

SEH Buys Hewlett-Packard Campus in Historic Deal

Jeffrey Mize And Julia Anderson



An aerial view looking north at Hewlett-Packard on SE 34th St. east of 164th Ave. (File/The Columbian)

COLUMBIAN STAFF WRITERS

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SEH America's parent corporation has purchased Hewlett-Packard's sprawling campus in east Vancouver in a historic \$55 million transaction that showcases the rise of one high-tech company and the decline of another in Clark County.

Shin-Etsu Handotai Group might use the property at 18110 S.E. 34th St. to expand silicon wafer production into the emerging field of solar energy.

The property has a market value of \$51.15 million, according to Clark County property records. With 174 acres, four buildings and 694,000 square feet of space, the HP campus has the potential for as much as \$1 billion of industrial development in coming years.

Mayor Royce Pollard declined to speculate on how many jobs SEH could create at its new site, except to say "probably in the hundreds."

"This is the brass ring we have been reaching for to keep our local community thriving and vital," Pollard told The Columbian. "It says something about us when a successful, international company like SEH America chooses our city for its future growth. They could have gone anywhere in the world, but they chose America's Vancouver."

The sale, which was formally recorded Friday, signals another step in HP's gradual departure from Vancouver, where 30 years ago, its engineers invented the company's hot-selling line of inkjet printers. Inkjet printers boosted HP sales throughout the 1980s and 1990s when HP's Vancouver work force peaked at 3,500. Beginning in 1999, when printer manufacturing ended here and was moved to Malaysia, HP has been reducing its Vancouver work force, now estimated at 600. HP is expected to lease back a portion of space from its new landlord for at least three years.

The deal has been in the works since late 2008 and represents the latest in a series of investment decisions by SEH and its Japanese parent corporation to expand manufacturing in Vancouver.

Shin-Etsu is the world's largest supplier of semiconductor materials and silicon from plants around the globe, with annual sales of \$12.25 billion.

Its Vancouver plant, 4111 N.E. 112th Ave., produces 8- and 12-inch silicon wafers. SEH's customers, including Intel Corp. and Texas Instruments. The nonconductive wafers are used to make computer chips, considered the electronic brains of computers, mobile phones and an exploding array of other electronic devices.

Pollard said SEH may use the former HP campus to broaden its wafer production into solar energy.

"But there has been no commitment to that," he added. "I know it will be something that will add value to our community."

In late February, Pollard announced that SEH has decided to double production capacity at its existing 112th Avenue plant, a long-term commitment that could add as many as 1,000 jobs and represent a \$1

billion investment in the local economy.

SEH officials have confirmed they intend to expand, but they have provided few details about when and by how much.

When Pollard announced the SEH expansion during his Feb. 26 State of the City address, the deal already was in the works. But attorney review and other details caused months of delay before it finally could be completed.

Earlier that month, Pollard and City Manager Pat McDonnell made an unpublicized trip to Tokyo to meet with top officials at the Shin-Etsu Handotai Group and its parent corporation, Shin-Etsu Chemical, including President and CEO Chihiro Kanagawa.

"Mr. Kanagawa told me that SEH America's existing Vancouver operations have proven to be very successful and that he was confident this additional investment would eventually prove to be the same," Pollard said.

The city's involvement in the HP purchase is more one of facilitator than participant, but there is little doubt that Vancouver has latched onto SEH as its "golden child" for economic expansion.

Vancouver helped push a state tax cut through the 2006 Legislature that was tailored for the company's Vancouver operation.

The legislation slashed SEH's business and occupation tax rate by 43 percent once the company invested at least \$350 million on construction, building improvements or equipment used to make silicon wafers, a trigger it reached before the end of 2006.

But SEH hasn't been immune to the economic crash and the global decline in the demand for semiconductors.

In February, the company shut down production for a month, idling about 750 employees out of a total SEH work force of 840. There also are reports that SEH has laid off longtime employees.

Palo Alto, Calif.-based HP is the world's largest computer manufacturer. The company no longer responds to inquiries about its Vancouver employment levels. Some speculate that the company will shutter all operations in Vancouver within two to three years as it moves away from the lagging low-cost consumer-oriented inkjet market into more lucrative Internet-based devices developed and produced elsewhere.

Pollard, however, said the city intends to work with HP to ensure it has a permanent spot inside the city limits.

"HP, I believe, wants to stay in this community," he said. "They have a great, long history in this community, and we don't want them to leave. And we will do everything we can to get them to stay."

Even with only 600 employees, HP's departure would be felt. Its total local payroll is estimated at \$55 million, not to mention the loss of top-end HP technical and engineering talent to the community.

The commercial real estate brokerage firm, The Phillips Group in Vancouver, represented SEH in the real estate transaction. Cushman & Wakefield represented HP.