

# Framework for Electrification Incentives Discussions

New Construction

Existing Construction

Incentives

Requirements

Disincentives

Things City Can Do

Things That Must Be in  
State Legislation

# Framework for Electrification Incentives Discussions

## Areas of Possible Flexibility for Shaping Incentives, Disincentives, and/or Requirements

- Definitions
- Boundaries
- Amounts
- Percentages
- Intensities
- Timing

## Reference Links:

[City Council Resolution Directing City Administrator to Identify Incentives that Would Support Voluntary Efforts to Increase Emissions Reductions](#)

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

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

[Resolution Recommending a Carbon Impact User Fee for New Construction](#) (Tabled; Energy Commission Mtg Sept 12, 2023)

**New Construction**

**Incentives**

**Things City Can Do**

*City Administrator Recommended Incentives\**

- **Create new project definitions/classifications**
  - minimize gas connections and achieve high energy-efficiency building envelopes exceeding the MI Energy Code.
- **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**
- **Early Project Planning Support** to establish electrification goals, map out improvement costs early, and coordinate between developers, city, and DTE.

**New Construction**

**Incentives**

**Things City Can Do**

*City Administrator Not Recommended Incentives\**

- **City Direct Financial Support for Defined Developments**
- **Prioritize the timing and review of projects meeting defined project parameters.**
- **Elimination of Other Development Requirements**
  - e.g. Stormwater, Natural Resources, Public Health

*Not Assessed*

- **Community Redevelopment Agencies and Financing Based on Future Increased Tax Revenue**

**Existing Construction**

**Incentives**

**Things City Can Do**

**Provide Incentives for buildings that perform at or exceed desired performance thresholds on public benchmarking metrics** (no mandate or punishment for non-compliance, unlike traditional building performance/emission standards).

**New Construction**

**Incentives**

**Things That Must Be in  
State Legislation**

## **Pursue Legislative or Regulatory Options**

- 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.
- Set aside city 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.

**New (+ Existing?)  
Construction**

**Disincentives**

**Things City Can Do**

**Carbon pollution impact fee (rate).** A fee reflecting the social cost of carbon assessed for all newly approved buildings with a connection to natural gas lines that serve the building's primary heating system.

- 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.
- Conversion factor of 13kg CO<sub>2</sub>e (CO<sub>2</sub> equivalents) per 100 kBtu
- The fee shall be in the amount of \$190 per metric ton CO<sub>2</sub>e.
- 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.

**New (+ Existing?)  
Construction**

**Disincentives**

**Things City Can Do**

### **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.



**New Construction**

**Requirements**

**Things City Can Do /  
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## **Updated State Building and Energy Code [Residential and Commercial Buildings]**

- 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.

## Existing Construction

## Requirements + Incentives + Disincentives

## Things City Can Do

### **Building performance/emission standard for existing larger buildings**

- 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.