



PROSPER
PORTLAND
Building an Equitable Economy

DATE: March 8, 2023
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 23-06
Authorizing an Intergovernmental Agreement with Multnomah County for the Administration of the PropertyFit Program

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7479

This action by the Prosper Portland Board of Commissioners (Board) will authorize the executive director to execute a new intergovernmental agreement (IGA) between Prosper Portland and Multnomah County for Prosper Portland's continued administration of 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 for five years from the date of execution.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This proposed action delivers on Prosper Portland's strategic objective of creating healthy, complete neighborhoods by providing a financing tool that encourages commercial property owners to invest in sustainable building improvements.

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 (Building Resiliency Improvements). These Building Resiliency Improvements provide public benefits that conserve energy and water, reduce greenhouse gas emissions, improve air quality, reduce energy costs, and reduce life and safety risk in the event of an earthquake. They also have the added benefit of fostering economic growth, creating jobs, improving property values, and bringing private investment capital into our markets.

On September 3, 2015, the Multnomah County Board of Commissioners adopted Resolution 2015-097, establishing the PropertyFit program (then known as the Commercial Property Assessed Clean Energy program), and Resolution 2015-098, authorizing Multnomah County to enter into an IGA with Prosper Portland to partner in the design of the program and, once developed, to administer PropertyFit on its behalf for a period of five years, expiring in September 2020.

Shortly thereafter, on September 9, 2015, the Prosper Portland Board adopted Resolution No. 7144 authorizing Prosper Portland to enter into the IGA, which has been amended three times to broaden PropertyFit to include seismic resiliency improvements, be consistent with State of Oregon statutory enforcement mechanisms, and to extend its term to the current expiration date of March 22, 2023. The program design took two years to complete, which included multiple community outreach efforts and was ultimately launched in 2017. Given the program evolution since the original IGA was executed, staff at Prosper Portland and Multnomah County are proposing a new IGA to further extend the term of the PropertyFit program.

PropertyFit 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 following barriers to property owners' 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 fixed 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.
- The form of security is a property assessment. As such, 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.

Each project is funded by a private capital provider that has enrolled in the PropertyFit program. These capital providers manage the origination process and underwrite the project to their individual credit standards. Once their underwriting is complete, the capital provider will send a PropertyFit application package to Prosper Portland for review to confirm that the project meets the statutory requirements of the program and conforms to the Multnomah County program guidelines (see greater detail in the PropertyFit Program Guide in Attachment A).

Since launching the program in 2017, seven PropertyFit loans, totaling \$50,690,000 have closed. These projects will result in Building Resiliency Improvements of nearly 880,000 square feet of commercial space, 35,370 square feet of multifamily residential space (69 units) and will leverage an additional \$290,000,000 in private capital.

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, staff have invited minority contractors to enroll in 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. While PropertyFit projects funded by private capital providers are not subject to Prosper Portland's Construction Business and Workforce Equity Policy, the policy does apply if Prosper Portland is acting as the capital provider and funding the transaction. 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 this proposed action. 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 program design. Additionally, staff 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 program design. 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 utilization.

BUDGET AND FINANCIAL INFORMATION

Since inception, the PropertyFit program has generated approximately \$506,900 in one-time origination fees to Prosper Portland. Prosper Portland also earns an annual administrative fee based upon the outstanding balance of the entire PropertyFit portfolio (currently \$70,000 annually) 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 exceeds revenue generation. To date, originations and annual administrative fees have recovered Prosper Portland's investment in the program.

ATTACHMENTS

- A. PropertyFit Program Guide