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Title: RESOLUTION R-1718-117: A RESOLUTION OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA, ESTABLISHING A PROCEDURE ALLOWING BUILDING PERMIT FEES CHARGED PURSUANT TO SECTION 5-104 OF THE NORMAN CITY CODE TO BE ADJUSTED AND SATISFIED AS AN INCENTIVE FOR RESIDENTIAL HOMES ACHIEVING CERTAIN HOME ENERGY RATING SYSTEM (HERS)/ ENERGY RATING INDEX (ERI) SCORES.

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RESOLUTION R-1718-117: A RESOLUTION OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA, ESTABLISHING A PROCEDURE ALLOWING BUILDING PERMIT FEES CHARGED PURSUANT TO SECTION 5-104 OF THE NORMAN CITY CODE TO BE ADJUSTED AND SATISFIED AS AN INCENTIVE FOR RESIDENTIAL HOMES ACHIEVING CERTAIN HOME ENERGY RATING SYSTEM (HERS)/ ENERGY RATING INDEX (ERI) SCORES.

BACKGROUND: On November 16, 2017, January 25 and March 29, 2018, the City Council Community Planning and Transportation Committee (CPTC), received information regarding incentive programs for incentivizing ecologically-friendly (“green”) building practices to gather feedback on potential incentive areas for additional staff research, future program development and Committee consideration. The City Council identified incentivizing optional “green building codes” as a secondary destination short-term goal (1-2 years) during the August 2017 Council Retreat.

From discussion at meetings and subsequent Committee direction, staff met with local builders and stakeholders to discuss potential incentives, specifically in the area of green residential construction. The Committee also recommended that areas for green building incentives could more specifically begin by focusing on areas of homes utilizing Home Energy Rating System (HERS)/Energy Rating Index (ERI) for energy efficiency.

At the March 29th CPTC meeting, staff presented information related to HERS/ERI rating processes and suggested a pilot program for an incentive program for HERS/ERI-rated new single-family home construction. HERS/ERI scores are lowered through efficient architectural design, optimal home orientation, reduced air leakage and intrusion, installation of high energy efficiency appliances and heating, ventilating and cooling equipment, and other methods. The CPTC recommended moving the pilot program forward for further Council discussion and consideration. Council discussed moving a resolution forward to enact a 6-month pilot program for consideration at the May 8th City Council Conference.

DISCUSSION: The suggested pilot program provides an incentive for new single-family residential home construction through an adjustment of the building permit fee based on the final HERS/ERI index rating (or score) of the home. A percentage of the building permit fee would be charged based on the home’s final score. From discussions with the City Legal Department, it appears that allowing HERS/ERI home performance to satisfy all or a portion of Building Permit Review Fees following construction of the Rated Home is a preferable approach to paying, rebating or reimbursing previously-made fee payments. As the portions of the fee subject to the performance incentive are limited to purely regulatory costs, exercise of the City’s discretion determining the amount of the fee ultimately imposed promotes clarity in procedure and uniformity in administration of the incentive.

The building permit fee for a single-family home is currently charged based on a fee of \$0.14/sq. ft. of the home size. The proposed pilot program would charge a percentage of the building permit fee (for new, single-family residential homes) for a specified HERS/ERI score. Additional fee adjustments would be included for homes achieving scores lower than the minimum HERS/ERI score determined for the adjusted fee. The proposed pilot program would allow for a 50% building permit fee adjustment for a home achieving a HERS/ERI index rating of 65, with an additional 5% fee reduction for each point below 65. The actual monetary amount of the waiver would vary based on the square footage of the home. The permit review fee could potentially be adjusted to \$0 if the home achieved a HERS/ERI score of 55 (additional 5% per point x 10 points below 65).

Building Permit Fee Adjustment Process

The process for applying for an adjusted building permit fee would begin with the builder or home owner (depending upon who is responsible for the initial construction of the home) completing an Annual Participation Program application with the City. A current application would be kept on file.

Once the participation application is completed, potential building permit fee adjustments for the HERS/ERI score would be noted for the home being built upon indication on the initial building permit application of the home builder's intention to pursue a HERS/ERI index rating for the home. Additional documentation of the HERS/ERI index components in the building plan would potentially need to be indicated in the building plans for verification of pursuit of a HERS/ERI index score.

Homes indicating pursuit of a HERS/ERI index score of 65 or less on their building permit application would not be required to initially pay the building permit fee portion of the permit. All other fees for utility connections, metering, erosion control, parks, Wastewater Excise Tax, and the Oklahoma Uniform Building Code Commission fee (\$4) would be charged at the time of building permit issuance.

Final building permit fee totals would be determined once construction is completed and prior to issuance of a Certificate of Occupancy (CO). Building permit fee adjustments would be based upon the builder (or applicant) submitting a final HERS/ERI index score report and subsequent verification of the final HERS/ERI index score by staff. Following staff review, the final total of the building permit fee will be determined, and any outstanding fees owed would be required to be paid prior to City issuance of final CO. Applicants could appeal final building permit fee determinations by staff to the Planning and Community Development Director.

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Due to the unknown impact to the overall General Fund revenues, pursuit of a pilot program for these building permit fee adjustments for a limited period (perhaps six months) to help establish a baseline for future revenue impact projections and program continuation was recommended by the CPTC. It was also recommended that the beginning of July 2018 would provide the opportune time to begin the pilot program to correspond with the new fiscal year budget. Staff will report back to the CPTC, Council Finance Committee and/or full City Council after the six-month pilot program period to discuss continuation of the program, program financial impacts, and/or potential program revisions.

Resolution R-1718-117 outlines the parameters of the program and will need to be approved by Council to allow the pilot program to begin. If the proposed Resolution is adopted by Council, staff will implement the pilot program beginning July 1, 2018. If after the 6-month pilot program duration and subsequent review by Council it is determined to pursue the fee-adjustment program on a permanent basis, further codification through revisions in City Ordinances will be needed.

RECOMMENDATION: It is recommended that the City Council adopt Resolution R-1718-117 to establish a procedure to allow building permit fees pursuant to Section 5-104 of the Norman City Code to be adjusted and satisfied as an incentive for residential homes achieving certain Home Energy Rating Systems (HERS)/Energy Rating Index (ERI) scores.