

CASE STUDY: CITY OF CHICAGO GREEN PERMIT PROGRAM

1. THE POLICY

Overview

Chicago's Green Permit Program offers an incentive to developers in the form of an expedited permitting process and tailored design and permitting support from permitting specialists for projects that meet green building criteria. The program offers two main incentives. The first incentive is that permitting time is reduced to as little as six weeks from the time of construction document submission – approximately half the typical time required. This time saving can translate into substantial financial benefit for developers because earlier construction starts mean earlier sales or leasing and reduced interest on construction loans.

The second incentive is that the program offers a more direct financial benefit in the form of reduced permitting fees. Developers typically pay additional fees for the services of city plan review consultants – up to 100% of these fees are waived for projects that qualify.

Project Qualifications

The Green Permit Program specifies the minimum threshold level of qualification necessary to enroll in the program. All qualifications are tied to a third-party standard (see sample of Project Qualifications table below), as well as a certain number of Menu Items, nine areas that have been targeted for additional emphasis, including Exceptional Energy Performance. While all non-residential buildings are required to meet a target LEED® certification, some residential buildings are required to use the Chicago Green Home standard. This system uses a prescriptive approach in which design strategies/technologies are awarded points which are tabulated and ranked in a 3-star rating scale.

Project Type	Benefit Tier I	Benefit Tier II
Requirements	<ul style="list-style-type: none"> Expedited Permit (< 30 days) 	<ul style="list-style-type: none"> Expedited Permit (< 30 days) Consultant Review Fee Paid Up to \$25K
Residential	LEED® Certified/Silver + 2 MI	Chicago Green Home ★★ + 2-3 MI
Institutional	LEED® Certified + 2 MI	LEED® Silver + 2 MI
Industrial	Not Applicable	LEED® Certified + EnergyStar Roof + 1 MI
Retail	LEED® Silver + Energy Star Roof + 2 MI	LEED® Silver + 25% Green Roof + 2 MI
Office	LEED® Silver + 50% Green Roof + 2 MI	LEED® Silver + 75% Green Roof + 2 MI

Expedited Review Incentive

The program provides a building permit turnaround time of 30 business days, which corresponds to the time between submission of the building permit application with complete drawings and the time a building permit is issued. Program officials note that for large commercial projects, this turnaround time compares to an average of about 90 days for permitting non-expedited projects. On the other hand, the incentive is not particularly valuable to very small residential projects whose builders are familiar with the permitting systems, as those projects can often be permitted within a week. The turnaround time is broken down as: two weeks for agency review, two weeks for the applicant to respond to the review, and two weeks to address other issues that arise. Officials note that many participating projects do not achieve the 30-day goal, mainly because they do not respond in a timely manner once the agency has completed its review.

Financial Incentive

The City also offers fee waivers for applicants that are subject to the Developer Services program, which requires outside consultants to conduct plan reviews for large, complicated projects. Normally such projects are required to pay the consultant's fee, which ranges from about \$5,000 - \$50,000. The Green Permit Program offers a waiver or a reduction of this consultant review fee, based on the extent to which green measures are incorporated. For Tier II qualifying projects, 100% of the first \$5,000 can be waived, and 50% of the remaining fee up to a maximum of \$25,000. Small residential development would not be eligible for this incentive, as they are not subject to the Developer Services requirement.

Other Key Elements of Green Permit Program

Moving green projects to the front of the plan review queue may expedite permitting in some jurisdictions, but in Chicago most would still be at risk of delays because of the complexity of the permitting process. To help developers navigate this complexity, projects that qualify for the program receive a much higher level of customer service than typical large developments. Developers are given a single point of contact with the program, and the permitting specialist maintains involvement with projects early on and throughout the design process in order to identify potential permitting problems and solve them in advance. Green assistance and permit assistance are fully integrated, so rather than provide an outside advisory group specific only to green strategies, one individual is responsible both for ensuring a project's sustainability and for coordinating its regulatory process.

Pre-permitting Coordination and Documentation

A key feature of the program is early consultation with applicants. Typically, larger projects contact the Green Permit Program 3 to 4 months prior to submitting a building permit application, and program staff work with the project over the course of those few months to discuss how the project will achieve certification and to help coordinate the requirements of other City agencies (e.g., Planning, Zoning, Transportation). The Green Permit Program staff work with applicants to help explain those requirements and resolve potential conflicts.

Approximately 4 to 6 weeks prior to permit submission, LEED® projects submit 50% construction documents and their green building documentation for the program's Preliminary Review Meeting. This documentation includes: 1) a LEED® registration number; 2) a LEED® scorecard; 3) a green permit narrative; 4) identification of Menu Item(s) selected; and 5) specifications demonstrating how green building measures will be achieved.

Enforcement

If the project fails to obtain LEED® certification, the owner is barred from future participation in the Green Permit program, and the City reserves the right to seek repayment of any waived fees.

2. ENERGY EFFICIENCY POTENTIAL

2.1. Policy Uptake

According to the City the policy has been well received by developers; in 2007, the program processed more than 200 projects, representing more than 1,000,000 sf of new development (60%) and existing building retrofits (40%).

Although Chicago's Green Permit Program has been successful over its short history, there remains room for enhancement. Terra Firma suggested that additional incentives – such as the partial waiver of basic permitting fees – may be necessary to draw in more small projects like the installation of solar thermal panels on single-family residences.

2.2. Energy Saving Potential

The basic financial incentive of reduced pre-construction time is enough to entice many developers to comply with the green building stipulations. The added financial incentive of the waived consultant fees creates pressure to achieve an even higher level of energy performance. Depending on the level of reward, projects can achieve 20% to 45% energy reduction over a typical project. A recent participant in the program, Terra Firma, claims that their Fountain View Condos project is achieving approximately 33% energy savings.

Though achieving energy performance beyond what is required in the LEED® rating system is not mandated, developers are encouraged to pursue the "Exceptional Energy Performance" Menu Item, which states that LEED® projects must earn at least 4 points under LEED Credit EAc1, Optimize Energy Performance. This Menu Item, however, has not been very popular thus far due to the relative cost of achieving this Menu Item versus others.

Currently, there is no monitoring or evaluation component to the program. City officials identified the need for verification of actual building performance, and have had preliminary discussions on how a monitoring and enforcement program may be incorporated in the Green Permit Program.

3. COST OF IMPLEMENTATION

3.1. Program Cost to the City

The Green Permit program required one new staff member at the onset of the program to act as coordinator. Once project applications increased to the point of necessitating another dedicated employee, one more full-time employee was hired

to accommodate the larger workflow. In addition to employee costs, there were other costs to the City, specifically, in the training and education costs to prepare the Developer Services Group for the program.

The City also absorbs the cost of waiving the consultant fees for projects that qualify for Tier II support, which comprise approximately 10% of projects in the program. Last year, this resulted in a total of approximately \$400k distributed in waived consultant fees. This incentive was made possible, in part, because the Department of Buildings budget is not directly tied to fee and other permitting revenue generation. Fee revenues generated contribute to the general budget of the City and are redistributed to various departments according to their budgetary needs.

3.2. Cost to the Developer

The cost of meeting the standards specified in the Green Permit Program vary across developers and building types. However, according to program officials, meeting Tier I requirements results in approximately 1 to 2% increase in project costs and meeting Tier II requirements results in a 2 to 3% increase in project costs. Developer Terra Firma, in their Fountain View Condos project, experienced a project cost increase of approximately 2%.

4. ADMINISTRATIVE FEASIBILITY

4.1. Administering Agency

The Department of Buildings administers the program, and has a dedicated group of two green permitting specialists that oversee program administration.

4.2. Ease of Initiation

The program did not require extensive policy research and development or stakeholder involvement prior to implementation. As the program is implemented by a separate team of permitting specialists, it had little effect on the existing permitting process. In order to achieve the targets of processing permits for qualified green projects, the Department of Buildings incorporated a new electronic record keeping system that utilized AutoDesk software to keep track of document submittals and reviews for projects in the program. Learning to use this new system required some on-the-job training for permitting specialists and applicants alike, but now greatly reduces the administrative burden of document exchange and review.

4.3. Educational Outreach Requirements

Word-of-mouth advertising was used to communicate the program to developers. The primary educational needs were internal – staff required training regarding the new permit procedure and third-party rating systems – LEED® and Chicago Green Homes.

5. STAKEHOLDER IMPACTS

5.1. Acceptability to the Developer

A developer typically spends a substantial amount of time in the permitting process, between 3 to 6 months. Admittance into the Green Permit Program reduces that time to approximately 30 business days. Terra Firma claimed that they received a significant economic benefit through reduced pre-construction time and construction loan payments, as well as lower administrative costs. In total, they estimated that their savings were approximately 2% of project costs. Thus, for developers like Terra Firm, the Green Permit Program reduces the cost of doing business, and consequently is a very popular policy among developers, as evidenced by the high policy uptake rates.

6. REFERENCES

Bradley Roback, City of Chicago Green Permit Program

G. Benjamin Ranney, Developer, Terra Firma