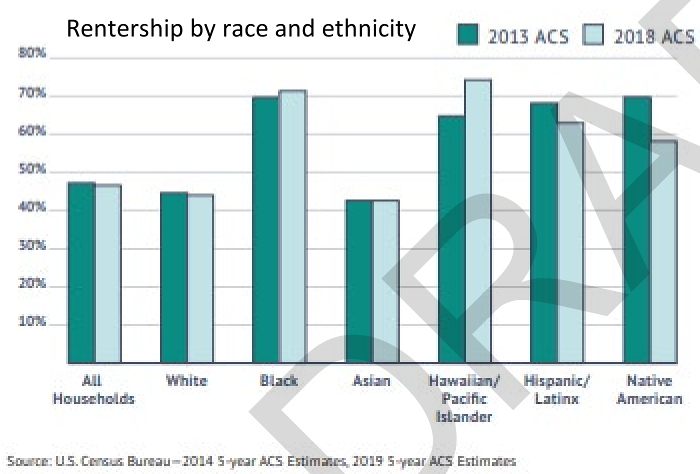
Strategic program - draft

Clean energy for multifamily rentals

Investing $50 million over five years to provide energy improvements in more than 2,600 multi-family rentals, providing health and financial benefit to low-income tenants.

There are roughly 58,000 households in Portland earning less than 80% Area Median Income (AMI) and living in multi-family housing. Around a quarter of these households can access regulated affordable housing, the remainder live in unregulated multi-family rentals (sometimes called naturally occurring affordable housing). Black and Indigenous households have the highest rate of rentership by race in Portland and lower than average median income.



This program is intended to accelerate installation of clean energy measures in this housing stock, generating carbon reduction as well as financial and health benefits for low-income tenants.

This sector of the housing market has been historically difficult to access for clean energy programs due in large part to lack of property owner interest or willingness to participate. The most effective mechanism to generate interest and commitment to energy investments is through policy that requires buildings to meet specific energy performance standards. In the absence of such a policy in Portland, the program is designed to attempt to address three key barriers to property owner willingness to participate:

- Property owners don't usually pay the utility bills and when they do they can pass on costs to tenants so there is no financial incentive to reduce energy use.
- Property owners have limited time to navigate complex programs and may not understand the benefits of energy improvements or have the time to learn about them.
- Property owner intolerance for program requirements.

A minimum three-year rent stability agreement will be required, and investments will be scaled based on the length of the agreement up to nine years. Eligible energy measures will be informed by an energy assessment and will target systems with high carbon and utility bill savings potential, including heat pumps, hot water heating systems, and attic insulation. The average PCEF investment per unit is estimated to be $15,000, meaning on average, a fourplex could receive $60,000 in energy improvements.

Goals, opportunity, and metrics

The **goals** of this strategic program are to:

1. Greenhouse gas emissions reduction
2. Invest in clean energy improvements in 2,625 unregulated multi-family housing units
3. 15%-20% average reduction in energy usage for low-income tenants
4. Ensure low-income tenants have access to appropriate cooling
5. Improve comfort and health for low-income tenants

Opportunity: There are approximately 107,000 low-income households in Portland who have income less than 80% AMI. More than half of these households are renting in duplexes, triplexes, quadplexes, and apartments.

Categories	***Number of Households***	***Single Family Households***	***Multifamily Households***
Low-Income	107,450	49,471	57,979
People of Color	57,687	29,764	27,923
Low-Income and People of Color	36,782	15,881	20,901

This sector of the rental market is characterized by older buildings, owners with smaller portfolios, and is largely unserved by energy/climate programs. Because unregulated affordable housing often has deferred maintenance and, in most cases, tenants are paying utility costs, there is great opportunity for direct improved health and financial benefits to tenants.

Historically, unregulated multi-family housing has been an extremely hard to reach market for energy programs. Primary barriers in reaching this market are listed below.

- Split incentive – the person paying the utility bills is not the same person that makes decisions about investments in the building. In this case renters are usually paying utility bills so they would benefit from energy improvements, but the property owners are the people who make decisions about what improvements can happen, and they don't have that same financial incentive (utility bill savings).
- Time – implementing an energy improvement project, and interacting with a government program, can feel complicated and time consuming. Unless there is a compelling reason, the vast majority of property owners do not make this effort.
- Program requirements – rental covenants and match requirements can impact property owner willingness to participate.

This program will attempt to overcome these barriers by:

- Adequately resourcing outreach, engagement, education and marketing efforts.
- Limiting match requirement to 25%.

- Offering escalating investment levels with increased commitment to rent stability.
- Allowing 30% of PCEF funds to be used for life, health, safety measures which are likely known liabilities to the property owners.
- Program delivery designed to minimize property owner time and management.

Metrics to be tracked and reported include:

- Number of buildings and units improved
- Occupant numbers and demographics
- Location of buildings and units improved
- Modelled or deemed energy use/savings/generation by unit and building
- Number of units to which heat pump cooling technology is added
- Number of units with improved ventilation/filtration
- Workforce (including apprentices, workers, subcontractors and contractors) demographics, hours and wages

Direct benefits and social impact

Financial Benefits and Beneficiaries	• Utility bill savings will primarily be a direct financial benefit to low-income tenants • Investments in the building will be a financial benefit to property owners, including potential use of 30% life, health, safety construction budget allowance to pay for deferred maintenance.
Equity Accountability Mechanisms	• PCEF will prioritize projects that are administered by organizations that reflect the community they intend to serve. • All projects will include a rent stability agreement. • Accessibility improvements are eligible life, health, safety improvements
Timing of benefits	• Program launch winter 2023 with first projects anticipated in fall 2024. • Durable energy efficiency improvements will begin generating benefits immediately and have estimated useful life of 20-25 years. • Rent stability covenants will last between 3 and 9 years.
Co-benefits	• Tree planting and other limited green infrastructure improvements.

Partner roles

PCEF will release requests for proposals (RFP) inviting both non-profit and for-profit organizations to apply to fulfill the following program administration tasks: administration coordination, tenant and property owner outreach and engagement, program sales and marketing, technical assessment and management of energy project implementation. Partnerships will be encouraged. From this solicitation, PCEF will make no more than three awards.

Each of the up to three awards will be to organizations that have the capacity to offer a single point of contact for program participants and partners. Program participants include tenants and property owners. Program partners may include subcontractors performing additional functions including outreach and engagement, marketing and sales, technical assessment and energy project implementation.

Priority will be given to applicants that:

- Reflect the communities they intend to serve
- Demonstrate strong partnerships with culturally specific organizations
- Demonstrate technical and administrative capacity to complete work

Workforce equity

5-year funding amount: $2.0M

To align contractor and workforce capacity with the demands of this program as well as the larger market, and to take advantage of a centralized coordinating administrator role, PCEF will support and fund worker training, as well as capacity building/mentorship for implementation partners and priority population contractors.

Workforce and contractor development investment goals:

- 350-400 green building and equipment installation trainings for workers
- 5,000 hours of building science technical mentorship for contractors
- Retention grants for up to 50 new workers and 25 contractors

Requirements

- 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 and Respectful Jobsite 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 $5,000 or greater
    - Pay 180% minimum wage for all PCEF funded work.

Timeline and implementation

Program launch is anticipated in winter of 2023 with first projects in fall of 2024. The program will likely start with heavy investment in marketing and lead development with a goal of full operation at year three.