



PROSPER
PORTLAND
Building an Equitable Economy

DATE: October 14, 2020
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 20-47

Authorizing the Executive Director to Execute the Third Amendment to the Intergovernmental Agreement between Prosper Portland and Multnomah County for Administration of the PropertyFit Program

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7401

This action by the Prosper Portland Board of Commissioners (Board) will authorize the executive director to execute the third amendment to the intergovernmental agreement (IGA) between Prosper Portland and Multnomah County to administer the PropertyFit program. PropertyFit is a unique, long-term financing program for energy efficiency, renewable energy, water conservation, and seismic resiliency projects in Multnomah County, enabling owners, developers, and investors in commercial buildings to enhance performance and unlock value. Prosper Portland has administered PropertyFit since 2015; this action by the Prosper Portland Board will extend its administration to September 22, 2022.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action aligns with Prosper Portland's Strategic Plan goals by supporting an equitable, innovative and financial sustainable agency. In addition, the program:

- Supports City of Portland and Multnomah County Climate Action Plans and other community goals to reduce carbon emissions, conserve water, and improve seismic resiliency.
- Provides building owners with a cost-effective financing tool to encourage comprehensive building resiliency projects that improve overall building performance.
- Stabilizes the region's economic infrastructure through building improvements that reduce resource consumption; improve seismic resiliency; and increase property value, performance, and marketability of commercial, industrial, and multifamily real estate.
- Stimulates new business development and the creation of new family wage jobs for Multnomah County residents through increased number of building improvement projects.

BACKGROUND AND CONTEXT

Beginning in 2015, Prosper Portland, Multnomah County, and Energy Trust of Oregon partnered to create PropertyFit, a commercial property assessed financing program, to provide Multnomah County commercial, industrial, and multifamily property owners with access to a new form of financing for the installation of clean energy, renewable energy, water conservation, and seismic resiliency improvements. On September 3, 2015, the Multnomah County Board of Commissioners took the following two actions: i.) passing Resolution 2015-097 to establish the PropertyFit program (then known

as the Commercial Property Assessed Clean Energy program, and ii.) passing Resolution 2015-098 authorizing Multnomah County to enter into an IGA with Prosper Portland to administer the PropertyFit on its behalf for a period of five years, expiring in September 2020. Shortly thereafter, on September 9, 2015, the Prosper Portland Board passed Resolution 7144 authorizing Prosper Portland to enter into the IGA, which has been amended twice to broaden PropertyFit to include seismic resiliency improvements and be consistent with State of Oregon statutory enforcement mechanisms. The third amendment, renewal of the IGA, requires Prosper Portland Board approval.

Since launching in 2017, four PropertyFit loans have been closed, totaling \$9,300,000. Each project is funded by a private capital provider that has enrolled in the PropertyFit program. The financing is secured with a benefit assessment lien which has the same priority as a lien for the assessment for local improvements. The assessment lien structure addresses the principal market barriers to investment in building resiliency projects:

- It offers building owners up-front financing for up to 100 percent of the cost of building upgrades.
- The financing is provided at a fix rate and is fully amortized over the term of the financing.
- The maximum term is set at the average weighted useful life of the proposed improvements.
- As an assessment, the cost of the financing may be able to be passed through to tenants in a triple net lease (subject to the terms of that lease).
- The benefit assessment lien automatically transfers to the new owner upon sale of the property.
- In some cases, the cost savings associated with the improvements can cover all or a portion of the benefit assessment payment.
- The senior lien status of the benefit assessment substantially reduces risk, making PropertyFit financing very secure and attractive to investors.

EQUITY IMPACT

A goal of the PropertyFit program is to support the growth and diversity of the Portland region's design, engineering, and construction sectors by encouraging long-term business-to-business relationships between majority- and disadvantaged/minority/women-owned firms. To that end, PropertyFit includes a process to invite minority contractors to enroll as eligible contractors under the program. Enrolled contractors are listed on the program website and this list is provided to owners/developers who apply for financing under the program.

PropertyFit projects funded by private capital providers are not subject to Prosper Portland's Business and Workforce Equity programs. However, if Prosper Portland is providing the funding the Business and Workforce Equity requirements do apply. All program marketing, enrollment, and application materials express Prosper Portland's strong commitment to social equity and asks the capital developer, contractor and/or property owner how the project will help advance social equity.

COMMUNITY PARTICIPATION AND FEEDBACK

Staff did not conduct any public engagement related to the extending the term of the IGA with the County. However, staff convened a five-person advisory group (including representation from the contracting community, building owners, capital providers, and energy professionals) in 2016 to provide input and feedback on the design of PropertyFit. Additionally, the project team conducted specific outreach to the minority and women owned contracting community, including Metropolitan Contractor Improvement Partnership, National Association of Minority Contractors Oregon, and the Hispanic Chamber of Commerce, to seek input and feedback on the design of the contractor enrollment process and to encourage their enrollment in the program. Program staff have also engaged on an ad hoc basis with contractors, capital providers, building owners, developers, and commercial real estate agents to

refine the program and encourage widespread utilization of the program. Most recently, Prosper Portland conducted a webinar to educate multiple audiences about the program and partnered with American Institute of Architects, Building Owners and Managers Association, NAIOP Commercial Real Estate Development Association, and Urban Land Institute to market the program to their members.

BUDGET AND FINANCIAL INFORMATION

The PropertyFit program contributes to Prosper Portland’s financial sustainability goals by generating unrestricted fee revenue. As noted above, to date the program has closed four transactions totaling \$9,300,000, leveraging an additional \$54,000,000 in project investments (Prosper Portland was the capital provider for one of these projects in the amount of \$290,000). These transactions generated approximately \$93,000 in one-time origination fees. Prosper Portland also earns a 0.25 to 0.50 percent annual administrative fee based upon the outstanding balance of the PropertyFit portfolio, providing the agency with a reliable source of fee revenue that will increase as the portfolio grows over time.

RISK ASSESSMENT

This action does not pose additional risk to Prosper Portland, as it simply extends the existing risk Prosper Portland has assumed in administering the PropertyFit program, which is that the cost of operating the program currently exceeds revenue generation.

ATTACHMENTS

None.