



City of Sacramento City Council

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915 I Street, Sacramento, CA, 95814
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Meeting Date: 8/16/2011

Report Type: Staff/Discussion

Title: Green Building Program

Report ID: 2011-00605

Location: Citywide

Recommendation: 1) Draft an ordinance adopting Tier 1 of the California Green Building Standards Code, Title 24, Part 11 (CALGreen) as the City's green building standard; and 2) initiate a comprehensive planning and building permit fee study and report back to Council in early 2012.

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Department: Community Development Dept

Division: Long Range Planning

Dept ID: 21001222

Attachments:

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8/10/2011 2:41:41 PM

City Treasurer Review

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8/2/2011 10:10:17 AM

Approvals/Acknowledgements

Department Director or Designee: Max Fernandez - 8/3/2011 12:28:17 PM

Assistant City Manager: Cassandra Jennings - 8/10/2011 10:51:13 AM



Description/Analysis

Issue: The 2030 General Plan included a number of priority implementation measures that will help to create a sustainable, livable, built environment for the City of Sacramento. One of these key initiatives is to develop a green building ordinance.

Staff is recommending that the Council provide direction to staff:

- 1) To draft an ordinance adopting Tier 1 of the California Green Building Standards Code, Title 24, Part 11 (CALGreen) as the City's green building standard; and
- 2) To initiate a comprehensive planning and building permit fee study and report back to Council in early 2012.

Policy Considerations: In March 2009, the adoption of the General Plan included a number of policies and programs to increase energy efficiency in existing buildings, as well as greening new construction. These policies & programs were included as mitigating features of the General Plan that would serve to reduce cumulative contributions to greenhouse gas (GHG) emissions, and were identified as California Environmental Quality Act (CEQA) mitigation measures to reduce climate change impacts (Resolution 2009-130, Exhibit B: Mitigation Monitoring Program, General Plan Policies and Programs that Mitigate Climate Change). Council specifically directed staff to complete a draft Climate Action Plan by July 2011, and to adopt both a Green Building Ordinance and update the City's Residential Energy Conservation Ordinance by July 2012.

In addition, a Citywide Financial and Operation Review was conducted by Management Partners, Inc. in April 2010. The study found that the City currently subsidizes development fees of at least \$3.4 million annually and recommended that fees be aligned to decrease the General Fund subsidy while recovering more of the costs associated with the review of private development.

Environmental Considerations: Under CEQA Guidelines Section 15262, feasibility and planning studies for possible future action are exempt from environmental review. Appropriate environmental review will be conducted on any draft ordinance changes and program updates that staff may bring back to the City Council for consideration and adoption.

Sustainability: Development of a green building program is consistent with the City's Sustainability Master Plan goals and policies as adopted by the Council in December 2007 to establish and continuously improve "green" building standards for both residential and commercial development. In addition, staff's recommendation is consistent with adopted General Plan policies and implementation programs to implement mandatory green construction standards.

Commission/Committee Action: Staff presented a General Plan Implementation - Green Development (LR11-003) report to the Planning Commission for Review and Comment on July 14, 2011. The Planning Commission was generally supportive of requiring green building standards for new construction. No additional comments specific to requiring CALGreen Tier 1 as the minimum compliance standard for new construction were received.

Rationale for Recommendation: The Center for Strategic Economic Research has found that a commitment of local governments to establishing strong and consistent green building policies and

incentives serves as a strong indicator for establishing the region as an ideal location for the investment and development of green and clean tech businesses.

In 2010, the Green Capital Alliance (a consortium of regional economic development partners), identified Green Building as one of four key segments that presents new business and job growth opportunities in the Sacramento region. As part of a 2010 Regional Industry Clusters of Opportunity grant from the California Workforce Investment Board, a research study conducted by Collaborative Economics found that the Green Building sector of the region's economy employed more than 1,200 people in 2008 and was the second-fastest growing segment since 1995 (experiencing over 350 percent employment growth during this time period). The region also has a higher concentration of Green Building jobs as compared to other parts of the state (more than double the state average).

By further developing a Green Building program, the City of Sacramento is able to remain consistent with the actions many jurisdictions have been taking throughout the United States, and in particular California, to establish green building requirements and incentives that go beyond minimum state standards. By pursuing CALGreen Tier 1 as the basis of this program, Sacramento will be better prepared to respond more quickly to anticipated state and federal building policy changes - including future updates to CALGreen. Adopting CALGreen Tier I solidifies Sacramento as a regional leader and enables the city to take advantage of opportunities associated with the green/clean tech industry growth in the regional economy.

The fee study for planning and building services is necessary for several reasons. While enforcing new green building requirements does create additional workload and City costs, the City needs to comprehensively assess the costs and associated fees for all development services. Such an assessment has not been done for many years. First, the current cost of providing these services across all departments involved needs to be determined. Second, the fee rates charged need to be evaluated to ensure they properly relate to the cost of the services provided. Third, in accordance with the recommendations of the 2010 Citywide Financial and Operational Review by Management Partners, policy options for the appropriate level of cost recovery versus General Fund support need to be developed. During this process, staff is committed to working with stakeholders to identify economies that could save money for both the City and its customers, while at the same time ensuring that the City's costs of service are appropriately recovered.

Financial Considerations: Implementation and enforcement of CALGreen Tier 1 will require prioritization of existing staff time and may require additional resources associated with increased review requirements.

Mandatory measures under CALGreen went into effect statewide on January 1, 2011. Given this limited timeframe and the current downturn in the new construction market, staffing costs are unknown but will be kept within the existing budget. Requiring CALGreen Tier 1 is anticipated to result in an incremental implementation cost above the mandatory measures currently in effect. Staff is recommending that Council direct staff to conduct a comprehensive study of planning and building permit fees, including impacts associated with implementing CALGreen Tier 1, and report back in early 2012.

Emerging Small Business Development (ESBD): Not applicable.

Background

Staff presented the Green Building Task Force report to the City Council on March 1, 2011 with the recommendation that the City adopt a handful of the State of California's Green Building Standards Code Title 24, Part 11 (CALGreen) Tier 1 measures as mandatory requirements in addition to the base level CALGreen measures for new construction. This recommendation is similar to the approach taken in early 2011 by the City of West Sacramento. Staff was directed by the Council to move more aggressively in adopting green building requirements for new construction that put the City into a leadership position within the region. In addition, higher green building standards are needed to achieve greater energy and water savings in new development than the current minimum CALGreen and Title 24 energy standards, which will contribute to achieving compliance with reducing greenhouse gas emissions under AB32 and will be proposed as part of the City's forthcoming Climate Action Plan. Based on Council direction, staff is now recommending that the City adopt CALGreen Tier 1 in its entirety as the minimum requirement for all new commercial and residential construction. Adopting CALGreen Tier 1 will add approximately 11 new prerequisites and 10 elective measures for residential projects and nine prerequisites and five electives measures for commercial projects. Most of the CALGreen measures will be implemented by the Building Division, however, a handful of compliance measures fall within the purview of other disciplines and departments.

The Task Force also recommended that the City find ways to incentivize green building and reduce barriers to green development through a number of ways, including development-related incentives (e.g. density bonuses, reduction in parking requirements, and other similar regulatory allowances), reductions in impact or building permit fees, and expedited processing that would help to incentivize projects achieving higher 3rd party rating system certifications, such as LEED or Green Point Rated. Staff will be exploring development-related incentives as part of the Green Development Code Update process, which will be addressing amendments to zoning, subdivision, and other sections of the City Code. The Green Development Code Update concept will be presented to City Council along with the Green Building program on August 16th. Staff will also be recommending that a comprehensive fee study be conducted in order to determine potential staffing and fee impacts that may need to be addressed as a result of CALGreen, Tier 1 adoption, and other issues.

The proposed CALGreen Tier 1 program addresses new construction only, and does not address energy and water savings that can be achieved by retrofitting existing residential and commercial buildings. Consideration of retrofit requirements for existing

buildings through updates to the City's Residential Energy Conservation Ordinance (RECO) and other potential measures will be addressed separately at a later date.

CALGreen Overview

- Mandatory measures under CALGreen went into effect statewide on January 1, 2011. All of the CALGreen measures fall into 5 categories: Planning and Design, Energy Efficiency, Water Efficiency & Conservation, Material Conservation & Resource Efficiency, and Environmental Quality.
- CALGreen also includes additional tiers of voluntary measures, known as Tier 1 or Tier 2, which increase performance requirements above and beyond the minimum level of compliance. The optional Tiers can be adopted as mandatory standards by local governments. Staff is recommending that the City Council adopt a Green Building Ordinance that would incorporate all of the Tier 1 requirements and would become effective on or around Jan. 1, 2012 if approved.
- If Tier I is adopted, all of the prerequisites and minimum number of electives prescribed under Tier 1 become mandatory, in addition to the CALGreen minimum mandatory standards. Adopting CALGreen Tier 1 will add approximately 11 new prerequisites and 10 elective measures for residential projects and nine prerequisites and five elective measures for commercial projects. Some examples of the mandatory Tier 1 requirements include:
 1. 15% increase in energy efficiency, compared to current minimum California Title 24 Energy Code requirements.
 2. 15% increase in construction and demolition waste diversion (total of 65%, compared to 50% CALGreen minimum standard).
 3. 10% increase in water conservation and efficiency (total of 30%, compared to 20% CALGreen minimum standard).
- The Tier 1 prerequisites and electives function similarly to the US Green Building Council's LEED system, in that all of the prerequisites are mandatory, but the applicant must choose and demonstrate compliance with a minimum number of electives in each CALGreen category, in addition to the prerequisites.

Costs and Benefits of Green Building

Designing and building projects to CALGreen Tier 1 standards provides environmental, economic, and social benefits. CALGreen is designed to encourage more efficient building systems to reduce energy and water usage and improve indoor air quality. For example, wastewater treatment and storm water reducing measures can be incorporated to treat water onsite instead of overwhelming local systems.

Building to a green standard also encourages owners and operators to operate their buildings in environmentally responsible and healthy ways. This includes maintaining

heating and air conditioning systems so that they run at peak efficiency, choosing energy/water-saving equipment and appliances, and reducing the use of toxic cleaning and landscaping materials.

When indoor air quality is improved, user comfort and worker productivity is maximized; resulting in buildings that are more desirable and marketable for the potential homeowners or business owners in addition to providing greater durability and less on-going maintenance costs.

Davis Langdon in *The Cost of Green Revisited*¹ finds that “there is no significant difference in average cost for green buildings as compared to non-green buildings.” Langdon further points out that a wide variation of building costs from high to low cost exists for all building regardless if a building is green or not a green building. In addition, while construction costs continue to rise, construction projects are still able to achieve Leadership in Energy and Environmental Design (LEED) certification.

Similarly, research conducted by Gabel Associates to determine the feasibility and energy cost-effectiveness of requiring building permit applicants in our region to exceed the 2008 California Building Energy Efficiency Standards by 15% found, that:

“Regardless of the building design, occupancy profile and number of stories, the incremental improvement in overall annual energy performance of buildings which exceed the 2008 Title 24 Building Energy Efficiency Standards by 15% appears cost effective. However, each building’s overall design, occupancy type and specific design choices may allow for a large range of incremental first cost and payback.”²

Public Outreach and Schedule

Staff presented an overview of staff’s recommendation to adopt CALGreen Tier 1 to stakeholders and the Planning Commission in mid-July. Outreach meetings occurred with representatives from the building and real estate industries on July 11th; with the environmental community on July 18; with rental and housing advocates on July 19th, and with the energy auditor and home performance contractor community on July 25th.

On July 28th, staff met with the Sacramento Regional Builders Policy Committee. The Regional Builders expressed the concern that requiring CALGreen Tier 1 standards in 2012 will deter new construction from occurring within Sacramento city limits as builders will chose to build in neighboring jurisdictions where CALGreen Tier 1 measures are not enforced and hence “cheaper” to build. The Regional Builders suggested adopting CALGreen Tier 1 requirements for implementation in 2014 instead of in 2012.

¹ Langdon, Davis. *Cost of Green Revisited: Reexamining the Feasibility and Cost Impact of Sustainable Design in the Light of Increased Market Adoption*, July 2007.

² Gabel Associates, LLC. *Climate Zone 12 Energy Cost-Effectiveness Study (SMUD Electricity & PG&E Gas Rates)*, February 2011.

Staff is requesting that the City Council provide direction for staff to move forward in developing a Green Building Ordinance that adopts CALGreen Tier 1 as the minimum compliance standard for new construction. In addition, staff is requesting that Council provide direction on the appropriate phasing for incorporating new mandatory green building requirements.

A draft ordinance will be presented to the Law and Legislation Committee of the City Council before returning to the full City Council for adoption by early 2012.

Review Body	Date
Planning Commission	July 14, 2011
City Council	August 16 2011
Law Leg	September-October 2011
City Council	Early 2012

Once an ordinance is adopted by the City Council, the California Energy Commission may be required to approve the Tier 1 energy efficiency standard, and any amendments, deletions and findings may be required to be filed with the California Building Standards Commission, prior to enforcing standards that exceed the state's minimum requirements.

Developing an incentive program for voluntary action of compliance with higher performance standards (i.e. CALGreen Tier 2, GreenPoint Rated, and LEED) will occur through the design of the Green Development Code and will specifically identify qualifying incentives, thresholds of compliance, verification and implementation process.



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RESOLUTION NO.

Adopted by the Sacramento City Council

INITIATING A COMPREHENSIVE FEE STUDY OF PLANNING AND BUILDING PERMITS AND DIRECTING STAFF TO PREPARE A GREEN BUILDING ORDINANCE THAT ADOPTS CALGREEN TIER 1 AS THE MINIMUM COMPLIANCE STANDARD FOR ALL NEW CONSTRUCTION

BACKGROUND

- A. The 2030 General Plan was adopted on March 3, 2009. The Plan identified priority implementation measures including developing a green building ordinance.
- B. The California Green Building Standards Code, Title 24, Part 11 (CALGreen) mandatory measures went into effect statewide on January 1, 2011. All of the CALGreen measures fall into five categories: Planning and Design, Energy Efficiency, Water Efficiency & Conservation, Material Conservation & Resource Efficiency, and Environmental Quality.
- C. CALGreen also includes additional tiers of voluntary measures, known as Tier 1 or Tier 2, which increase performance requirements above and beyond the minimum level of compliance. The optional Tiers can be adopted as mandatory standards by local government.
- D. Implementation and enforcement of CALGreen Tier 1 will require prioritization of existing staff time and may require additional resources associated with increased review requirements.
- E. A citywide financial and operation review conducted by Management Partners, Inc. in 2010 found that the City of Sacramento is undercharging in total costs for planning and building permit reviews.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. Staff shall draft a green building ordinance that adopts CALGreen Tier 1 as the minimal compliance standard for all new construction, and return to City Council for adoption by early 2012.
- Section 2. Staff shall initiate a comprehensive fee study of planning and building permits and report back to the City Council in early 2012.