

W. L. B.

Memorandum Date: October 9, 2006
Board Order Date: October 25, 2006

TO: Board of County Commissioners

DEPARTMENT: CAO/Economic Development Standing Committee

PRESENTED BY: Mike McKenzie-Bahr, Community and Economic Development Coordinator

AGENDA ITEM TITLE: IN THE MATTER OF AUTHORIZING SUBMISSION OF A \$50,000 GRANT APPLICATION TO THE OREGON ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT AND AUTHORIZING FOR COUNTY ADMINISTRATOR TO SIGN THE GRANT APPLICATION DOCUMENTS.

I. MOTION

Move to authorize the submission of a grant application to request \$50,000 from the State of Oregon to be used to conduct a renewable energy feasibility study, and authorize the County Administrator to sign the grant application documents.

II. AGENDA ITEM SUMMARY

Governor Kulongoski has made available funds to test the feasibility of renewable energy projects in Oregon. One of the renewable energy projects that is identified by the State of Oregon as most promising is cellulose into ethanol. Lane County is probably an ideal location for a cellulose to ethanol facility because of the large amount of local feedstock –forestry and agricultural bio mass – that could be used to make cellulose into ethanol, creating an environmental friendly fuel at a competitive price to gasoline.

Though Lane County appears to be good candidate for such a facility, the overall feasibility of locating a plant here needs to be studied. The Governor's Renewable Energy Feasibility Fund has made \$150,000 available to fund studies to determine the feasibility of renewable energy projects that reduce Oregon's dependence on fossil-based energy sources and promote sustainable economic development for communities throughout the state. The grant deadline is October 31. I am proposing that we apply for \$50,000 from that fund to study whether building such a facility in the Lane County makes both community and economic development sense.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

This project, if found to be feasible would lead to business development in the Natural Resources Cluster, which has been identified as a target cluster by the BCC.

This project would also build upon the BCC's action to work with businesses that demonstrate a commitment to and application of sustainable business practices and the development of sustainable businesses;

Doing a feasibility study for a cellulose into ethanol plant was initially brought to the County's attention by Lane MicroBusiness during the Request for Proposal public solicitation process of the RFP for the Video Lottery Strategic Investment Program. Since the request was to fund a study, it did not qualify for those funds. However, since the proposed project meets goals set by the BCC, staff felt it is a very worthwhile project for the County to pursue through other funding sources.

The State of Oregon goals for the Renewable Energy Feasibility Fund is to encourage the widespread adoption of renewable energy projects that reduce Oregon's dependence on fossil-based energy sources and promote sustainable economic development for communities throughout the state.

In addition, several studies produced by the State of Oregon this year have identified cellulose into ethanol as a promising industry for the state. The feasibility study being proposed would focus on answering the issues raised in the State studies with regards to where to build a facility. These are:

1. Full scale analysis of current and potential cellulose to ethanol technology
2. Availability, cost and potential ethanol yield of site-specific feedstocks
3. Availability and cost of physical site, potential local support
4. Analysis of costs to build a 2 MM gallon facility
5. Availability of venture capital
6. Availability of loan and grant programs
7. Financial Analysis of Profitability of Step 2
8. Recommendations regarding proceeding to building a facility

A Feasibility Study that had to take all of the steps needed to answer the above items would cost more than \$50,000. However, some of the steps in regards to conducting basic research about feed stock availability and costs has already been done by other local/regional organizations. In order to help complete this study, we have contacted more than 35 organizations and agencies dealing with biomass-related energy issues with businesses and communities in Oregon.

These include University of Oregon Resources Innovations; OSU Wood Innovation Center; Oregon Forest Industry Council; Oregon Department of Agriculture; Oregon Farm Bureau; Cascades Sierra; Oregon Natural Resources Council; Lane MicroBusiness. We have requested letters of support for the grant application, assistance with the study and copies of studies they have done regarding these issues.

In addition, we have placed an ad in the Register Guard for publication on October 20 to solicit public comment on the submission of a grant application for the feasibility study.

Prior to this item appearing on the October 25 BCC agenda, the grant proposal will be discussed at the EDSC meeting of October 23. The results of that discussion will be reported to the BCC.

B. Policy Issues

The BCC previously established the “Economic Development Strategic Investment Program” for awarding video lottery funds to enhance business and workforce development in Lane County. The County has a formal process for soliciting proposals and making awards. This project was brought to the County during the Request for Proposal public solicitation process of the RFP for the Video Lottery Strategic Investment Program. Since the request was to fund a study, it did not qualify for those funds. However the project is a worthy one and if found feasible could meet County economic development goals.

The Board has made a commitment through the creation of a Community and Economic Development Coordinator position to pursue projects that enhance community and economic development. The application for these funds will continue that process.

Only Counties and Cities are eligible to apply for Renewable Energy Feasibility Fund grants. In the process leading up this grant application, Community and Economic Development staff placed an ad in the Register-Guard seeking input regarding this application. That input was due to be received after the writing of this proposal. If any input was received, it will be presented to you during the October 25 BCC meeting.

If the grant is awarded to the County, we would undertake a competitive process for awarding the contract/s to do the feasibility study.

C. Board Goals

The submission of the application meets the County Strategic Plan goal of working for a strong regional economy to expand the number of family-wage jobs available in Lane County.

D. Financial and/or Resource Considerations

The grant requires match, but it can be in-kind match. We are in the process of identifying match from other project partners.

It is estimated that it will take about 10 hours of County staff time to complete the grant application. If funded, the County would administer the grant including undertaking a competitive process for awarding the contract/s to do the feasibility study. Staff is recommending that part of the match for the application be \$5,000 in County staff time.

In addition the County can include an administration amount to be funded by each grant. I recommend we charge the grant 5% for administration costs (\$2,500), which should cover budgeting and legal review.

E. Analysis

Though the State of Oregon has identified cellulose into ethanol as a promising industry for the state, the feasibility of building an ethanol facility in Lane County needs to be studied. Clearly there is local feedstock –forestry and agricultural bio mass – and other areas of the Country are creating environmental friendly fuels at a competitive price to gasoline. Such a project could be a tremendous opportunity for the Natural Resources Cluster, giving the agricultural industry an opportunity to take current fallow lands and produce biomass for the facility. Green power from biomass crops provides an opportunity for agricultural and energy sectors to work together to find profitable and sustainable new crops for producing liquid transportation fuel. The same is true with the forest industry, which could see additional market opportunities from this project.

The project would also create livable wage jobs at the processing facility. And it will enhance the sustainable energy sector in Lane County.

The time invested in writing and submitting the grants seems like a good investment in a project with such a large potential.

F. Alternatives/Options

The Board may:

- 1) Approve the request to apply for the grant; or

- 2) Request more information or specify conditions for the grant application submission, or
- 3) Decide not to approve the submission of the grant application.

IV. TIMING/IMPLEMENTATION

If the Board approves submission of the grant applications, final work on the application will take place. The Renewable Energy Feasibility Fund application is due October 31.

V. RECOMMENDATION

Staff recommends submitting applications for the grant.

VI. FOLLOW-UP

Staff will report back regarding the success of the application once they are announced.

VII. ATTACHMENTS

- 1) Board Order

IN THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY OREGON

ORDER No.

) **IN THE MATTER OF AUTHORIZING,**
) **SUBMISSION OF A \$50,000 GRANT**
) **APPLICATION TO THE OREGON**
) **ECONOMIC AND COMMUNITY**
) **DEVELOPMENT DEPARTMENT AND**
) **AUTHORIZATION FOR COUNTY**
) **ADMINISTRATOR TO SIGN THE**
) **GRANT APPLICATION DOCUMENTS.**

WHEREAS, the County has made a commitment to work with businesses that demonstrate a commitment to and application of sustainable business practices and the development of sustainable businesses;

WHEREAS, the County has adopted as a job creation goal, business development in the Natural Resources Cluster;

WHEREAS, the County has identified a potential alternative energy business project that meets the above goals, but does not have appropriate funding for the needed feasibility study;

WHEREAS, the State of Oregon has available funding for feasibility studies related to alternative energy;

NOW THEREFORE IT IS HEREBY RESOLVED AND ORDERED that the Lane County Board of Commissioners does hereby authorize submitting a request for \$50,000 in grant funding from the Oregon Economic & Community Development Department Renewable Energy Feasibility Fund;

IT IS FURTHER ORDERED that the County Administrator is authorized to sign the grant application documents.

DATED this 25th day of October, 2006

Bill Dwyer, Chair
Lane County Board of Commissioners

APPROVED AS TO FORM

Date 10/17/06 Lane County

[Signature]
OFFICE OF LEGAL COUNSEL