

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** June 9, 2010  
**TO:** Board of Commissioners  
**FROM:** Bruce A. Warner, Executive Director  
**SUBJECT:** Report Number No. 10-58  
\$3.5 Million Grant to Clean Energy Works Portland

### EXECUTIVE SUMMARY

#### BOARD ACTION REQUESTED

Adopt Resolution No. 6790

#### ACTION SUMMARY

This action will authorize the Executive Director to execute a grant agreement with ShoreBank Enterprise Cascadia (SBEC), a non-profit Community Development Financial Institution, providing up to \$3.5 million for the Clean Energy Works Portland (CEWP) program. Funding will occur in fiscal year 2010-11 with \$2.5 million in Tax Increment Financing (TIF) funding from the Interstate Corridor Urban Renewal Area (URA) and \$1.0 million in TIF funding from the Lents Town Center URA.

CEWP aligns with the City of Portland's adoption of a plan to reduce carbon emissions by 80 percent by 2050 and supports Portland's Economic Development Strategy which calls for the creation of 10,000 new jobs in five years.

#### PUBLIC BENEFIT

The Portland Development Commission (PDC) funding for the CEWP program is anticipated to achieve the following objectives:

- Finance approximately 360 energy efficiency retrofit loans for homeowners in the Interstate and Lents URAs.
- Create approximately 22 full-time equivalent green collar construction jobs.
- Generate annual energy savings of approximately 127,000 Therms (an average of 20%).
- Reduce annual carbon emissions by approximately 678 Metric Tons (an average savings of 20%).

In addition, the CEWP program incorporates a Community Workforce Agreement (CWA) that sets the framework for the creation of high-quality, family supporting jobs for qualified, Minority, Women, and Emerging Small Business contractors and workers, and includes the creation of a stakeholder evaluation and implementation committee to ensure successful implementation and monitoring of CWA goals.

#### **This action will support the following PDC goals:**

- Strong Economic Growth and Competitiveness
- Sustainability and Social Equity

- Healthy Neighborhoods
- A Vibrant Central City
- Effective Stewardship over our Resources and Operations, and Employee Investment

## **PUBLIC PARTICIPATION AND FEEDBACK**

Staff provided an overview of the program to the Interstate Corridor Urban Renewal Advisory Committee and the Lents Town Center Urban Renewal Advisory Committee in spring 2010.

## **COMPLIANCE WITH ADOPTED PLANS AND POLICIES**

The financial support provided by PDC directly supports the City's Economic Development Strategy:

- Action 1.1.3 of the Clean Tech and Sustainable Industries Cluster Strategy tasks PDC and the City of Portland's Bureau of Planning and Sustainability (BPS) to expand the demand for energy efficiency products and services through investment in retrofits of existing building stock.
- Action 1.1.3 speaks specifically to the establishment and scaling up of the Clean Energy Investment Fund, now called CEWP.

The CEWP program is closely aligned with the PDC 2010 Strategic Plan:

- Strong Economic Growth & Competitiveness – The CEWP program supports the jobs, innovation and entrepreneurship and investment objectives.
- Sustainability and Social Equity – The CEWP program supports the leadership, green investment and access objectives.
- Healthy Neighborhoods – The CEWP program supports quality of life, wealth creation and housing objectives.

In addition, the program aligns with the goals of the Interstate Corridor and Lents Town Center URAs:

- Interstate Corridor URA Plan General Principle – Sustainability – Efforts will strive for sustainability, as measured in the responsible use, protection and enhancement of limited resources, improvement of environmental quality, and commitment to the improvement in the lives of those who live, work, and play in the area.
- Interstate Corridor URA Plan Housing – Preservation – Preserve and rehabilitate the existing housing stock and maintain its affordability through the use of different financing tools and technical assistance.
- Interstate Corridor URA Plan Job Access – Optimize access of area residents to employment opportunities both inside and outside of the URA.
- Lents Town Center URA Plan Neighborhood Revitalization – Help rehabilitate existing housing in residential neighborhoods through financial assistance (e.g., loan and grant programs), technical assistance (e.g., explanation of the zoning code or design assistance), and other methods.

## **FINANCIAL IMPACT**

The total PDC financial participation is a TIF funded, one-time grant in the amount of \$3.5 million. CEWP is being administered through BPS, and PDC will bear no staffing costs related to the administration of the CEWP program. PDC funding will assist in leveraging \$20 million in federal stimulus dollars from the Federal Department of Energy to expand the CEWP.

## **RISK ASSESSMENT**

No significant operational risks are identified. There is the potential for legal risk associated with expenditure of the PDC grant funds for TIF ineligible uses and/or for properties that are not located in eligible TIF districts. There is the potential for financial risk associated with the control and accounting for the PDC grant funding. There is the potential for political risk associated with CEWP's achievement of its social and environmental objectives.

To mitigate these risks, staff and SBEC have established a schedule of TIF-eligible improvements for the grant and PDC will disburse the grant funding on a reimbursement basis in response to monthly invoices from SBEC that identify the addresses of homes and specific eligible improvements made. SBEC will provide detailed reports of improvements for individual project/homes as requested by PDC. SBEC will report on a quarterly basis regarding job creation and retention and the workforce diversity and equity goal attainment for the program. PDC may review the interest rates charged by SBEC and review the financial performance of the program to assess whether its financial performance is aligned with its social and environmental objectives. PDC will have the right to terminate the grant agreement with 60 days notice.

## **WORK LOAD IMPACT**

The accounting and grant administration will be incorporated into staff work plans.

## **ALTERNATIVE ACTIONS**

PDC's Board of Commissioners (Board) could elect not to authorize the grant or the Board could direct revisions to the terms and conditions of the grant. A decision to not fund the grant would limit the pace of growth in the CEWP program and reduce the availability of financing for energy efficiency retrofit improvements for home and commercial building in the Interstate and Lents URAs.

## **CONCURRENCE**

The Investment Committee of the Portland Housing Bureau (PHB) reviewed the CEWP grant proposal as an information item on January 14, 2010, and was supportive of the program, citing its positive synergies with PHB programs.

The PDC Loan Review Committee reviewed and recommended approval of the grant on February 16, 2010.

## BACKGROUND

In 2009, the City of Portland established CEWP to help homeowners overcome the high front-end costs associated with implementing home energy efficiency retrofit measures. BPS administers the program on behalf of the City. CEWP is a joint venture between Energy Trust of Oregon (ETO), BPS, Multnomah County, and SBEC. The initial program is capitalized through stimulus funds from the City's formula Energy Efficiency Conservation Block Grant (EECBG) dollars (\$1.12 million) along with City general fund dollars (\$1.37 million). SBEC has also secured an additional \$2.0 million program related investment from Living Cities Foundation for use in the program.

Under CEWP, single-family residential homeowners can receive 100 percent financing to implement a range of energy efficiency and on-site renewable energy measures. Loans are provided at favorable, fixed interest rates with 20-year term and amortization with loan repayment through the customer's heating utility bill. CEWP finances a range of energy efficiency retrofit measures, including: weatherization (insulation, air sealing), space heating duct sealing and mechanical system replacement (furnace or heat pump), and hot water heater (gas or electric) replacement. As of March 2010, CEWP had closed 50 loans, with an average loan amount of \$9,600. Roughly 500 loans will be made to homeowners within the City of Portland by fall 2010.

The City of Portland, in partnership with the Oregon Department of Energy, was notified by the Federal Department of Energy in April 2010 of the award of \$20 million in competitive federal stimulus dollars (EECBG) to expand the CEWP program, including expanding the CEWP model to cover commercial buildings. It is anticipated that CEWP will begin to offer a commercial buildings product in early FY 2010-2011 and that the recommended PDC grant funding will also be used to finance energy efficiency retrofit improvements for commercial buildings.

CEWP was designed to address key historic barriers to the implementation of residential energy efficiency retrofit projects, namely: (1) challenges homeowners face in financing the front-end costs of energy efficiency; (2) absence of technical assistance programs geared to guide homeowners through the selection and implementation of energy efficiency projects; (3) lack of contractors that implement whole-building energy efficiency retrofits; (4) achieving a sufficient scale and aggregation of investment in energy efficiency retrofit improvements to cost effectively access financing from the private capital markets; and (5) fragmentation and disaggregation of financial incentives from governments, utilities, and/or public purpose charge administrators like ETO.

Key drivers behind the creation of CEWP include: (1) the City of Portland's adoption of a plan to reduce its carbon emissions by 80 percent by 2050 (BPS, Multnomah County Sustainability Program, 2009); (2) a strong existing local infrastructure for funding and implementing energy efficiency improvements has been put in place by ETO; (3) macro trends at the federal level, including the passage of the American Recovery Act of 2009, that provide added funding, including block grants, for state energy efficiency initiatives; and (4) the City of Portland's Economic Development Strategy, which calls for the creation of 10,000 new jobs in five years. CEWP's decision to focus on the residential sector reflects the growing share of carbon emissions from homeowners (in 2007, the residential sector accounted for 1.76 million Metric Tons of Portland's total 8.81 million Metric Tons of emitted carbon).

### ATTACHMENTS:

- A. URA Financial Summary

**URA FUND SUMMARY**

Five-Year Forecast Project Requirements

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
<b>Interstate Corridor URA</b>						
<b>Resources</b>						
Beginning Fund Balance	1,281,835	336,588	4,223,671	4,598,910	460,908	435,044
Interest on Investments	20,000	20,000	20,000	20,000	20,000	20,000
Loan Collections	148,797	1,403,998	3,511,334	127,305	106,216	100,000
Property Income	0	2,920,424	0	0	0	0
TIF Proceeds	22,409,391	27,182,955	13,784,783	8,527,732	21,060,958	11,663,785
<b>Total Fund Resources</b>	<b>23,860,023</b>	<b>31,863,965</b>	<b>21,539,788</b>	<b>13,273,947</b>	<b>21,648,082</b>	<b>12,218,829</b>
<b>Requirements</b>						
<b>Program Expenditures</b>						
<b>Administration</b>						
Executive						
H60041 Eastside Central City Plan	0	36,000	0	0	0	0
H60042 N/NE Economic Dev Initiative	0	54,000	0	0	0	0
<b>Administration Total</b>	<b>0</b>	<b>90,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Business and Industry</b>						
Community Economic Development						
H61008 Killingsworth Station Commercial	0	0	900,000	0	0	0
H72030 Community Econ Development	50,000	50,000	50,000	50,000	50,000	50,000
H79020 Business Finance	287,500	625,000	500,000	500,000	500,000	500,000
H79025 Green Business Grants	0	200,000	200,000	200,000	200,000	200,000
High Growth						
H79020 Business Finance	305,652	425,000	300,000	300,000	300,000	300,000
H79025 Green Business Grants	200,000	0	0	0	0	0
Industry Cluster						
H72026 Cluster Development	0	380,000	220,000	200,000	200,000	200,000
H79020 Business Finance	575,000	890,000	800,000	800,000	800,000	800,000
<b>Business and Industry Total</b>	<b>1,418,152</b>	<b>2,570,000</b>	<b>2,970,000</b>	<b>2,050,000</b>	<b>2,050,000</b>	<b>2,050,000</b>
<b>Debt Service</b>						
Debt Service						
H98001 Debt Management	19,464	20,438	21,459	22,532	22,532	22,532
<b>Debt Service Total</b>	<b>19,464</b>	<b>20,438</b>	<b>21,459</b>	<b>22,532</b>	<b>22,532</b>	<b>22,532</b>
<b>Housing</b>						
Multi-Family - For Sale						
H34606 Killingsworth Block	0	5,013,047	1,415,940	0	0	0
H38712 Woolsey Corner Homeownership Dev	870,000	200,000	0	0	0	0
H89035 Homeownership Development	0	0	0	500,000	500,000	500,000
H89046 PCRI Home Ownership Development	800,000	300,000	0	0	0	0
Multi-Family - Rental Housing						
H61009 Ainsworth Court Rehab	0	1,400,000	0	0	0	0
H89030 Affordable Rental Housing	100,000	1,850,000	0	0	3,000,000	1,500,000
H89047 Bridge Meadows	1,500,000	250,000	0	0	0	0
Plans and Strategies - Housing						
H19018 Interstate Redevelopment	250,000	0	0	0	0	0
H37914 Housing Policy/Planning	5,000	5,000	5,000	5,000	5,000	5,000
Single-Family - Home Repair						
H89010 Home Repair Projects	500,000	500,000	500,000	500,000	500,000	500,000
H89045 Home Rehab and Retention	100,000	100,000	100,000	100,000	100,000	0
Single-Family - Homebuyer Assistance						
H37932 HAP Afford Ownership/Rehab	0	938,576	0	0	0	0
H89020 Home Buyer Assistance	500,000	500,000	500,000	500,000	500,000	500,000
<b>Housing Total</b>	<b>4,625,000</b>	<b>11,056,623</b>	<b>2,520,940</b>	<b>1,605,000</b>	<b>4,605,000</b>	<b>3,005,000</b>
<b>Infrastructure</b>						
Parks						
H19038 Interstate Parks	305,000	1,370,000	1,930,000	700,000	3,500,000	1,200,000
Transportation						

Five-Year Forecast Project Requirements

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
H19020 Interstate Streetscape Improvements	3,531,000	124,000	1,600,000	2,900,000	2,200,000	0
H19021 Interstate Trans Improvements	791,000	550,000	200,000	200,000	200,000	200,000
<b>Infrastructure Total</b>	<b>4,627,000</b>	<b>2,044,000</b>	<b>3,730,000</b>	<b>3,800,000</b>	<b>5,900,000</b>	<b>1,400,000</b>
<b>Revitalization</b>						
Plans and Strategies - Revitalization						
H19018 Interstate Redevelopment	0	250,000	625,000	500,000	500,000	500,000
H60041 Eastside Central City Plan	209,559	0	0	0	0	0
H60042 N/NE Economic Dev Initiative	160,000	0	0	0	0	0
Redevelopment						
H19023 Community Livability Projects	600,000	400,000	400,000	400,000	400,000	400,000
H19048 Kenton Redev Downtown	4,000,000	500,000	750,000	0	1,900,000	0
H27001 Storefront Grants	900,000	600,000	600,000	600,000	600,000	600,000
H27050 DOS Grants	300,000	300,000	300,000	300,000	300,000	300,000
H28030 Redevelopment Loan Projects	2,000,000	2,000,000	1,400,000	1,400,000	1,400,000	1,400,000
H61006 Clean Energy	0	2,500,000	0	0	0	0
H61010 Jefferson Plaza	100,000	100,000	800,000	0	0	0
<b>Revitalization Total</b>	<b>8,269,559</b>	<b>6,650,000</b>	<b>4,875,000</b>	<b>3,200,000</b>	<b>5,100,000</b>	<b>3,200,000</b>
<b>Total Program Expenditures</b>	<b>18,959,175</b>	<b>22,431,061</b>	<b>14,117,399</b>	<b>10,677,532</b>	<b>17,677,532</b>	<b>9,677,532</b>
Personal Services	1,086,228	856,027	677,635	512,522	848,522	464,522
Transfers - Indirect	3,284,717	3,216,677	1,807,027	1,366,724	2,262,724	1,238,724
PHB Staff/Admin	193,825	1,136,529	338,818	256,261	424,261	232,261
<b>Total Fund Expenditures</b>	<b>23,523,945</b>	<b>27,640,294</b>	<b>16,940,879</b>	<b>12,813,039</b>	<b>21,213,039</b>	<b>11,613,039</b>
Contingency	336,078	4,223,671	4,598,909	460,908	435,043	605,790
Transfers Out	0	0	0	0	0	0
Ending Fund Balance	0	0	0	0	0	0
<b>Total Requirements</b>	<b>23,860,023</b>	<b>31,863,965</b>	<b>21,539,788</b>	<b>13,273,947</b>	<b>21,648,082</b>	<b>12,218,829</b>

### Five-Year Forecast Project Requirements

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
<b>Lents Town Center URA</b>						
<b>Resources</b>						
Beginning Fund Balance	2,994,431	8,076,865	186,845	36,303	25,085	540,477
Interest on Investments	11,000	14,000	6,000	7,000	5,000	6,000
Loan Collections	120,094	122,666	122,666	113,870	105,124	105,124
Property Income	0	2,600,000	0	0	0	0
TIF Proceeds	22,689,384	6,247,821	19,280,793	19,439,912	21,405,268	11,976,420
<b>Total Fund Resources</b>	<b>25,814,909</b>	<b>17,061,352</b>	<b>19,596,304</b>	<b>19,597,085</b>	<b>21,540,477</b>	<b>12,628,021</b>
<b>Requirements</b>						
<b>Program Expenditures</b>						
<b>Business and Industry</b>						
Community Economic Development						
H72030 Community Econ Development	155,000	120,000	325,000	425,000	425,000	425,000
H79020 Business Finance	0	500,000	700,000	700,000	700,000	700,000
H79025 Green Business Grants	0	100,000	0	0	0	0
H79080 Business Development	0	150,000	75,000	75,000	75,000	75,000
General Business Assistance						
H79020 Business Finance	1,100,000	0	0	0	0	0
H79022 Business Retention	100,000	0	0	0	0	0
High Growth						
H79020 Business Finance	0	250,000	350,000	350,000	350,000	350,000
Industry Cluster						
H79020 Business Finance	0	250,000	350,000	350,000	350,000	350,000
<b>Business and Industry Total</b>	<b>1,355,000</b>	<b>1,370,000</b>	<b>1,800,000</b>	<b>1,900,000</b>	<b>1,900,000</b>	<b>1,900,000</b>
<b>Debt Service</b>						
Debt Service						
H98001 Debt Management	10,000	10,000	10,000	10,000	10,000	10,000
<b>Debt Service Total</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Housing</b>						
Multi-Family - For Sale						
H32110 122nd and Pardee	115,000	0	0	0	0	0
H33418 New Homeowner Dev	0	0	600,000	0	0	0
H33438 ROSE/PCLT Homeownership	117,000	0	0	0	0	0
H33441 Dahlia Commons Homeownership	170,000	575,000	0	0	0	0
H33442 Habitat for Humanity #3	287,000	0	0	0	0	0
Multi-Family - Rental Housing						
H32117 Cambrian Park Rental	200,000	0	0	0	0	0
H60010 Foster School Housing Dev	0	0	0	0	1,000,000	0
H89015 Rental Rehabilitation Projects	200,000	200,000	0	0	0	0
H89030 Affordable Rental Housing	0	1,225,000	3,200,000	3,000,000	2,000,000	1,000,000
H89031 The Glen Apartments	3,200,000	0	0	0	0	0
H89032 Beyer Court Apartments	50,000	0	0	0	0	0
H89033 Bush Street Modular Apartments	25,000	0	0	0	0	0
Single-Family - Home Repair						
H32131 REACH Home Rehabilitation	125,000	125,000	150,000	150,000	0	0
H89010 Home Repair Projects	344,901	250,000	300,000	300,000	550,000	300,000
Single-Family - Homebuyer Assistance						
H37930 Scat Site Home Rehab & Subs HAP	1,308,473	0	0	0	0	0
H89020 Home Buyer Assistance	1,493,435	500,000	400,000	700,000	800,000	700,000
<b>Housing Total</b>	<b>7,635,809</b>	<b>2,875,000</b>	<b>4,650,000</b>	<b>4,150,000</b>	<b>4,350,000</b>	<b>2,000,000</b>
<b>Infrastructure</b>						
Facilities						
H60009 LTC Public Facilities	620,000	0	0	100,000	1,500,000	0
Parks						
H13125 Parks Public Improvements	75,000	270,000	205,000	1,615,000	115,000	115,000
Transportation						

### Five-Year Forecast Project Requirements

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
H26714 Streets/Sidewalks LID	25,000	500,000	475,000	0	0	0
H26715 Neighborhood Trans Safety Improvements	1,490,000	2,385,000	1,035,000	860,000	1,250,000	1,000,000
<b>Infrastructure Total</b>	<b>2,210,000</b>	<b>3,155,000</b>	<b>1,715,000</b>	<b>2,575,000</b>	<b>2,865,000</b>	<b>1,115,000</b>
<b>Revitalization</b>						
Redevelopment						
H12209 LTC Town Cntr Redevelopment	3,537,000	2,685,000	3,425,000	3,575,000	2,625,000	1,925,000
H12212 Johnson Creek Industrial Area Revitalization	80,000	100,000	100,000	1,000,000	1,000,000	1,000,000
H27001 Storefront Grants	300,000	300,000	400,000	400,000	400,000	400,000
H27050 DOS Grants	100,000	100,000	100,000	100,000	150,000	150,000
H28030 Redevelopment Loan Projects	500,000	800,000	300,000	300,000	300,000	300,000
H28031 Clean Energy Program	0	1,000,000	0	0	0	0
H60008 SE 92nd Redevelopment	175,000	300,000	500,000	2,000,000	3,300,000	0
H60050 Foster Road Redevelopment	0	300,000	0	0	300,000	0
H60051 122nd Corridor Redevelopment	40,000	0	0	0	0	0
H60052 LTC Comm Livability Grants	20,000	250,000	300,000	300,000	300,000	300,000
H60053 LTC Station Area Redevelopment	0	75,000	3,000,000	0	0	1,395,000
<b>Revitalization Total</b>	<b>4,752,000</b>	<b>5,910,000</b>	<b>8,125,000</b>	<b>7,675,000</b>	<b>8,375,000</b>	<b>5,470,000</b>
<b>Total Program Expenditures</b>	<b>15,962,809</b>	<b>13,320,000</b>	<b>16,300,000</b>	<b>16,310,000</b>	<b>17,500,000</b>	<b>10,495,000</b>
Personal Services	960,874	396,161	782,400	782,880	840,000	503,760
Transfers - Indirect	2,510,596	2,199,179	2,086,401	2,087,680	2,240,000	1,343,360
PHB Staff/Admin	161,596	959,167	391,200	391,440	420,000	251,880
<b>Total Fund Expenditures</b>	<b>19,595,875</b>	<b>16,874,507</b>	<b>19,560,001</b>	<b>19,572,000</b>	<b>21,000,000</b>	<b>12,594,000</b>
Contingency	6,219,034	186,845	36,303	25,085	540,477	34,021
Ending Fund Balance	0	0	0	0	0	0
<b>Total Requirements</b>	<b>25,814,909</b>	<b>17,061,352</b>	<b>19,596,304</b>	<b>19,597,085</b>	<b>21,540,477</b>	<b>12,628,021</b>