

Priority Green Permit Program

POLICY OBJECTIVE

To create an incentive for developers to incorporate green building practices and/or achieve specified local sustainability objectives by giving greater assistance and facilitation through the permitting process for qualified projects.

DESCRIPTION

The Priority Green Permit Program is currently in its pilot phase in Seattle and offers the following benefits: single point of contact; assistance by an integrated team of design and permitting staff; facilitate and coordinates priority land use and building permit review; and support and facilitation in navigation of complex code issues. The program specifies a variety of sustainability requirements to qualify, including an Energy and Climate requirement, which mandates that all projects must meet either a 60% energy & fossil fuel use reduction using EnergyStar Target Finder, or building performance improvement of 20% over Seattle Energy Code for commercial building projects and an improvement of 30% for residential projects.

SUMMARY RATINGS (★★★★★ = best/most feasible)

ENERGY EFFICIENCY POTENTIAL

★★

COST EFFECTIVENESS

★★★

ECONOMIC BENEFIT

★

ADMINISTRATIVE FEASIBILITY

★★★★

COST OF POLICY IMPLEMENTATION

★★★

ENERGY EFFICIENCY POTENTIAL

★★

Long-term energy savings potential is high at the project level, though overall impact on energy efficiency in new construction dependent on policy uptake.

- **Policy uptake is dependent on the threshold building performance standards and the magnitude of the financial incentive:** Seattle's program focuses on offering project facilitation services, and does not explicitly guarantee a reduction in the permitting process time. If Seattle offered an expedited permit service, this added financial incentive would likely attract more developer interest. If the program wants to increase its potential policy uptake, it could employ a model similar to Chicago's, which has a tiered system of incentives for buildings with differing levels of performance and certification. If Seattle wants to focus primarily on innovative projects, it could employ a model similar to San Francisco's, which offers the program to any projects that aim to achieve a LEED® Gold certification. Policy uptake scenarios range from 4% to 15% of new development, escalating each year through 2030.
- **Cumulative energy savings of approximately 640,000 - 780,000 MWhr for new construction through 2030:** Figure assumes current energy savings targets from current policy to be constant through 2030, and estimates policy adoption based on case studies (ranges from 4% to 15%). To maximize energy savings, the policy must address a broader share of new construction, through appealing to residential homebuilders (over 70% of future projected development).
- **Consistent with targets outlined in 2030 Challenge targets:** The Seattle Priority Green Permitting Program standards are already directly mapped onto the 2030 Challenge goals. Monitoring of policy uptake and actual building performance will also be important in assessing the policy's effectiveness in achieving the 2030 Challenge goals.

ECONOMIC IMPACTS

★

There is limited potential for new job creation, but some positive economic impact could result from ability to respond more quickly to spikes in real estate and from funding projects in lower-income areas.

- **Limited impact on job market due to narrow target market within new construction:** The policy would primarily support existing green building professionals and impact the green building industry.
- **Expedited process could result in faster response to market real estate market opportunities:** A shortened development approval process may allow developers to respond to immediate employment growth demand that may have otherwise flowed to other surrounding cities with faster approval processes.
- **Lower-income areas could benefit from green projects:** Prioritizing projects located in lower-income neighborhoods or business districts could give residents and business owners more discretionary income. It would also encourage development in areas often left behind during construction booms, when market timing is essential to the developer.

COST OF POLICY IMPLEMENTATION

★★★

City of Seattle Priority Green Permitting program adds only marginal, if any, costs to the City, but may require additional planning staff if the program were widely adopted by the development community.

- **Program will likely require additional funding from the City:** The policy can draw on the existing program, though it will need to be expanded for high policy adoption scenarios.
- **Following the Chicago model of fee waiver/reduction for high performance buildings could be costly:** Seattle could offer a tiered system of benefits as in the Chicago model, in which progressively better building performance receives higher financial rewards. This approach would reduce fee revenue from building permits, in effect reducing the budget of the DPD. San Francisco's model of targeting a small number of innovative projects would not require many additional costs for the City.
- **Program qualification may result in cost increases for the developer:** Program could offset some of these costs to developers, if it guaranteed reductions in pre-construction time through an expedited permit service.

COST EFFECTIVENESS

★★★

The direct city cost benefit is high favorable, though the net cost benefit indicates that the costs outweigh the benefits due to high costs to developer and low monetized energy savings.

- **Direct City Benefit Cost ~6.1** \$6.10 of energy savings per \$1.00 of program costs to the city
- **Direct Developer Benefit Cost ~0.8-1.2:** \$0.80-\$1.20 of financial benefit to developer per \$1.00 of developer costs, assuming an expedited permit program which reduces permitting time by 2 to 3 months. Benefit Cost reduces to 0 if program achieves no reduction in permitting time.
- **Net Benefit Cost ~1.2-1.6:** \$1.20-\$1.60 of monetized energy savings and financial benefit to developer for every \$1.00 of costs to the city and developer, assuming an expedited permit program which reduces permitting time by 2 to 3 months. Net Benefit Cost ratio reduces to ~0.5 if no reduction in permitting time.
- **Cost per MWhr saved low:** ~\$8.33 per MWhr saved

ADMINISTRATIVE FEASIBILITY

★★★★

City of Seattle's pilot program provides programmatic infrastructure and experience, though it will have to expand in order to increase policy adoption and/or offer expedited permitting services for participating projects.

- **Policy initiation will require additional resources if program expands target market or service offerings**
- **Good program flexibility:** The Priority Green Matrix used in the Seattle program details the project performance necessary to qualify for the program benefits, and can be adapted to current conditions and/or changing policy goals.
- **City staff education needed regarding Priority Green Matrix system and permitting service needs of green projects**

STAKEHOLDER IMPACTS

- **Current program offers little financial incentive for developers inexperienced in green building:** The current policy tends to benefit large developers experienced in green building the most, as the fixed costs of "greening" a big project are easier to absorb. Participating developers may look to recoup additional costs through leasing rates and sale prices, which would bias the program towards high end development.
- **If permitting time is increased for typical developments as a result of City staff diverting resources from the building permitting process, developers will be impacted financially**
- **Good synergy with existing SCL/PSE policies:** The Green Priority Permitting Program designed to promote innovation in energy efficiency practices that go beyond current energy code, similar to SCL and PSE's programs.

LESSONS LEARNED

PROS

- Cost effective policy – low program costs for the energy savings benefits, though limited due to policy uptake
- Few new resources or staffing requirements are needed to implement policy in its current form
- High potential for providing visible models of high performance and sustainable development for Seattle developers

CONS

- Incentive unlikely to be large enough to attract much new adoption (need a more substantial indirect financial incentive)
- Program can be biased towards larger projects with high-end occupants/buyers
- Policy may not be as effective in addressing residential developers

CONSIDERATIONS IN POLICY DESIGN

- Threshold building performance – appropriateness of including LEED® credits or local sustainability requirements
- Financial feasibility of a fee waiver/reduction, and the likely impact of offering such a service
- Target of policy – project building type/size, target policy adoption, which end of the green building spectrum