ATTACHMENT B: SUPPORT FOR COBID FIRMS

EXISTING/PLANNED SUPPORT

Several mechanisms exist or are planned to assist COBID firms with compliance, including an extended compliance timeline for using retrofitted equipment, targeted outreach and engagement, and grant application support. These are described in more detail below.

Clean Air Construction Standard

The proposed CAC regional program includes the following elements to assist COBID firms with compliance:

- One method of meeting the Standard includes retrofitting existing equipment; this compliance method is gradually phased out over time. However, after the standard is fully-implemented in 2026, COBID-certified firms may continue to use additional types of emissions control devices on retrofitted equipment.
- The regional Clean Air Construction (CAC) program will provide technical assistance and web-based resources to assist contractors, in particular COBID-certified contractors, in registering vehicles/equipment and determining CAC compliance.

Funding for upgrades

There are two main sources of funding for firms to retrofit or replace diesel vehicles and equipment: Oregon DEQ Clean Diesel Grants (Volkswagen Settlement Funds) and Diesel Emissions Reductions Act (DERA) grant funds through the Environmental Protection Agency.

Oregon DEQ Clean Diesel Grants

A bill passed in the 2019 Oregon legislative session (HB 2007) directs the remaining $50 million in Volkswagen settlement funds to be disbursed through a grant program by the Oregon DEQ. HB 2007 explicitly allows the use of these funds for construction diesel engine retrofit, repower or replacement, with particular preference for supporting COBID-certified firms, emissions standards established by a public body, and owners and operators of heavy-duty trucks registered in Multnomah, Clackamas or Washington Counties. According to DEQ, the timeline for the grant program to start accepting applications is January 2021.

EPA DERA Grant Funds

Two sources of DERA funds are available:

1. <u>EPA regional competitive funds</u>: Local organizations and Oregon DEQ are eligible to apply for a grant up to $1 million (based on application request) under this program. DEQ can also assist applicants with letters of support and other technical assistance during the application process. The CAC regional collaborative plans on supporting a local non-profit organization in applying for these competitive funds.

2. <u>State allocation funds</u>, administered by Oregon DEQ. Approximately $800,000 will be available in 2020, which includes the state matching funds. Oregon DEQ

determines how to spend these funds based on a work plan developed with EPA. Current priority is school bus replacement due to the sensitive population and the current state mandate for school buses to comply with 2007 emissions standards by 2025. The next cycle of grant funds will be available in October 2020. There may be a potential to do a trial project related to the Clean Air Construction Standard prior to October 2020.

City of Portland Tier 0 gap grants
In addition, the City of Portland is considering creation of a grant program to provide gap funding to assist COBID firms with Tier 0 retrofits prior to DERA funds being available. The City anticipates $200,000 in funding for program.

Technical support

City of Portland contract for technical support
The City plans to contract with a diesel expert to provide one-on-one technical assistance to COBID firms to develop compliance plans. The City has $30,000 budgeted for this fiscal year.

Oregon DEQ technical assistance
DEQ plans to provide technical assistance to COBID firms interested in applying for Oregon DEQ Clean Diesel Grants. DEQ is in the early stages of this effort and details will not be available until rulemaking is complete in the fall of 2020.

METRO COBID SUPPORT OPTIONS

At the July 16, 2019 work session, Council indicated a desire to set a comprehensive threshold for the Standard, while addressing the additional barriers that the Standard may cause for COBID firms. To complement and build on the existing support mechanisms described above, and based on input received from COBID firms to date, staff have proposed types of additional support that Metro could provide to assist COBID firms with compliance. Staff plan to continue to engage COBID firms to further refine these tools and learn what would be most beneficial, after Council provides direction about the magnitude of resources that Metro can offer.

Direct support to COBID firms
Metro may choose to dedicate additional funding to support equipment upgrades and for additional technical support. While this would represent significant support for COBID firms, a funding source would have to be identified through the budgeting process.

Funding for upgrades: Retrofitting existing equipment with after-market emissions control devices is one of the most cost effective means of meeting the Standard, and provides air quality benefits beyond Metro projects. Metro could provide funding to assist with equipment/vehicle upgrades, both within and outside of the active contract process.

The following estimates are provided for a sense of scale of what various levels of funding support could achieve for equipment upgrades. Actual costs and number of upgrades

would depend on the type of equipment, age of equipment, remaining useful life and other factors. The estimates below are based on surveys of equipment owned by COBID firms. They reflect the types of upgrades available for the different Tiers of equipment. EPA uses Tiers to describe the emissions profile of diesel equipment. Tiers 0-1 are the oldest equipment with minimal pollution controls and can be upgraded with a diesel oxidation catalyst (DOC) at an average cost of $5,000. They will be phased out in 2021 and 2022, respectively. Tiers 2-3 have better pollution controls and can be significantly upgraded with a diesel particulate filter (DPF) at an average cost of $18,000. They will be phased out in 2023 and 2024, respectively. The estimates assume that Metro would provide 50% matching funds to a firm to cover the cost of upgrade. Tiers 4 and 4i have the highest emissions controls and fully meet the Standard.

Among the COBID firms surveyed, 49% of owned equipment is Tier 4 or 4i, 34% is Tier 2-3 and 17% is Tier 0-1. Assuming all the equipment used on Metro projects over the course of a year represents this same distribution of Tiers, we can estimate the cost of an upgrade fund by applying a multiplier to the projects that represents the magnitude of support.

With a multiplier of 1- Basic, we could assume that each project will provide funding for a DOC upgrade on a Tier 0-1 piece of equipment 17% of the time and a DPF upgrade on a Tier 2-3 piece of equipment 34% of the time. In other words, about one-sixth of the projects will receive a DOC upgrade, and one-third of the projects will receive a DPF upgrade. For the Formal threshold, a basic level of support of $105,000 represents Metro contribution on about 5 DOCs and 10 DPFs over 30 projects.

Levels of support for equipment upgrades

		Level of support		
Threshold	**Projects/year**	**Basic**	**Medium**	**High**
Formal	**30**	**$104,550**	**$313,650**	**$522,750**
	DOC	*5*	*15*	*26*
	DPF	*10*	*31*	*51*
$500k	**10**	**$34,850**	**$104,550**	**$174,250**
	DOC	*2*	*5*	*9*
	DPF	*3*	*10*	*17*

Staff have identified multiple pathways for firms to access these funds: either through an active contract, or through proactive upgrades. These funds could be used to bridge the timing gap until other regional grant programs are available. If Metro commits to a longer period of support, firms could pair Metro funds with other regional grant funds when those funds become available. The need for these funds would diminish over time as equipment and vehicles are upgraded or replaced as part of compliance with the Standard.

- *Active contract:* This process would provide a mechanism for firms to seek funding from Metro to help upgrade noncompliant equipment during the procurement process for a Metro construction project. If there's enough lead time, the preferred

process is to complete equipment upgrades prior to the start of the project. Alternatively, if timing does not allow, COBID firms could request an exemption to the Standard for the particular project, but would be required to complete equipment upgrades prior to completion of the project so the equipment would be in compliance on future projects. Each firm could seek a one-time-only exemption. This option would be limited to firms with gross receipts below a certain amount (e.g., $30M, similar to COBID requirements). Metro funds would be capped at a maximum amount per project and would only be available for equipment used a minimum amount of time on the project.

- *Proactive upgrades:* Metro could also support COBID firms in upgrading their equipment outside of the procurement process. This would involve an application process and could be limited to COBID firms.

One-on-one technical support: This option would entail engaging a diesel expert to provide one-on-one technical assistance to COBID firms to develop compliance plans. This would include identifying their equipment retrofit/repower/replacement needs, identifying the costs of upgrade options, and assistance with preparation of grant applications. The City of Portland plans a similar approach and has identified a COBID-certified contractor that can provide this assistance. This option would have an estimated cost of $30,000-$50,000 annually.

Procurement rule changes

This would entail working with department staff and OMA to review and update the procurement rules and procedures to minimize negative impacts on COBID firms. These options could be implemented with or without direct support to COBID firms. If implemented independently, these would require no dedicated funding, but would spread any additional costs of compliance with the Standard across applicable projects.

Additive alternate for low bid: For covered projects that are procured through low bid, Metro may provide an option for calling out additional costs to comply with the Standard as an additive alternate separate from the base bid.

Special class exemption from low bid: ORS allows a local contract review board to approve a special class of public improvements that are exempt from low bid requirements, as long as the class meets particular requirements. Staff are exploring this allowance as an avenue for permitting some public improvement projects subject to the Standard to be solicited through request for proposals (RFP). The RFP method includes cost as one of multiple evaluation factors. Other factors include sustainability and diversity.

Contingency plan for no bid scenario: in the case that no bids are received on a project subject to the Standard, Metro staff would evaluate the procurement to determine if the Standard served as a barrier in the process or if other factors were at play. In the case of the former, Metro would have the option to exempt the project from the Standard and put the project out for bid again. This should be considered only after consideration of other options, such as modifying the project scope, timeline or budget.

No immediate changes

Alternatively, Council may elect to adopt the Standard without creating any new programs or changing rules and monitor the effectiveness of the Standard for the first year. This would provide time to determine if the assistance offered by the other organizations is effective and if there are gaps for COBID firms. If changes are needed, staff would submit them as part of the budget process for FY22. This option could negatively impact COBID firms in the short-term.

Advantages and disadvantages of types of support

Option	Advantages	Disadvantages
Direct support	• Is proactive in reducing negative impact to COBID firms • Equipment upgrades would provide lasting emissions reduction • Allows upgrade costs to be passed through to Metro	• Potentially requires significant new investments that have no current funding source • Creates a new program for Metro to administer (directly or through a partnership)
Procurement rule changes	• Does not require new investments up front • Is relatively easily to implement • Can allow some costs to be passed through to Metro • Helps COBID firms remain competitive for Metro projects	• May result in the effectiveness of the standard being diminished if solutions include exemptions • Makes the procurement process more complex • Would require projects to build in compliance costs into budgets
OR		
No immediate changes	• Reduces scope of implementation planning • Relies on existing support mechanisms	• May negatively impact COBID firms in the short-term