



Legislation Text

File #: R-2021-107, **Version:** 1

CONSIDERATION OF ADOPTION, REJECTION, AMENDMENT, AND/OR POSTPONEMENT OF RESOLUTION R-2021-107: A RESOLUTION OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA ESTABLISHING PROCEDURES ALLOWING BUILDING PERMIT FEES CHARGED PURSUANT TO SECTION 5-105(1)(D) 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, AND COMPLETION OF THE PILOT PROGRAM ESTABLISHED IN R-1718-117 THROUGH JUNE 30, 2022.

HISTORY OF THE HERS/ERI PROGRAM: On November 16, 2017, January 25 and March 29, 2018, staff presented to City Council Community Planning and Transportation Committee (CPTC), information regarding incentive programs for incentivizing ecologically friendly (“green”) building practices to gather feedback on potential incentive areas for future program development and Committee consideration. The City Council identified incentivizing optional “green building codes” as a secondary 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 can be 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 8, 2019 City Council Conference.

The original pilot program provided 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 is charged based on the home’s final score. Allowing HERS/ERI home performance to satisfy all or a portion of Building Permit Review Fees was a preferable approach to paying, rebating or reimbursing previously-paid fees. 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 based on a fee of \$0.14/sq. ft. of the structure. The pilot program charges a percentage of that building

permit fee (for new, single-family residential homes) based on a specified HERS/ERI score. The amount of the fee is variable based upon the obtained HERS score, and the original program provided partial or full incentives for homes achieving scores of 65 or better (at 55, 100% of the incentive is achieved).

BUILDING PERMIT FEE ADJUSTMENT PROCESS: The process for applying for an adjusted building permit fee begins with the applicant/builder completing an Annual Participation Program application with the City.

Once the participation application is completed, potential building permit fee adjustments for the HERS/ERI score are noted on the building permit application, noting intent of the applicant/builder to pursue a positive HERS/ERI index rating for the home. Additional documentation of the HERS/ERI index components in the building plan 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 on their building permit application are not 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) are charged when the building permit is issued.

Final building permit fee adjustments are based on the applicant/builder 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 are required to be paid prior to the City issuing a final Certificate of Occupancy (CO). Applicants may appeal final building permit fee determinations by staff to the Planning and Community Development Director.

DISCUSSION: The HERS/ERI Pilot Program initially began on July 1, 2018, with the adoption of Resolution R-1718-117 in May of 2018. To gather sufficient data to guide the program, which required allowing times for many homes to be constructed, Council approved three 6-month extensions and one year-long extension of the HERS Program, the current is set to expire June 30, 2021.

The last Resolution, R-1920-125, took the HERS Program through the three-year mark. The goal of the last extension was to allow a final additional window of time to review the results of the Program and allow further discussion between City Staff and City Council regarding the potential implementation of a permanent Program.

CURRENT STATISTICS: During the period of July 1, 2018, and March 31, 2021, 482 applications for single-family homes applied to the program. From July 1, 2018 - March 31, 2021, 1,340 single-family homes have applied for building permits. This translates to approximately 35% of the new single-family homes taking advantage of the HERS program. Overall, 67 of the 482 applications withdrew from the HERS program; these withdrawals were not associated with the city process. When an applicant withdraws from the process, permit fees are paid at the time of Certificate of Occupancy (CO).

During the period of July 1, 2018, and March 31, 2021, 284 homes have received Certificate of Occupancy (CO). Of those 284 applications receiving CO, 157 have paid a percentage of fees,

these fees range from \$5 to \$282. The other 127 received full benefit of the HERS program - meaning they met the HERS score of 55 or less and they paid zero permit fees to the City. The average permit fee not paid to the city is \$ 312 per permit; this calculation is based on an average 2,500 SF home - overall, the HERS Program have resulted in almost a \$90,000 reduction of the building permit fees paid to the City.

CURRENT CODES AND ACTIVITY: City Staff have researched HERS/ERI guidelines for the state of Oklahoma and found that, in Oklahoma, a technical committee has been informed at the State level that will review the 2015 International Conservation Code (IECC) and associated Residential Energy Code. This committee will make recommendations for review to the OUBCC Board and then the State Government. At the earliest, these recommendations would become effective spring of 2022. It is uncertain what the exact outcome of the state review process will be with regards to energy codes. The code the committee is currently reviewing is the 2015 IECC which as written has an ERI of 51.

Also provided is City Staff's previous presentations, which demonstrates how the program currently works regarding the HERS/ERI scores with the 65 rating, and the proposed change in rating to 51.

RECOMMENDATION: Staff recommends to continue the HERS/ERI program but lower the benchmark to 51 or better (with a HERS score of 41 obtaining a 100% incentive). The program's inception was in 2018, and will go through June of 2021, at a minimum. The benchmark originally set in 2018 was reflective of awarding a home that was built in excess of the 2012 code which was two code cycles prior. If the City continues the program staff recommend the benchmark update to 51, consistent with the more recent 2015 IECC for an ERI of 51.