



BOARD OF COMMISSIONERS

AGENDA REQUEST & STAFF REPORT

MEETING DATE: December 6, 2021

SUBJECT: Commercial Property Assessed Clean Energy (C-PACE)

RECOMMENDED MOTION:

N/A

BACKGROUND AND POLICY IMPLICATIONS:

At the December 6, 2021 Board meeting, staff will discuss the Commercial Property Assessed Clean Energy (C-PACE) concept.

C-PACE

Commercial Property Assessed Clean Energy (C-PACE) is a funding mechanism to pay for clean energy projects. C-PACE programs and application 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).

C-PACE PROGRAMS

Staff conducted a survey of C-PACE programs throughout the United States (results are attached). The following jurisdictions responded: Hartford, CT; Milwaukee, WI; Omaha, NE; and San Francisco, CA. The survey found that some programs have been deemed successful (Milwaukee) and others have not been due to low project volume (San Francisco). Respondents also answered questions about the administrative work involved (generally at least 0.5 FTE or outsourced), performance metrics, and general advice.

In addition, there are C-PACE programs in Clark County, WA and Multnomah County (administered by a non-profit) and potential interest in Benton County, the City of Corvallis,

and others. The Clark County C-PACER (Commercial Assessed Clean Energy and Resiliency) program was established by ordinance in October 2021. Clark County has a C-PACER Program Guidebook with the following contents: project application and checklist, assessment agreement, notice of assessment interest and C-PACER lien, assignment of notice of assessment interest and C-PACER lien, lien holder notice and consent, certificate of qualified improvements, certificated of capital provider qualifications, and certificate of C-PACER improvements completion. Attached is a list of questions posed to Clark County staff about C-PACER and their response.

Locally, the nonprofit organization 350Deschutes, is advocating implementation of C-PACE. 350Deschutes submitted a letter of support to the Board along with a list of key supporters (both are attached).

BACKGROUND INFORMATION AND POLICY DISCUSSION ITEMS

Listed below is general background information pertinent to the C-PACE discussion:

1. In most states, C-PACE debt service payments flow through the tax office, but not in Oregon. In Oregon, the program is set up as a benefit assistance lien which is similar to an LID (Local Improvement District) in terms of collection on default. Foreclosure can occur within a year, as compared to up to six years for property taxes.
2. To begin and operate a C-PACE program, local governments must implement or contract out the following tasks: draft and adopt an ordinance, set up program fees, develop the program, market the program, work with lenders, draft contracts, set up the tax assessment process, collect the assessment fee, transfer the fee to the lender, and foreclose on properties if necessary.
3. If a city within Deschutes County wanted to start their own C-PACE program, the County would need to set up the tax assessment process to secure the loan and foreclose on the property if necessary.
4. With C-PACE, the loan is secured by the property tax assessment and the lien holder is junior only to the property tax assessment.
5. Since most large scale commercial developments occur in cities, it is anticipated that very few, if any, C-PACE projects would occur in unincorporated Deschutes County. There is presently no known demand for a C-PACE program loan in the County.
6. If Deschutes County implemented a C-PACE program, should the fees cover the cost or should the general fund pay for all or a portion of the costs?

C-PACE OPTIONS

The following are options for Board discussion/consideration:

1. Status quo – not move forward with C-PACE.
2. Establish the tax assessment process and allow interested cities to set up C-PACE programs for their jurisdiction.
3. Set up a Deschutes County C-PACE 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 C-PACE 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.

CONCLUSION

Staff will lead the discussion and seek Board direction on C-PACE.

BUDGET IMPACTS:

TBD

ATTENDANCE:

Erik Kropp, Deputy County Administrator