CITY OF



PORTLAND, OREGON

Dan Saltzman, Commissioner 1221 SW Fourth Ave., Room 230 Portland, Oregon 97204 (503) 823-4151 Fax: (503) 823-3036 dsaltzman@ci.portland.or.us

February 9, 2007

To: Mayor Tom Potter

Commissioner Sam Adams
Commissioner Randy Leonard
Commissioner Erik Sten
Auditor Gary Blackmer

OMF Financial Planning Division

From: Dan Saltzman

Brendan Finn, Initiative Coordinator

Subject: Sustainable Industries/Clean Energy Initiative Submittal

Thank you for the thoughtful input and ongoing support in crafting this proposal. With sustainable economic development being one of Council's shared priorities, this effort will put Portland at the forefront in attracting and retaining sustainable businesses.

The attached copy has been revised from earlier versions to bolster our focus on increasing the capacity for business development in sustainable industries. It is comprehensive in scope to reach new and growing sectors of our economy. It also provides the flexibility needed to adapt in the ever-changing field of sustainable technologies.

The initiative will build on and continue the work led by Commissioner Leonard on biofeuls, while furthering the promotion of green building, energy efficiency, solar and wind power. A major focus of this effort is to engage our private sector partners to improve conditions for sustainable businesses to thrive.

The components of this initiative have not been prioritized intentionally. To promote one effort or approach over another will undermine the intent of this proposal. The essence of the initiative is to demonstrate that Portland will pursue multiple solutions to energy and economic challenges. That being said, this initiative is scalable as far as overall investment.

Sustainable Industries/Clean Energy Initiative FY 2007/08

Background

Renewable energy, energy efficiency, transportation bio-based fuels and green building present enormous opportunities to promote local economic development and advance key environmental goals. The options for reducing demand for conventional fuels and increasing purchases and local production of alternative energy sources are huge.

In 2005, Portland businesses and residents spent more than \$1.2 billion on gasoline, diesel, electricity and natural gas, an increase of \$140 million over 2004. Instead of spending money on these energy sources, some of these dollars could have been invested in energy efficiency improvements using local labor or the purchase of cleaner energy fuels produced, at least in part, in the Pacific Northwest. This rapidly increasing dollar flow out of the community for energy is a considerable drain on the local economy that also exacerbates global warming and local air pollution.

Through its own practices and by implementing policy and programmatic initiatives, the City of Portland (City) can begin to redirect the flow of local dollars from fossil fuel interests toward clean, regionally produced products and services. At the same time, the City can help to address global warming and improve local air quality and related personal health issues. The forthcoming recommendations from the Council initiated Peak Oil Task Force are also expected to underscore the urgency of accelerating the City's efforts to transition away from fossil fuels.

The purpose of this initiative is to expand the sustainable industries sector of the Portland regional economy. The primary focus is clean energy technologies including:

- 1) Increased development, production and use of bio-based fuels, solar and wind power.
- 2) Enhanced demand and local supply of energy efficiency and green building technologies and services.

In addition, efforts will be made to promote sustainable development by helping new and existing companies create local jobs in industries that provide new technologies, products or services that are more efficient, use renewable or recycled resources and are less polluting. Efforts will focus on both building demand for these products and services and by helping new and existing firms more effectively reach the marketplace.

This initiative will continue efforts of the Office of Sustainable Development (OSD) and the Portland Development Commission (PDC) started in FY 2006/07. With guidance from the Sustainable Development Commission, OSD will lead the partnership with PDC, BDS, Planning, Government Relations and other city departments closely involved. Many non-profit and for-profit business organizations and individual companies will spur the effort to create a network of thriving firms focused on sustainable development. In addition, many efforts are currently underway with funding from outside sources and one-time funds from the City.

Sustainable Industries/Clean Energy Initiative

GOAL

Expand the sustainable industries sector of the Portland regional economy with a primary focus on renewable energy, transportation bio-based fuels, green building and energy efficiency technologies and services.

TOTAL BUDGET

One-time General Fund	\$1,100,000
On-going General Fund	650,000
TOTAL	\$1,750,000

OBJECTIVES

Objective One: Increase bio-based fuel production and sales from regionally produced feed stocks by implementing City and state legislation, providing financial incentives, and delivering education and outreach. (\$750,000 total)

- A. Provide support innovation and infrastructure in the local industry through the Biofuels Investment Fund. Funding will be awarded through a competitive process to businesses and organizations that can deliver significant increases in:
 - the number of gallons of bio-based fuels produced and sold in Portland;
 - o the number of gallons of bio-based fuels produced from Oregon feed stocks: and
 - o the number of jobs in the bio-based fuels sector in Portland, and secondarily in Oregon. (\$450,000)
- B. Accelerate the spread of bio-based fuels throughout Portland by providing small grant awards to filling stations that provide high blends of bio-based fuels. Award grants to add 30 high blend bio-based fuels pumps in Portland. (\$150,000)

C. Fund research to support the implementation of Portland's renewable fuel standard and foster technologies that allow widespread distribution of bio-based fuels, including fuel testing, retail dispensing technologies, and feedstock research. (\$50,000) This effort will coordinate closely with PSU's Center for Sustainable Processes and Practices, as well as with the newly formed Oregon Bio-economy and Sustainable Technologies Research Center (BEST). BEST, a joint effort of PSU, the University of Oregon, and Oregon State University as well as other institutions, is focused on commercialized research in the areas of clean energy, bio-based products, and green building.

BEST's research in the area of clean energy will initially focus on the technical side of biofuel feedstock development (for example, conducting a bio-fuel feedstock inventory and supporting research in the development of cellulosic ethanol) but it can also contribute research related to distribution, performance evaluation, and other energy system issues.

D. Provide education and outreach programs and technical assistance to implement City biofuels legislation and convert large diesel fleets to biodiesel and increase the use of biofuels by individual consumers. (\$100,000)

Objective Two: Promote sustainable industry retention, expansion and recruitment with a focus on clean energy technologies, green building and energy efficiency. (\$650,000 total in on-going funding)

- A. Promote business retention and expansion. Launch a one-stop center offering a comprehensive package of resource conservation services for Portland businesses. The center will streamline access to financial incentives and technical assistance for resource conservation and sustainable business development. These services will be tailored to help each business conserve resources, improve efficiency, save money and provide a healthy and quality workspace for employees. More than \$375,000 has been committed for this partnership effort for the first three years. The partners involved to date are OSD, Water, PDOT, PDC, Energy Trust of Oregon, PGE and Pacific Power. (\$60,000 as match for additional partner funding)
- B. Analyze current economic competitiveness of the Portland area as it relates to industries involved in solar, wind, energy efficiency, biofuels, green building and sustainable foods. Identify those companies that will benefit from location in the Portland region, including strategic companies that serve and leverage the expertise of this sector. This research should be able to quickly respond to changing market conditions and target specific investors, by providing in-depth research and expertise into these specific industries. Such timely information would provide key knowledge that would allow us to identify and engage

strategic players in the solar, wind, energy efficiency, biofuels, green building and sustainable foods industries on a timely basis.

Provide a matching investment program that can be used to leverage private venture capital and investment funds directed at this sector in our area. Financial companies specialized in this sector have already identified this region as a prime location for investments in alternative, clean energy. In order to engage their investment we need tools that are capable of matching private investment to accomplish both an acceptable ROI and fulfillment of regional public policies that encourage development of expertise and industry in this sector.

The objective of these two strategic programs would be to identify at least 10 new technology, product or service providers who currently are located in other North American or European cities and are looking to expand their operations . The objective is to locate five strategic "sustainable" businesses in Portland that will establish this region as a leader in this sector. Focus on clean energy (such as solar, wind, energy efficiency, biofuels), green building, and sustainable food. The capacity of the Oregon BEST center will be an important part of a recruitment and marketing strategy. (\$150,000 to PDC)

- C. Build on the successful PDX Lounge concept. Promote business expansion through sustainable industry leaders campaign in such venues as the US Green Building Council annual conference. Support and sponsor targeted opportunities that align local Portland sustainable industry leaders with platforms to recruit business and talent to Portland and provide local businesses with opportunities to co-market their sustainable services, products and technologies. (\$60,000 as match for \$100,000 private funds)
- D. Establish a formal network of local companies offering sustainable products and services. A survey of local sustainable industry companies identified as the need for a network as a top priority. This would provide seed funding to enable local sustainable industries to meet regularly to co-market their services, share experiences, identify joint educational needs related to capital, investing, human resources, etc. Funding will enable OSD to work closely with PDC and private industry leaders to provide hands-on, customized assistance, supporting materials and informational resources for local businesses to spur growth and attract talent. Research and development issues identified by businesses in the network can be channeled to PSU and Oregon BEST to help them shape their research agenda. (\$80,000)
- E. Develop a three-step technical assistance and incentive program for sustainable industries including business management technical assistance, grants and loans:

- o First, contract with PSU or other educational agency to provide a full time person to help small local sustainable businesses with the development of business plans, marketing and communications assistance, human resources, accounting and budgeting assistance. In addition to PSU's involvement in the provision of business skill development services, the city will work closely with PSU's Center for Sustainable Processes and Practices and with Oregon BEST to provide Research and Development support to the smaller and medium sized businesses in the areas of green building technologies and products. (\$100,000)
- Second, develop a new small-grant fund to support businesses in the emerging sustainable industry cluster. Funds will be allocated specifically to help sustainable industry firms, such as small emerging architecture, engineering, and development companies, to invest in much-needed infrastructure and marketing to support workforce growth in Portland. (\$150,000)
- o Third, earmark \$250,000 for sustainable industries from the Small Business Assistance Loan program proposed by PDC in its General Fund add package. This a revolving loan fund would be available for equipment, marketing and other expansion needs. (\$250,000 total: \$100,000 to PDC and \$150,000 to OSD)

F. Business opportunity research (\$50,000)

- Build on the Green Building Cost and Opportunity Study, expected in spring 2007, to provide direction for business development gap areas resulting from investment in LEED buildings. Once again, the city will work with Oregon BEST to address R&D needs identified in the study.
- Quantify and report on existing jobs and opportunities in clean energy and green building industries. The Sustainable Development Commission and PSU will provide guidance in establishing the scope of research and developing strategies to apply the findings.

Objective Three: Promote the Solar Now! campaign (\$100,000)

A. Ensure completion of 150 installations on highly visible public and private commercial buildings and multi-family and single-family homes (January 2007 – June 2008).

- B. Provide business and marketing assistance to small solar manufacturers, installers and retailers.
- C. Promote solar technology among Portland residents and businesses with new and existing marketing partners. Primary public outreach partners include Solar Oregon and Energy Trust of Oregon. The partnership will carry out a community outreach strategy to Portland residents, while OSD will also identify and engage a short list of Portland key decision makes and opinion leaders to commit to solar installation at their primary place of residence or business.
- D. Integrate solar technology into City energy planning and facilities. Work with existing green building practices to develop options to elevate solar technology choices into LEED requirements.
- E. Identify building code regulations and practices that reduce adoption of solar technologies by Portland residents and businesses. Work with BDS and Planning to carry out changes to identified barriers.

Objective Four: Accelerate widespread adoption of green building practices citywide in the new commercial and multifamily sectors. (\$200,000)

- A. Develop additional mechanisms to streamline permit processing for high-performance green buildings. Provide additional incentives for green building by identifying specific financial tools, additional services and potential regulatory relief for green construction practices. Funding for this effort supports staff at BDS to expedite green building projects. The Development Review Advisory Committee will provide guidance to this effort. (\$100,000)
- B. Develop options for requiring LEED in all new major commercial construction through the zoning code, building code or other regulatory approaches. Funding for this effort supports portions of staff at OSD and additional technical expertise to research options and develop policy proposals. (\$100,000)
- C. Enhance the green building services OSD currently offers to local developers, designers, and builders.
 - o The Green Investment Fund, a \$2.5 million partnership of OSD, Water, BES, and the Energy Trust, provides grants to highly innovative local green building projects that demonstrate comprehensive. FY 2007-08 will be the fourth year of the initial five-year funding commitment.

- Broaden and enhance the Northwest Green Directory, an on-line database that helps to connect local consumers and suppliers of green building products and services.
- Increase outreach to the mainstream construction industry through partnerships with trade associations. Provide customized training, resources, and technical assistance. As one example of these efforts, OSD is partnering with Purchases on a series of green building trainings targeted M/W/ESB businesses.
- Provide technical assistance to homeowners and residential contractors through the ReThink and Green Home Forum workshops, which offer lectures, resource guides, and discussion forums.
- Complete and distribute a major revision to OSD's Greening Affordable Housing guidebook, which details cost-effective strategies for incorporating high-performance green features in a variety of affordable housing building types. (No new funds requested)

Objective Five: Increase the use of wind power and other renewable energy options in City operations. Complete the negotiation of a contract to provide 100 percent of City government electricity needs with wind power. Funds are needed for legal staff and risk analysis in conjunction with assistance from the City Attorney's Office. (\$50,000)