

Notes from working group session on April 17

(compiled by Mike Berkowitz with Gabriel Harp from Feb working group session comments and feedback that also included members of the public)

[Energy and Water Benchmarking and Disclosure Ordinance](#)

[City Administrator's Memo on Electrification Incentives](#)

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Things City Can Do

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Boundaries & Definitions

Amounts, Percentages, and Intensities

Timing

Incentives

[New construction] City Administrator recommendation #1 - Create a new project definition/classification for developments minimizing gas connections (limited to commercial kitchens and back-up power generation) and achieving high energy-efficiency building envelopes exceeding the MI Energy Code.

For qualifying developments:

- 30% height bonus from the current limit in any zoning district
- Exempt it from the City's Citizen Participation Requirements.
- Enable site plan approval by the Planning Manager
- Waive all Site Plan Review and related permit fees

Feedback and comments from working group:

- Support the idea of creating a new project definition/classification that qualifies for all sorts of incentives.
- How is "minimizing gas connections" defined and what about on-site combustion? Ex. gas-powered fuel cells and/or hydrogen.
- How is "high energy-efficiency building envelopes" defined and how much do building envelopes have to exceed the MI Energy Code by, in order to qualify?

- Upon qualification, do projects receive one, multiple, or the whole package of incentives?
- Environmental concern about streamlining the stormwater impact review/approvals.
- Concerned about the reduced opportunity for public engagement on any number of other issues, including other sustainability features.
- Can buildings that provide affordable housing or other crucial community services aligned with the City's values receive priority or additional incentives?
- Could buildings get an incentive for pre-signing up for the SEU and/or committing to certain electrification measures?
- Height bonus - isn't that similar to the premiums the City previously offered for downtown development that weren't working? How did the City arrive at the 30% height bonus vs. other percentages?
- Several energy-efficient, all-electric developments are already happening on their own. Why are incentives needed for others? How will incentives be phased out when no longer needed? (We know from Tim McDonald's presentation to the commission in late 2022 that all-electric Passive House-certification is already happening at comparable costs elsewhere in the country.)
- Ensure building developers know they are avoiding future volatility of gas prices.

[New construction] City Administrator recommendation #2 - Early Project Planning

Support. Require developers (with financial support from the City's millage funding or other sources) to participate in DTE Business Consultation Process, where they'd establish electrification goals and map out improvement costs early, facilitated and funded by the City.

Feedback and comments from working group:

- Fully support this recommendation and think it is a good idea.

[New construction] NOT recommended by City Administrator #1 - Financial Support for Defined Developments. There are other categories of development-related costs that are significant but are not eligible to be waived or abated.

- The second sentence got cut off in the memo.

Feedback and comments from working group:

- No feedback

[New construction] NOT recommended by City Administrator #2 - Review Prioritization.

The City would prioritize the timing and review of projects meeting defined project parameters.

- Why the City Administrator recommends against this: it would require adverse impacts to other paying customers being delayed and could potentially have negative cascading impacts.

Feedback and comments from working group:

- Disagree with the City Administrator's recommendation.
- Folks thought this measure is worth pursuing because developers who do things the right way/aligned with the city's sustainability and/or housing goals SHOULD get to skip to the front of the line. This is a built-in incentive + disincentive for developers around gas use in new buildings.

[New construction] NOT recommended by City Administrator #3 - Elimination of Other Development Requirements.

- The City could enact other regulatory changes that “offset” sustainable attributes. For example, the City could define a carbon-neutral development definition that eliminated the requirements for natural resource mitigation. Similarly, the City could evaluate the applicable stormwater requirements to determine if a lessor design standard could be required where the project features other sustainable measures. In both cases, the analysis would require careful consideration as it relates City goals, City stormwater obligations, and other public health considerations (e.g. urban heat island effects).

Feedback and comments from working group:

- No feedback

[Existing buildings] Incentives for exceptional performance on public benchmarking metrics.

- Provide incentives for buildings that perform at certain desired performance thresholds.
- Not a mandate or punishment for non-compliance, unlike traditional building performance/emission standards.

Feedback and comments from working group:

- Support this idea and it could be built upon the City’s existing benchmarking ordinance/program.

[New construction] CRAs and TIFs (Community Redevelopment Agencies and Tax Increment Financing).

- For redeveloping old or abandoned properties. More info on TIFs [here](#).
- John Fournier said the City doesn’t have authorization to do this for housing buildings - only development on brownfields. Also said it wouldn’t make a difference for developers.

Feedback and comments from working group:

- The Wolfpack disagrees and thinks there’s a way to do this attached to carbon emissions or other ways through state enabling/authorization.

Non-Incentive Based Suggestions from the City Administrator

These must be state legislation–enabled:

- Tax abatements (currently there is no ability to provide locally approved, project-based tax abatements or waive taxes)
- Piloting of updated codes.
- Other incentives as another way to achieve the goals.

The City could consider setting aside funds to refund or provide grants to offset taxes if it so desired however, those funds would need to be budget from the general fund or other local resource.

Feedback and comments from working group:

- No feedback

Disincentives

[New construction and possibly existing buildings too] Carbon pollution impact fee (rate). A fee reflecting the social cost of carbon shall be assessed for all newly approved buildings with a connection to natural gas lines that serve the building's primary heating system.

1. The fee shall be assessed based on total building square footage according to building type energy use, as specified by table CC103.1 of the 2021 International Energy Conservation Code Zero Code Appendix.
2. A conversion factor of 13kg CO₂e (CO₂ equivalents) per 100 kBtu shall be applied.
3. The fee shall be in the amount of \$190 per metric ton CO₂e.
4. The fee shall be paid prior to the issuance of a certificate of occupancy, then each subsequent year on or before that date, in the absence of retrofitting to eliminate the gas connection for primary heating purposes.

Feedback and comments from working group:

- Fully support this proposal and think it is one of the best ways to achieve the city's building electrification goals.

[New and possibly existing buildings] Natural gas connection fee.

- Charge a natural gas connection fee during the permitting process based on a building's projected energy use intensity.
- Only for developers and/or a certain building size - not residents as to avoid impacting disadvantaged communities and/or being a residential building mandate.
- This might require partnership/coordination with DTE or the MPSC.

Feedback and comments from working group:

- Fully support this proposal.

Requirements

[New construction - residential and commercial buildings] Updated state building and energy code

- It's state adoption-dependent and possible to incentivize/disincentivize.
- The stretch code is NOT being considered/included in the state's new building energy codes.

Feedback and comments from working group:

- Not a silver bullet but will require new and majorly reconstructed buildings to be more energy efficient.

[Existing larger buildings] Building performance/emission standard.

- Would build upon [Ann Arbor's existing benchmarking ordinance](#) and Strategy 3 of the A2ZERO plan. Fines for non-compliance but could also provide incentives for complying, exceeding, or being an early adopter.
- Wouldn't be able to do this until the existing benchmarking ordinance/program is fully implemented later this year.

Feedback and comments from working group:

- Research shows this is the most prominent, popular, and direct way for municipalities to achieve economy-wide building electrification and greenhouse gas reduction goals for medium and large buildings.
- Fully support this mechanism and think it is one of the best ways to achieve our building electrification + GHG reduction goals.
- This is allowed under Michigan law, does not depend on the State's building/energy codes, and avoids the Berkley preemption issue.
- Numerous major cities across the country have or are currently in the process of adopting building performance/emission standards.

What's the focus?

- New construction [new natural gas connections and/or onsite combustion + & fossil fuel use-intensity reduction]
- Existing buildings [Voluntary retrofits and updates & fossil fuel use-intensity reduction]
- Transportation

How do we know? And how do we build upon that?

- [Energy and Water Benchmarking](#)
- Home Energy Ratings Disclosure