



Bureau of Planning and Sustainability

Strategic program - draft

Clean energy in small commercial buildings and businesses

Invest \$25 million over five years in clean energy for 100 small businesses and 75 small commercial buildings, prioritizing investment in BIPOC owned businesses and buildings.

Portland has over 11,000 small commercial buildings and nearly 70,000 small businesses. Small businesses often operate on tight margins and have less resiliency to the impacts of climate change. Many small businesses are also still emerging from financial hardships caused by the COVID-19 pandemic.

This program is intended to reduce energy use and cost and create health benefits and increased resiliency benefits for small BIPOC owned businesses in Portland and to reduce carbon emissions associated with small commercial buildings in which many of them operate. Small businesses will be eligible for appliance and equipment efficiency upgrades; small commercial buildings (less than 20,000 square feet) would be eligible for building improvements if they are occupied, owned or leased, by a qualifying small business. These investments will result in energy and carbon savings as well as improved comfort, health and resiliency.

The small commercial building sector experiences the same split-incentive issues as residential rental properties. Most small businesses are tenants, and they are the ones who pay the utility bills and would directly benefit from energy and renewable upgrades, but the building owner makes decisions about building upgrades. This means there is no direct financial incentive for the building owner to invest in energy upgrades. There is also concern that improvements to small commercial spaces can have the unintended consequence of increasing rent to a level which may not be affordable for the current business tenants, causing displacement.

To mitigate these barriers and concerns, the program will offer a two-pronged approach, investing in clean energy upgrades for business-owned appliances and equipment as well as investing in durable building upgrades which focus on improving comfort and air quality for occupants (e.g., HVAC and insulation), when there is an incoming or current qualifying small business owner or tenant. The maximum PCEF investment for appliances and equipment is \$100,000 per business. The maximum PCEF investment for building upgrades is \$200,000 per building, with a required 25% property owner match.

Goals, opportunity, and metrics

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

- Reduce greenhouse gas emissions
- Create energy savings for BIPOC business owners
- Improve working conditions in ways that improve health and lower the cost for BIPOC business owners, workers, and patrons
- Contribute to small business stability and resiliency

Opportunity: There are nearly 70,000 small businesses in Portland and over 11,000 small commercial buildings.

Small commercial buildings (less than 20,000 square feet) are largely overlooked by City and utility energy programs aimed at reducing carbon emissions in commercial buildings. Small commercial buildings represent over 80% of all commercial buildings in Portland and 20% of the total commercial square footage. While this sector can be difficult to access for climate programs, ignoring these buildings and businesses is a missed opportunity for the climate and for the small business economy in Portland.

As noted above, small businesses are often renting commercial space and paying the utility bills but are not the decision makers regarding clean energy upgrades to the building. This creates a split incentive with building owners who are not the direct beneficiaries of the cost savings, business resiliency and health benefits associated with these upgrades.

This program aims to maximize climate and small business benefits and address barriers by:

- Prioritizing investment in businesses in high energy-use sectors with high energy-savings opportunities such as food service, food sales, small manufacturing, lodging and laundromats.
- Requiring a small match, 25%, by building owners
- Creating pathways to easily accessible, low-cost, low-barrier financing to cover the match
- Providing energy assessments to determine the highest efficiency solution for both building improvements and high efficiency appliances and equipment
- Maintaining vendor and contractor networks to facilitate turnkey projects
- Providing direct install projects to minimize business disruption

Metrics to be tracked and reported include:

- Number and type of appliances replaced
- Number and location of buildings improved
- Number and type of businesses served
- Square footage of buildings improved
- Business owner demographics
- Number and type of clean energy upgrades installed
- Modelled or deemed energy use/savings/generation by appliance and building measure
- Workforce reporting (including apprentices, workers, subcontractors and contractors) demographics, hours and wages for work on building improvements

Direct benefits and social impact

Financial Benefits and Beneficiaries	<ul style="list-style-type: none"> • Building upgrades will create utility savings for utility bill payers, usually building occupant, and will benefit building owner through asset investment • Appliance and equipment program will create energy savings and provide a valuable asset that stays with the business owner
Equity Accountability Mechanisms	<p>PCEF will prioritize:</p> <ul style="list-style-type: none"> • Program administrators that that have a successful track record working with BIPOC owned businesses and that reflect the communities they serve

	<ul style="list-style-type: none"> • Projects that provide direct financial benefit to priority population owned businesses and buildings • Projects that use universal design principles and integrate smart technology • Projects that include climate resiliency measures <p>PCEF staff will work with project partners to support alignment with PCEF values.</p>
Timing of benefits	<ul style="list-style-type: none"> • Program launch by mid-2024 • Appliance and equipment program online by winter 2024, amount of savings and useful life of equipment is highly variable • Commercial building upgrade program online by winter 2024 with expected useful life of 20 years
Co-benefits	<ul style="list-style-type: none"> • Improved comfort, climate resiliency and indoor air quality, resulting in improved building occupant health • Business resiliency and stabilization • Potential for reduced building and business operating expenses

Partner roles

PCEF will select one or more program administrator(s) through an RFP which will serve the following purposes: marketing and targeted outreach, project development and management, facilitate energy assessments and analysis, develop vendor relationships, collaborate with other funding and financing resources, and deliver low impact, turnkey projects to businesses and building owners.

Eligible RFP applicants will be non-profit or for-profit businesses with a successful track record for working with BIPOC owned small businesses, delivering wrap around services to address barriers. Selection criteria will prioritize organizations that reflect the communities the program will serve.

Workforce and Contractor Development and Equity

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

Intended program launch is by mid-2024 with the appliance and equipment program online by winter 2024 and the building upgrade program online by winter 2024.