

February 2023 public comment draft

Strategic program description

Regulated Multi-Family Affordable Housing Clean Energy – Phases I and II

Clean energy investments in new or redeveloped regulated multi-family affordable housing within the City of Portland

The City of Portland is adding more than 1,700 multi-family affordable housing (MFAH) units in the next five years. This housing will remain affordable for 30 to 99 years and the buildings are likely to be operating well beyond that timeframe. It is imperative that these buildings are built and operated in a way that reduces GHG emissions, reduces operating costs and improves resiliency and health for tenants. Current MFAH development is challenged by ever increasing construction costs. Often, in an effort to maintain the number of units being produced, energy efficiency and renewable measures are cut out of the projects. The result is buildings that offer affordability but do so in a less efficient, less durable and less climate friendly way. By providing a dedicated source of funding for clean energy measures, PCEF funding will ensure that these measures are preserved and deepened in project budgets.

The program is divided into two phases. Phase I are those projects with financial close within 12 months of when Phase II program parameters are defined. Because Phase I projects are further along in their development process there is less opportunity to impact design and contracting decisions so requirements for these projects align with standard requirements for Portland Housing Bureau funded projects with the addition of energy usage modelling and reporting for PCEF funded measures.

5-year budget allocation

- \$60 million total over 5 years
- Phase I funding \$30 to \$40 million for clean energy in ~950 units
- Phase II funding \$20 to \$30 million for clean energy in ~800 units
 - Up to \$30,000 per unit (e.g., 100-unit building = \$3M cap)

All funding through this program is expected to be distributed to projects through the Portland Housing Bureau (PHB). Regulated MFAH projects that do not receive housing-related direct PHB investment would be eligible to participate in this program through PHB.

Phase II projects include those that have financial closing 12 months or more from the date Phase II program parameters are defined. The description that follows applies only to Phase II projects.

Goals, opportunity, and metrics

Funding for affordable housing development is inconsistent. Recent City of Portland and Metro housing bond packages have resulted in high rate of housing development that will slow down

without additional new funding. An estimated 1,750 new units of regulated multi-family affordable housing will be added during the CIP investment period. Ensuring clean energy investments in these properties now, rather than retrofitting later, ensures greater, more durable, and more cost-effective GHG reduction.

Goals:

1. Regulated multi-family affordable housing will, at a minimum, achieve Portland Housing Bureau’s Green Building Policy energy use goals. Current Green Building Policy energy use goals are expressed as an Energy Use Intensity (EUI) and are shown in the table below. Note that building energy use goals will be adjusted for the addition of cooling. Most affordable housing projects are not sufficiently funded to meet current energy use goals. PCEF funding will enable the development of high efficiency, climate resilient, affordable housing.

Year	2025	2030	2035	2040	2050
Net EUI	23	18	12	4	0

2. GHG emissions impact will be modelled based on estimated usage in a code compliant multi-family affordable housing building and one that meets or exceeds PHB’s Green Building Policy energy use goals.
3. All regulated multi-family affordable housing units will have access to appropriate space conditioning, including cooling.
4. Newly constructed projects will be all electric.
5. Newly constructed projects will prioritize disability access, e.g., universal design, smart home and other considerations.
6. Estimated lifetime GHG emissions reduced: [range estimate TBD] metric tons CO2e.

Measures to be tracked and reported include:

- Number of units and buildings improved
- Location of buildings improved
- GHG reduction
- Modelled energy use/savings by building
- Presence of cooling by number of units and square footage
- Improved ventilation/filtration by number of units and square footage
- Demographics of building occupants
- If applicable, installed kW and modelled annual kWh for solar PV

Program requirements (not comprehensive)

- If additional funds are available for new development of affordable housing within the CIP timeframe, PCEF will participate on the review panel(s) that make recommendations related to overall project selection.
- PCEF staff will review and approve final package of energy measures for each project.
- For new construction, PCEF funds may only be used for all electric projects.
- Building must meet or exceed PHB Green Building Policy energy use goals, adjusted for cooling.
- Third party verification of energy measures and modelled usage is required.
- Compliance with PCEF Workforce Contractor Equity Agreement (WCEA) including:

- Utilization rates, informed by market study and to include preference for local businesses in addition to contractor/subcontractor/worker/apprentice utilization rates for race, ethnicity and gender. Note that the market study will be complete spring/summer 2023.
- Safe from Hate training for workers, supervisors and owners.
- Distribute information cards on PCEF requirements to workers.
- Collect and report workforce demographic, trade and wage reporting for workers on contracts of \$300,000 or greater.
- Pay 180% minimum wage for all PCEF funded work.

Eligible uses and expenses

Up to \$30,000 per unit for clean energy measures in buildings that meet or exceed PHB Green Building Policy energy use goals. Private and other government funding contributes to baseline cost (i.e., measures required by Oregon building energy codes), allowing PCEF funds to pay for the marginal additional cost. Leverage for energy improvements may come from other sources including private, other government, and through utility incentives.

Examples of measures that are likely to be eligible for PCEF funds include:

- Marginal additional cost for:
 - High efficiency water heating, electric heat pumps preferred
 - High efficiency heating/air conditioning, electric heat pumps preferred
 - High efficiency ventilation systems
 - Higher value insulation
 - Air sealing
 - High efficiency appliances
- Full cost for:
 - Solar generation
 - Solar storage (coupled with new or existing renewable generation)
 - Electric vehicle (EV) charging stations (cars/bikes) above EV readiness code requirements
 - Tree planting with five years of establishment care
- Professional services (soft cost) eligible costs:
 - Energy modelling associated with PCEF funded measures.
 - Clean energy feasibility studies as agreed upon by PCEF.
 - Repair and maintenance reserve fund for equipment and labor associated with repair and scheduled maintenance of PCEF clean energy measures.
 - Tenant education within one year of project construction completion related to in-unit PCEF funded clean energy measures.
 - Building operator training within one year of project construction completion related to PCEF funded clean energy measures.

Direct benefits and social impact

Financial Benefits and Beneficiaries	Financial savings may go to building owner or to tenants. Project selection will prioritize projects with direct financial benefit to tenants.
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Equity Accountability Mechanisms	<ul style="list-style-type: none"> • PCEF will prioritize: • Projects that are developed by organizations that reflect PCEF priority populations • Projects that provide direct financial benefit to low-income residents • Projects that use universal design principles • Projects that include climate resiliency measures • PCEF staff will work with project partners to ensure accountability to PCEF goals.
Timing of benefits	<ul style="list-style-type: none"> • Phase I projects have financial close within 12 months of date Phase II program parameters are defined. • Phase II projects have financial close 12 months out or further from the date that Phase II program parameters are defined. • Construction of projects is expected to be complete within one to two years of financial close. • Required repair and replacement funding helps to ensure benefits of energy measures for the useful life of the building. • Affordability of units is maintained for 30 to 99 years depending on primary funding source.
Co-benefits	<ul style="list-style-type: none"> • Improved comfort, climate resiliency and indoor air quality, resulting in improved occupant health. • Affordable housing stabilization. • Potential additional tenant services resulting from reduced building operating expenses.

Partner roles

	Description of the strengths, expertise, qualifications, and types of entities that are intended to serve the role
Program management	<p>Portland Housing Bureau will administer funding for this program. PHB is designed to serve the affordable housing market. Their systems and structures are set up to accommodate the myriad of requirements placed on these projects by federal and state governments, and private investors and lenders.</p> <p>PHB is also a funder of many affordable housing projects. Adding the administration of clean energy projects will create efficiencies in project monitoring and oversight, as well as reduce administrative burden for project developers.</p> <p>PCEF will maintain and manage the agreement with PHB, ensuring that PCEF goals and requirements are met. PCEF will work with project partners to evaluate and approve project scopes.</p> <p>If additional funds are available for new development of affordable housing within the CIP timeframe, PCEF will participate on the review panel(s) that make recommendations related to overall project selection.</p>
Education and outreach	Both for-profit and non-profit affordable housing developers and providers are eligible to receive funding.

Implementation	Both for-profit and non-profit affordable housing developers and providers are eligible to receive funding.
Workforce and contractor dev	Funding to support workforce and contractor development can be accessed by non-profit organizations, housing providers, project developers and general contractors on affordable housing projects.

Workforce and Contractor Development and Equity

Funding amount (5-years): TBD based on workforce market study to be completed in April 2023

\$TBD per project will be available to support subcontractor mentoring. Funding can be used to cover time for a general contractor mentor and a minority or women owned subcontractor mentee. Funding will support coaching and mentoring to assist minority and woman owned subcontractors grow their businesses.

Funding will continue to be available to pre-apprenticeship training programs, training for trades relevant to this sector, through the Community Responsive Grant program.

Opportunities

- Large projects are likely to offer more apprenticeable hours.
- Experienced general contractors associated with many MFAH projects may create opportunities to resource and incentivize mentorship of smaller subcontractors owned by priority populations.
- Ability to diversify workforce through utilization rates for contractors, subcontractors, workers and apprentices. Rate will be informed by market study (complete spring/summer 2023), the High Roads Advisory Council, subject matter experts and community input.
- Potential for increasing worker wages for smaller subcontractors whose wage rates may fall below the 180% PCEF minimum wage.

Timeline and implementation

- Phase I projects are underway, PHB and PCEF interagency agreement draft is nearly complete and we anticipate that the first projects will be funded in the next couple of months.
- Phase II projects 12 months from when program parameters are defined.
- Delay in finalizing Phase II parameters could further erode PCEF program ability to impact design and contracting decisions in these projects.