PCEF

Access to Fair & Flexible Capital Market Assessment

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THE BUREAU OF PLANNING & SUSTAINABILITY

Goals for Today's Session

Recap initial priorities for *Access to Fair + Flexible Capital*

Share findings from market assessment and initial plans for a solicitation

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PCEF exists to help Portlanders deal with climate change.

From a grassroots vision to a large-scale government program, PCEF's investments support projects that reduce carbon emissions over time while also addressing the immediate needs of those living on the front lines of our changing climate.

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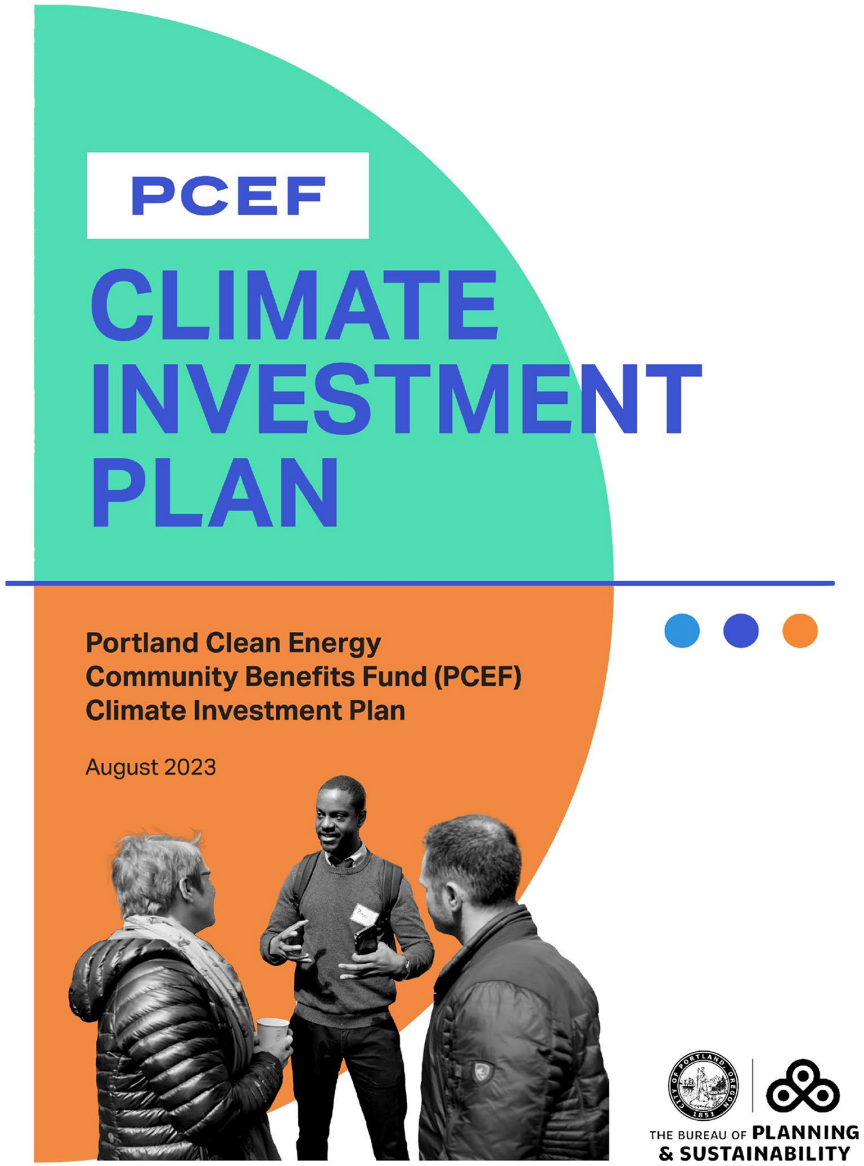

The Climate Investment Plan

$1.6B in climate investments over five years

Community grants

Projects by community-based, nonprofit organizations. Includes the Mini Grants program.

Strategic programs

May be implemented through partnerships with nonprofits, government entities, or businesses.

Collaborating for Climate Action

Implemented through partnerships with nonprofits and government entities.

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Strategic Program 14 (SP14): Access to Fair and Flexible Capital

Total allocation : $45M

High-level desired outcomes:

- Increased investment in home and business energy upgrades.
- Increased workforce and business opportunities for people working in climate-related businesses.

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Climate Investment Plan Direction

Provide **loans and matched savings tools for low- and moderate-income homeowners** to make energy-related improvements, fund critical home repairs, and leverage federal and state incentives.	Provide **loans for businesses, prioritizing small businesses**, to make energy-related building improvements or purchase efficient equipment for commercial use.	Provide loans, including lines of credit, for **businesses owned by members of historically under resourced groups that produce goods or services** that reduce or sequester GHGs to scale up their business operations.

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Complimentary Programs + Audiences

POSSIBLE SP14 INTERSECTIONS

SP1 – Clean Energy in Regulated Affordable Housing ($78.8 M)

- Administered by Portland Housing Bureau (PHB)
- Funds above-code energy upgrades
- Affordable Housing Providers submit new construction projects for funding through PHB.
- Expected to serve +1,700 units
- Program Active now

SP2 – Clean Energy in Unregulated Multiunit Housing ($50 M)

- Externally administered through competitive RFP
- Funds energy upgrades and critical repairs in existing housing.
- Expected to serve 2,500 apartments
- Program launching 2026

SP3 – Energy Friendly Homes ($140 M)

- Administered by Evergreen Energy & partners
- Funds energy upgrades for income-qualified homeowners & rental homes.
- $50k/home for those >80% AMI, $25k for those 120-150% AMI, (match required
- Expected to serve 3,500 homes
- Program Active now

SP14 – Access to Fair & Flexible Capital ($45 M)

- Externally administered through competitive RFP (& Prosper Portland)
- Program structure informed by market study
- Focused on financing gaps for energy efficiency investments
- Program launching 2026

SP4 – Building Energy Efficiency Grants ($25 M)

- Administered by Prosper Portland
- Funds building improvements (up to $200k per site) and energy-efficient appliances (up to $100k per site) for eligible small businesses
- Program Active now

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SP14 Progress & Allocation to Date

- PCEF partnered with Prosper Portland to allocate $15 million for financing energy projects, focused on office to residential conversion and anchor destination improvements.
- Commissioned market assessment, as directed by Climate Investment Plan.

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Market Assessment: Research Findings

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Market Assessment

Scope: Understand needs and experience of community members, as they try to access financing for energy upgrades in Portland and which lending strategies best meet those needs.

Desired findings:

- Which sector to prioritize for financing (e.g., residential, small commercial)
- How much should PCEF develop the scope in the RFP, versus allowing respondents to come with more creative solutions.
- Should SP14 function as a single financing program, or multiple smaller programs.

The Climate Investment Plan directed PCEF to do a market assessment to further define priorities.

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Market Assessment Process

PHASE 1	PHASE 2
Eleven interviews with contractors, lenders, financing program administrators, financing consultants	Desktop research on other similar lending programs

Outputs:

- Findings from interviews and desktop research
- Considerations for a future solicitation to administer this program

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Summary of Findings

FINDING 1

A clear gap exists in available financing options, and there is an opportunity for PCEF to fill that gap with the program.

FINDING 2

Historically, uptake has been driven by cash incentives, marketing/outreach, and aggressive rate buy-downs.

FINDING 3

Contractors will be central to the success of an energy efficiency loan product.

FINDING 4

There are 5 key motivators for community members accessing financing.

FINDING 5

There are 5 primary concerns for community members accessing financing

FINDING 6

There are promising models to consider, each representing unique advantages and disadvantages

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Finding 1: There is a gap in available lending products for energy projects

- Currently available products have one or more of the following disadvantages:
  - Major penalties for missed payment
  - High interest rates
  - Limited in what energy scope is eligible
  - Low caps on loan amounts

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Finding 2: Terms that drive uptake

0% or low-interest financing

Under 5% as motivation.

Long pay back periods

5-15 years, try to match monthly payments to estimated energy cost savings.

Financing for projects $5K-$50K

Offer up to $50K, though lower loan amounts of $5K-$15K are currently less available from lenders and would help focus on necessities (e.g. replacement on burnout) when a whole home retrofit is out of reach.

Allowing a % of financing to support durability issues

Life, health, & safety measures such as asbestos or mold mitigation to prepare for weatherization and insulation.

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Finding 3: Contractors will be central to success

Ease of use

Speed of approval

Under to 10% fee

Upfront payment to contractor

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Findings 4 + 5: Community Motivators and Concerns

Motivators	Concerns
Winter Comfort	Product Quality
Necessity	Upfront Costs
Rising Utility Costs	Approval Challenges
Media & Public Health	Manufactured Homes Market
Climate Crisis	Gas-to Electric Conversions Financial Payback

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Findings 6: Promising Models

Loan Loss Reserves

Interest Rate Buy-Down

Rebates & Incentives

On-Bill Financing

Marketing Direct to Contractors

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Market Assessment: RFP Design Recommendations

RFP Recommendations

1. Prioritize the residential sector

2. Allow for creative responses

Respondents propose tailored approaches, leveraging expertise as lenders to define financing terms, operational partnerships, and other key programmatic components

3. A single program is more likely to catalyze energy benefits at scale

- Drives visibility and minimizes consumer confusion
- Constrains administrative costs
- Follows market signals
- Fits geographic constraints

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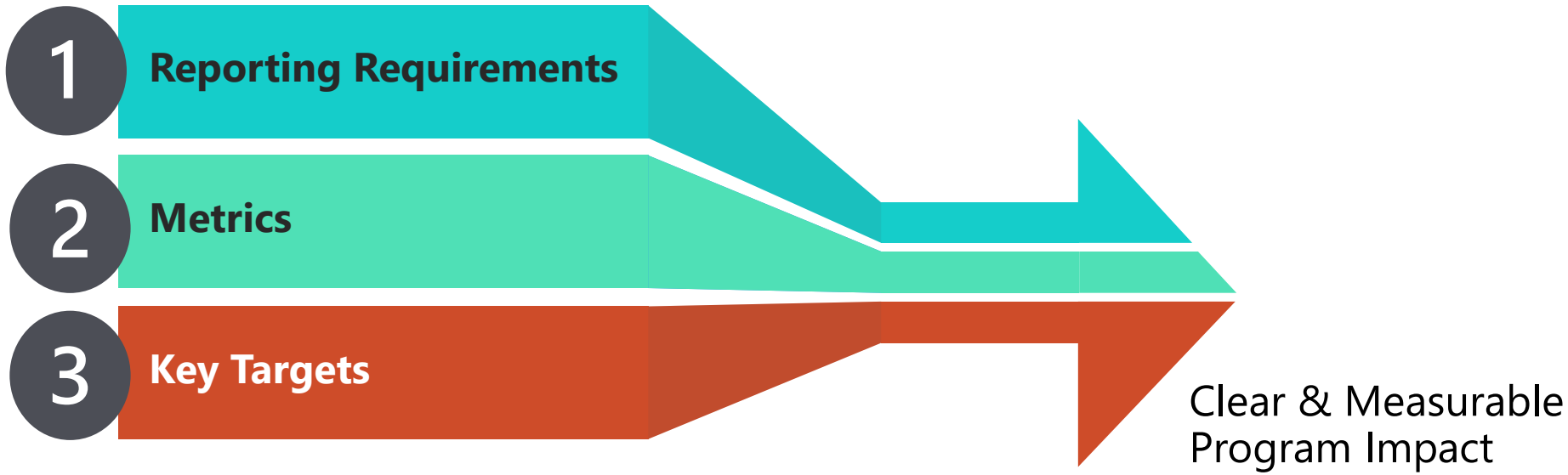
Additional RFP Recommendations



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Potential RFP Metrics

#	Key Performance Indicator	Category
1	Annual Energy Savings (MMBtu/kWh)	Energy
2	GHG Emissions Reduced (tCO_2e)	
3	Measures Installed by Type	
4	% Whole-Home Retrofits	
5	Avg. Energy Cost Savings/HH ($/yr)	
6	Fuel Type Conversion Rate (gas→electric)	
7	Leverage Ratio (private:public $)	Finance
8	Loan Default/Loss Rate	
9	% Projects Serving LMI HHs	Social
10	Energy Burden Reduction (pre/post)	
11	% Projects in DAC/EJ Communities	
12	Contractor Workforce Diversity (MWBE%)	
13	Assessment-to-Completion Conversion Rate	
14	Participant Satisfaction / NPS	
15	Equity Participation Index (LMI vs. overall rate)	
16	Language Access / Culturally Responsive Outreach	

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> *A partnership would be needed or some guidance from the program that says 'you do X and this is the expected emissions [reductions], and this is what you get credit for.*
>
> *Non-Profit Lender, Consumer*

Targets

Setting a **target number of households** to reach per year or target leverage ratio for the funds. For remaining impact metrics, PCEF should request **respondents provide estimated impact based on the proposed program design**, allowing PCEF to evaluate different approaches based on informed estimates from experienced lenders and/or program operators. PCEF should also be clear on financial requirements, such as if the fund needs to revolve.

Reporting Requirements

- Lenders are comfortable reporting on demographic data, income levels, and information about project scope and measures; non-profit lenders in particular are accustomed to this type of reporting.
- Lenders typically are not going to be able to report on energy savings associated with a financed project, but would work with partners on these calculations.
- Lenders could report on what upgrades were made as part of the project, but not on the associated energy savings.

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RFP PLANNING

What's next?

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Planning to Solicit this Summer

- **May run joint solicitation with electric vehicle financing program**
  - Bidders would not need to bid on both options
- **Encouraging proposals that can maximize spending by July 2029**
  - Spending no later than June 2030
- **Likely to prioritize residential energy efficiency retrofits**
  - Open to some small commercial
  - Strong opportunity to offer financing to Energy Friendly Homes projects that need to provide a funding match (~1,000 homes)
  - Program will need to be able to track energy upgrades associated with lending

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Eligible to Bid on Strategic Program 14

- Nonprofit organizations with a track record of managing financial transactions
- Entities registered as Community Development Financial Institutions (CDFIs)
- Cooperative credit unions
- Lending institutions with a physical branch presence in Portland
- Public agencies based in Portland with financing programs for commercial and multifamily properties

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Requesting your Input

- **Following this session, we'll share:**
  - A link to the market assessment
  - A link to the recording from this session
  - A survey, inviting your feedback on the market assessment

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Q & A

THANK YOU!

portland.gov/bps/cleanenergy

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