



## BOARD OF COMMISSIONERS

# AGENDA REQUEST & STAFF REPORT

**MEETING DATE:** March 16, 2022

**SUBJECT:** CPACE Discussion and Possible Board Direction

**RECOMMENDED MOTION:**

Provide staff direction.

**BACKGROUND AND POLICY IMPLICATIONS:**

On December 6, 2021, staff presented to the Board the Commercial Property Assessed Clean Energy (CPACE) concept. This staff report provides an update on items the Board requested as well as other general updates.

**CPACE OVERVIEW**

Commercial Property Assessed Clean Energy (CPACE) is a funding mechanism to pay for clean energy projects. CPACE programs vary based on specific state and local government guidelines. Generally, the mechanics work as follows: a commercial building owner receives long-term financing for capital improvements that reduce energy consumption or generate energy. The building owner repays the cost of eligible improvements through a benefits assessment (similar to a local improvement district assessment).

**FOLLOW-UP and OTHER UPDATES**

Below is a list of follow-up items and other updates since the Board's discussion on CPACE in December.

- Questions about Benton County and the City of Corvallis CPACE efforts. See attached memo from County Counsel Dave Doyle dated December 10, 2021. Benton County and the City of Corvallis are not currently adopting jurisdiction-specific CPACE programs. Instead, they have determined that a single statewide program

would be more efficient, provide more funding opportunities, allow more people to use the program, and reduce costs with a single administrator.

- Discussion with 350 Deschutes that Michael Yaki, Senior Vice President and Sr. Counsel for Petros PACE Finance, LLC has offered to provide model Oregon CPACE Local Program document – see attached memo dated January 13, 2022 from County Counsel Dave Doyle.
- Input from County Assessor Scot Langton on CPACE administration – see attached memo dated February 3, 2022 from Scot Langton.
- Commissioner Chang recently asked for a list of possible CPACE projects that may be ready to go should the program be approved. In response, staff reached out to business that have contacted the Board about CPACE as well as to 350Deschutes. “Attachment A” lists potential projects as reported by businesses and individuals who have contacted the Board.
- Commissioner DeBone asked how CPACE financing mechanics work versus a traditional bank loan. “Attachment B” shows a side by side comparison of funding energy conservation projects via bank loan compared to a CPACE lien.

## C-PACE OPTIONS

The following are options for Board discussion/consideration:

1. Status quo – not move forward with CPACE.
  - Pros:
    - Allows time for Oregon CPACE programs to mature. The County could see if a statewide program moves forward and/or see how other CPACE program perform.
    - With rapid development already occurring in Central Oregon, the program may not be necessary to spur development.
    - Maintains the intended purpose and use of the property tax system.
    - Doesn't change the order of lien holders on a property. The CPACE assessment becomes senior above any other liens.
    - Not all CPACE program have been successful. Some have resulted in no projects or a low number of projects. The Clark County, Washington program has been identified as a model program. However, the state of Washington has requirements for commercial building energy efficiency measures which increases demand for CPACE projects.
  - Cons:

- Missed opportunities to fund projects that may be ready to go now.
  - Program provides incentives for energy conservation that may not happen without CPACE.
2. Establish the tax assessment process and allow interested cities to set up CPACE programs for their jurisdiction.
- Pros:
    - Most CPACE development will occur in cities, let cities implement CPACE if they are interested.
  - Cons:
    - If individual cities implement CPACE, there may be a lack of uniformity and missed opportunity to pool together staff resources for one program.
    - Implementation will likely take longer as compared to option 3.
3. Set up a Deschutes County CPACE program for projects in the rural county and identified cities. If this option is selected, then decide whether to:
- a. Find a third-party to operate and manage the program. For example, Multnomah County contracts with Prosper Portland (formerly the Portland Development Commission) to manage its program; or
  - b. Move forward with CPACE with a mix of using Deschutes County staff and a third-party administrator; or
  - c. Explore the possibility of forming a consortium of Oregon cities/counties to operate and manage the program.
- Pros:
    - Provides uniformity for CPACE within Deschutes County.
    - Sooner implementation than options 2 or 4.
  - Cons:
    - As CPACE programs are implemented in other parts of Oregon, there may be a lack of uniformity among the programs.
    - The County would take the lead on a program that is likely to have a majority of projects in the cities.
    - Additional county resources required to implement and manage program.
4. Wait for a statewide CPACE program. There is a consortium of Oregon cities/counties that are meeting regularly to discuss a path forward for a statewide program.
- Pros:
    - A statewide program would provide uniformity, efficiencies, more financing opportunities, and reduce administration costs.

- Cons:
  - Less local control.
  - No guarantee that a statewide program will develop.
  - If it did, longer timeline before the program is up and running, possibly missing out on projects that are ready to go now or in the short run.

If the Board directs staff to implement options 2 or 3, the Board will need to direct staff to first prepare a draft ordinance for Board consideration and possible adoption. Also, if the Board adopts a CPACE ordinance, staff anticipates needing several months to develop the program and materials before accepting applications as well as adding additional staff capacity to start up and manage the program.

#### CONCLUSION

Staff will lead the discussion and seek Board direction on CPACE.

#### **BUDGET IMPACTS:**

TBD, based on Board direction.

#### **ATTENDANCE:**

Erik Kropp, Deputy County Administrator

Scot Langton, County Assessor

Greg Munn, CFO/Finance Director