solar strategy. And it will honor that commitment, even though the price is higher than what Duke would be willing to pay now.

But lately Duke just isn't doing any power-purchase agreements for solar at any price. It has already contracted for all the energy and renewable credits it needs through at least 2014. And that puts a crimp in the young industry.

"You get more private investment and more jobs if you involve more third-party developers," says Kurt Olson, staff counsel for the N.C. Sustainable Energy Association. "Duke is doing most of it on its own."

Here's how developers view the problem in a nutshell.

In 2007, the N.C. General Assembly adopted the Renewable Energy Portfolio Standard. It requires utilities to produce a specific percentage of the power they sell from solar and other alternative sources. One of the avoided aims was to encourage renewable-energy businesses in the state.

The industry's development, however, is dependent on power-purchase agree-

Solar industry looking for legislative change

JOHN DOWNEY | SENIOR STAFF WRITER
jdowney@bizjournal.com

Whether Duke Energy Corp. or Progress Energy Inc. has the right business model for solar projects, renewable-energy advocates generally agree that state law is going to have to change to encourage further development of the industry.

"Both models have merit," says Steve Kalland, director of the Solar Center at N.C. State University. "But if we want to see more robust growth (in the solar industry), we have to make additional changes to the marketplace."

There are several potential answers, he says. Many advocates have proposed a feed-in tariff based on European models that set a relatively high price for energy from renewable sources and guarantee developers that price for a long-term contract.

Kalland says some simpler tweaking might do the trick. He says the state could increase the amount of solar power utilities are required to produce under a 2007 law. It could also ease restrictions that prevent businesses from setting up their own

solar projects and using the power themselves.

The N.C. Sustainable Energy Association has several proposals. In the General Assembly's short session now under way, it hopes the legislature will change a tax-credit law that could unintentionally penalize renewable-energy producers.

The issue involves the treatment of federal tax credits. The federal government offers tax credits for renewable projects, and the state credit is allowed to complement those credits. But the feds are now offering grants in lieu of the tax credits. If a producer takes the grant, its state tax credit will be reduced, under the current law.

The association's Julie Robinson points to work that state Sen. Dan Clodfelter (D-Mecklenburg) is doing on a problem with cost caps on renewable energy. Under current law, utilities may fall short of renewable-energy requirements

to stay under the caps the legislature imposed in 2007.

N.C. SRA's staff counsel, Kurt Olson, says the legislature could help by making clear that state utilities can buy renewable-energy credits only for power produced in North Carolina.

Last year, the N.C. Utilities Commission ruled that utilities could meet up to 25% of their renewable-energy requirements with credits that are bought from out-of-state renewable-energy producers. Olson argues that none of those benefits come back to North Carolina.

He and Robinson say a more transparent market in renewable-energy credits in North Carolina would also help independent businesses. They would be able to determine how many credits state utilities may need to buy and could make rational plans based on a predictable market.

Much of the agenda will have to wait, however, until the legislature's fall session in 2011, Robinson says. She expects both utilities and renewable-energy advocates will have long lists of proposals for their representatives by then.



Clodfelter

BRIGHTER FUTURE?

A green-jobs report released this week projects at least 28,000 new jobs in North Carolina could come from the solar-energy industry.

But that's only if the state sets a benchmark of using the sun to generate 14% of the electricity consumed in the state by the year 2020. Current state mandates require power companies to produce only 0.2% of the energy they sell in North Carolina from solar power by 2018.

Ratcheting up the requirements could boost annual wages by \$1.6 billion by 2020, at an average salary of \$45,000, according to the report from the Environment North Carolina Research & Policy Center. The solar industry's annual gross investment in the state could exceed \$2.5 billion by that year, the report says.

The 28,000 new-jobs figure is the low-end estimate, says Elizabeth Outts, the statewide nonprofit's state director and co-author of the report, titled Working With the Sun: How Solar Power Can Protect North Carolina's Environment and Create New Jobs.

In 2009, the green-power industry — which also includes wind, biomass and energy efficiency — employed about 10,000 workers and made more than \$3.5 billion in revenue statewide, according to the report. More than 100 businesses in North Carolina either develop, build, install or sell solar energy systems.

Susan Stabile

ments with utilities.

Duke did one big purchase deal with an out-of-state solar firm and then used a few N.C. companies as installers for its company-owned distributed-energy projects. It's buying a quarter of its renewable solar credits from outside the state. Little of Duke's solar spending is going to N.C. companies.

"Duke is choosing to encourage a way that doesn't happen to encourage folks outside of Duke Energy," says Elizabeth Outts, Environment North

Carolina state director and co-author of a new report on potential solar jobs in the state.

Progress has followed a different plan. It has no project bigger than 2.3 megawatts. And its SunSense Commercial program will pay 18 cents per kilowatt-hour for power from projects in the 100-kilowatt to 250-kilowatt range.

That is a premium price, but it's paid only for modest-sized commercial projects. Progress spokesman Scott Sutton says the idea is to give startups and smaller developers a piece of the pie. Since starting the SunSense program last summer, Progress has agreed to buy power from eight projects already built or under construction. It hopes to sign deals for four more megawatts of capacity this year.

Solar companies have some issues with Progress' SunSense program — Pehl is particularly critical of the company's 250-kilowatt cap. But Carolina Solar's Harkrader credits Progress with at least establishing a market for independent producers in the Carolinas.

And Harkrader's company also has a purchase-power agreement with Progress for a larger, 300-kilowatt project in Pearson County.

He says he has found his dealings with Duke particularly frustrating. Carolina Solar wants to build a 2- to 4-megawatt solar farm at the proposed ReVenture eco-energy park near Mount Holly. ReVenture offered to sell Duke the power for less than 14 cents per kilowatt-hour.

Duke said no. ReVenture developer Tom McKittrick of Forsite Development Inc. says the site has about 25 acres set aside for a solar farm. But Forsite is too engrossed in negotiating a power-purchase agreement with Duke for its proposed biomass power plant to worry about solar right now.

"We gotta eat the elephant one bite at a time," McKittrick says.

So Charlotte solar companies are generally looking eastward for business. Greenfield Power, based in Charlotte, has no significant commercial projects

in Duke's region. Its largest project is a 250-kilowatt rooftop solar array it's building at the Global Transpark in Kinston — with Progress buying the power through SunSense.

And two of Progress' three largest solar projects were developed by companies with Charlotte ties. Birdseye Renewable Energy of Charlotte is developing a 2.3-megawatt solar farm near Laurinburg owned by MTP Capital. And Advanced Green Technologies, which is based in Florida but maintains its North Carolina office in Charlotte, developed a 1.27-megawatt project at a warehouse in Carteret County.

None of those companies have projects with Duke.

Smith says Duke supports solar development in the state. But he says it feels large farms and in-house construction of small projects offer economies of scale that cannot be matched by independent developers.

Harkrader disputes that. He says there is no evidence Duke can produce solar power for the 11 to 12 cents per kilowatt-hour it has pegged as its value, based on how much it costs Duke to generate energy by traditional means and the value of renewable-energy credits.

And he says the proper comparison would be with the cost of producing energy from new plants. Industry data indicate it's likely to cost Duke 10 to 12 cents per kilowatt-hour to produce power from its Cliffside coal-fired plant. And Duke gets no renewable-energy credits with coal, making the equivalent price closer to closer to 15 cents.

"That is what solar power should be compared to," Harkrader says.

Duke believes the market should set the price for solar, Smith says. In the company's view, competition from Duke and large developers will bring down the price for solar projects and offer customers the best deal for renewable energy. Duke focuses prices going down, and that makes it even less eager to sign new purchase agreements now.

It will wait out the market and look for better deals, Smith says.

Commercial Use