



MEMORANDUM

TO: Mayor and City Council

FROM: Milton Dohoney Jr., City Administrator

DATE: January 17, 2024

SUBJECT: Incentives to Electrification – Response to R-23-192

On June 5, 2023, City Council enacted Resolution [R-23-192](#) which directed the following activities:

- A staff-led effort to identify incentives that would support voluntary efforts by residents and businesses to increase emissions reductions through a transition to sustainable and clean heating as well as beneficial electrification¹; and
- Provide a written progress report identifying internal processes, particularly in the development review process, that can be modified to increase emissions reductions through a transition to sustainable and clean heating as well as beneficial electrification by December 31, 2023.

With consultation with staff from the Community Services Area and the Office of Sustainability and Innovations, I present the following recommendations in response to this direction:

Staff-Recommended Incentives

Define and Incentivize Sustainable Developments

1. Create a new project definition that describes a development of any scale that minimizes any natural gas connection to solely commercial kitchen use and back-up power generation, and that constructed in a manner that achieves a high energy-efficient building envelope (e.g. Passive House Standards), exceeding the minimum required by the Michigan Energy Code.
2. For development projects that meet this criteria:
 - a. Provide a 30% Height Bonus from the current limit in any zoning district (this would replace the current similar definition).
 - b. Exempt the development from the City's Citizen Participation Requirements.
 - c. Enable Site Plan approval by the Planning Manager.

¹ Beneficial electrification (or strategic electrification) is a term for replacing direct fossil fuel use (e.g., propane, heating oil, gasoline) with electricity in a way that reduces overall emissions and energy costs.

- d. Waive all Site Plan Review and related entitlement fees (e.g. wetland use permit, Special Exception Use Permit, Transportation Impact Analysis review fees, etc.)

Early Project Planning Support

The City could elect to require petitioners, potentially with financial support, to participate in the DTE Business Consultation Process. This could result in the City reallocating Sustainability Millage or other financial support to facilitate early conversations with petitioners and the utility provider to establish electrification goals, the availability of power to meet the goals, and any anticipated improvement costs that would be borne by the project. Much more work would be needed to understand the costs, availability, and feasibility of this recommendation, particularly if it was to be funded with City resources.

Other Incentives Considered – Not Currently Recommended by Staff

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. These costs (e.g. Building Permit fees, Utility Connect Fees, Water/Sewer Capital Recovery Charges, etc.)

Review Prioritization

Another incentive would be strictly one of time, where the City would prioritize the timing and review of projects meeting defined project parameters. For this to be effective, it would require adverse impacts to other paying customers being delayed and could potentially have negative cascading impacts.

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).

Non-Incentive Based Suggestions

Pursue Legislative or Regulatory Options

Pursue legislative options and changes that would enable the City to consider tax abatements, the piloting of updated codes, and other incentives as another way to achieve the goals. Currently there is no ability to provide locally approved, project-based tax abatements or waive taxes. Applicants are able to pursue existing programs based on state enabled programs. 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.