



**DATE:** October 8, 2025  
**TO:** Board of Commissioners  
**FROM:** Cornell Wesley, Executive Director  
**SUBJECT:** Report Number 25-32  
Approving Building Conversion and Community Anchor Destination Energy Efficiency Loan Program Guidelines

### **BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

Adopt Resolution Nos. 7627 and 7628

These actions by the Prosper Portland Board of Commissioners (Board) will approve the Portland Clean Energy Fund Central City Building Conversion – Embodied Carbon Pilot Loan (Conversion Pilot) and Central City Community Anchor Destination Energy Efficiency and Renewable Energy Loan (Anchor Destination) program guidelines (collectively, Guidelines). If approved, these Guidelines will direct program funding with resources provided to Prosper Portland pursuant to an Intergovernmental Agreement (IGA) between the City of Portland Bureau of Planning and Sustainability (City) (through the Clean Energy Community Benefits Fund (PCEF)) and Prosper Portland.

### **STRATEGIC ALIGNMENT AND OUTCOMES**

Both the Conversion Pilot and Anchor Destination programs directly support Advance Portland Objective 3: Foster a Vibrant Central City and Neighborhood Commercial Districts. The Building Conversion Loan supports Outcomes 3.1.1 – Office to Residential Conversion Incentives, and 3.1.2 – Housing Incentive Programs, while the Anchor Destination Loan supports Outcome 3.2.1 – Anchor Business Retention and Recruitment.

Additionally, these loan programs support the City Council-approved Climate Investment Plan (CIP), a five year plan, amended in 2024, which guides PCEF's investments, and more specifically CIP Strategic Priority (SP) 14, which prioritizes funding for projects that result in measurable carbon emissions reductions through approaches that may include low- to zero-interest loans, flexible repayment terms, community lending circles, property-assessed clean energy financing tools (such as PropertyFit, Multnomah County's Commercial Property Assessed Clean Energy program, which Prosper Portland administers), loan loss reserve mechanisms, and conditional loan forgiveness.

### **BACKGROUND AND CONTEXT**

On August 28, 2024, through Resolution No. 7573, the Board approved a \$42,500,000, 5-year IGA with PCEF to fund four programs that Prosper Portland administers on PCEF's behalf:

- Community Responsive Grants – Small Contractor Business Technical Assistance program funded at \$5,000,000
- SP 4 – Business Energy Efficiency (BEE) Grant Program funded at \$25,000,000
- SP 11 – 82nd Avenue Business Stabilization BEE program funded at \$2,500,000

- SP 14 – Access to Capital – PropertyFit funded at \$10,000,000

Should the Board approve the Guidelines, Prosper Portland and PCEF staff anticipate an upcoming amendment to the IGA, through an administrative action, which would provide an additional \$5,000,000 for SP 14, increasing total access to capital funding from \$10,000,000 to \$15,000,000 for both the Building Conversion Pilot and Anchor Destination Loan programs.

#### Conversion Pilot loan program

Portland faces the dual challenge of historically high office vacancy rates and a shortage of affordable and middle-income housing. Converting underutilized office buildings into residential use is a solution many cities are exploring to address both issues. Building conversions in Portland face steep financial barriers due to the high cost of seismic retrofits, energy efficiency upgrades, and building code compliance. To close critical funding gaps, the Building Conversion Loan will offer up to \$60,000 per unit to account for embodied carbon savings achieved through adaptive reuse of the building, and up to \$25,000 per unit for energy efficiency improvements, for maximum funding of \$85,000 per converted unit. Embodied carbon refers to the greenhouse gas emissions from resource extraction, manufacture, transport, installation, maintenance, disposal and recovery of construction materials.

Building Conversion Loan investments will be structured as a 2%, 10-year, forgivable loan – so long as the project is performing, and rents remain affordable within the 60 – 120% Median Family Income (MFI), middle-income level. The principal balance of the loan will be forgiven at 1/10<sup>th</sup> per year. This targeted investment not only accelerates the delivery of new housing units but also advances Portland's climate action and housing production goals in tandem.

Supporting office-to-residential conversions delivers broad community benefits that extend beyond individual projects. Reusing existing buildings dramatically reduces embodied carbon and carbon emissions compared to new construction, while efficiency upgrades lower long-term energy demand and operating costs for residents and owners. At the same time, new residential density in the urban core strengthens downtown vitality by increasing foot traffic, supporting local small businesses, and creating safer, more active streets. By incentivizing these conversions, Portland can position itself as a leader in equitable, climate-smart development—reinforcing the city's identity as both a hub of innovation and a community committed to resilience, livability, and sustainability.

The Building Conversion Loan program guidelines, set forth in Exhibit A to Resolution 7627, were negotiated with PCEF as a pilot program, designed with limited funding and specific borrower requirements to increase our understanding of office conversions, help the City to better understand how to value the embodied carbon contained in these existing buildings and how repurposing will contribute to the City's climate action goals, and better understand the technical challenges of converting different types of structures. The Conversion Pilot will inform future modifications to a permanent program.

#### Anchor Destination loan program

Anchor Destination businesses, as defined in the program guidelines included as Attachment A to Resolution 7628, are critical economic drivers with benefits that extend beyond their balance sheet. As locally owned and controlled enterprises, they draw residents and visitors which creates multiplier effects for surrounding small businesses—fueling demand for restaurants, retail shops, and service providers that rely on consistent customer flow. Anchors such as Pike Place Market in Seattle and the French Market in New Orleans illustrate how distinctive, community-rooted institutions act as economic engines for entire districts and cities. By ensuring these businesses can modernize their facilities and reduce operating costs through energy efficiency investments, the City can promote equitable economic and climate-aligned growth and support efforts to return vibrancy to Portland's Central City.

If approved, the Anchor Destination Loan program guidelines, as drafted together with PCEF, will provide five-year forgivable loans to locally owned and operated anchor destination businesses to fund PCEF-eligible energy efficiency and renewable energy improvements to their buildings.

### **EQUITY IMPACT**

Through the CIP, PCEF investments help ensure Portland's most vulnerable residents are prepared for a changing climate, as evaluated within PCEF's equity and climate framework.

Borrowers must adhere to PCEF's Business Equity and Workforce Development Policies which are comparable to Prosper Portland's Construction Business and Workforce Equity Policy.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

The CIP, adopted by City Council in September 2023, was shaped through an extensive, 18-month community engagement process. No additional outreach was conducted specific to these proposed actions.

### **BUDGET AND FINANCIAL INFORMATION**

The FY 2025-26 Prosper Portland Adopted Budget has \$1,450,000 for PCEF loan programs (see Attachment A). This line item is anticipated to increase when the Adopted Budget is revised in November 2025 based on an updated forecast for loan activity anticipated to occur by June 30, 2026. The Prosper Portland Five-Year Forecast will be updated as part of the FY 2026-27 Draft and Requested Budget Process to incorporate the remaining amount of programming through the end of the PCEF IGA. Budgets will also be revised for staffing and administrative-related expenses associated with program delivery for this and future years in accordance with the PCEF IGA.

### **RISK ASSESSMENT**

Once implemented, risks are inherent with every loan. These risks are mitigated in multiple ways, including underwriting by skilled lending staff and securing loans with collateral outlined as outlined the proposed Guidelines. Each loan is also reviewed by the internal Committee for Accountability of Finance and Equity to ensure it conforms to Guidelines. Should the Board choose not to approve the Guidelines, Prosper Portland risks losing PCEF funding that can make marked impact toward shared climate and economic development goals, along with opportunities to leverage additional investment, and leaving underutilized office buildings without a path to conversion into much-needed middle-income housing (60–120% MFI).

### **ATTACHMENTS**

- A. PCEF Fund Financial Summary

<b>Fund Financial Summary</b>						
<b>PCEF Fund</b>	<b>Revision</b>	<b>Adopted</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>FY 2029-30</b>
<b>Resources</b>						
<b>Revenue</b>						
Fees and Charges	8,500,000	11,855,696	8,500,000	8,500,000	8,500,000	4,250,000
<b>Total Revenue</b>	<b>8,500,000</b>	<b>11,855,696</b>	<b>8,500,000</b>	<b>8,500,000</b>	<b>8,500,000</b>	<b>4,250,000</b>
<b>Total Resources</b>	<b>8,500,000</b>	<b>11,855,696</b>	<b>8,500,000</b>	<b>8,500,000</b>	<b>8,500,000</b>	<b>4,250,000</b>
<b>Requirements</b>						
<b>Economic Development</b>						
<b>Community Economic Development</b>						
A00838-Clean Industry-PCEF	-	3,355,696	-	-	-	-
A00782-Contractor Development-PCEF	781,015	750,000	705,422	707,640	700,000	350,000
<b>Economic Development Total</b>	<b>781,015</b>	<b>4,105,696</b>	<b>705,422</b>	<b>707,640</b>	<b>700,000</b>	<b>350,000</b>
<b>Property Redevelopment</b>						
<b>Commercial Property Lending</b>						
A00780-Property Fit-PCEF	1,453,225	1,450,432	1,450,000	1,400,000	1,305,944	700,000
<b>Redevelopment Grants</b>						
A00783-Small Business Grants-PCEF	2,633,979	3,918,454	3,900,000	3,850,000	3,850,000	479,268
<b>Property Redevelopment Total</b>	<b>4,087,204</b>	<b>5,368,886</b>	<b>5,350,000</b>	<b>5,250,000</b>	<b>5,155,944</b>	<b>1,179,268</b>
<b>Total Program Expenditures</b>	<b>4,868,219</b>	<b>9,474,582</b>	<b>6,055,422</b>	<b>5,957,640</b>	<b>5,855,944</b>	<b>1,529,268</b>
Personnel Services	1,087,154	1,266,550	1,222,289	1,271,180	1,322,028	1,360,366
<b>Total Fund Expenditures</b>	<b>5,955,373</b>	<b>10,741,132</b>	<b>7,277,711</b>	<b>7,228,820</b>	<b>7,177,972</b>	<b>2,889,634</b>
Interfund Transfers - Indirect Charges	504,627	1,114,564	1,222,289	1,271,180	1,322,028	1,360,366
Interfund Transfers - Cash Transfers	2,040,000	-	-	-	-	-
<b>Total Fund Requirements</b>	<b>8,500,000</b>	<b>11,855,696</b>	<b>8,500,000</b>	<b>8,500,000</b>	<b>8,500,000</b>	<b>4,250,000</b>