

Council Meeting: January 13, 2004
Santa Monica, California

TO: Mayor and City Council

FROM: City Staff

SUBJECT: Approve a Santa Monica Green Building Grant Program for New Construction and an Innovative Technology Grant Program for New and Existing Buildings

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INTRODUCTION

This report recommends that City Council approve establishment of a Santa Monica Green Building Grant Program to promote construction of LEED (Leadership in Energy and Environmental Design)-rated commercial, multi-family, and mixed use buildings in Santa Monica. It also recommends establishment of an Innovative Technology Grant Program to promote the use of innovative energy efficiency, distributed generation, and stormwater technologies in new and existing buildings.

BACKGROUND

In 1996, Council adopted Green Building Guidelines designed to encourage developers and property owners to invest in 'green' or high performance buildings that are designed, built, renovated, operated, or reused in a more sustainable and resource-efficient manner. High performance building benefits include:

- • Long-term financial savings for building owners and occupants;
- • Saving energy and natural resources;
- • Helping the City to meet its goals to reduce greenhouse gas emissions;
- • Reducing the use of toxic materials;
- • Enhancing indoor environmental quality where people spend 80 percent of

their time or more;

- • Minimizing site impacts by protecting and enhancing natural open space;
- • Minimizing stormwater runoff and erosion; and
- • Building demand for innovative and efficient building materials, energy systems, and related services that can create jobs and stimulate economic growth.

In December 2000, Council adopted a Green Building Ordinance that requires construction and “substantial remodels” of commercial and multi-family buildings to achieve energy performance levels beyond the State’s Title 24 standards, and to use construction materials with recycled content. Council also adopted a Construction and Demolition Waste Ordinance requiring projects valued over \$50,000 to divert at least 60 percent of construction and demolition waste from landfills. These ordinances and the Guidelines, when combined with existing City requirements related to resource conservation, pollution prevention, and transportation management, constitute the basis for the City’s Green Building Program. The program’s goal is to accelerate the design and construction of energy and resource efficient buildings throughout Santa Monica. The U.S. Green Building Council’s LEED (Leadership in Energy and Environmental Design) Green Building Rating System was introduced in 2000 and has steadily gained acceptance by the building industry as the national standard for evaluating and rating a building’s energy and environmental performance. In recognition of LEED’s growing emergence as the national green building standard, the City Council adopted a policy effective July 1, 2001, that requires all new construction and major renovations of City facilities to meet the Silver level of LEED wherever feasible. To date, the City’s Public Safety Facility, Main Library, Virginia Park, and Big Blue Bus campus projects have been or are being designed to achieve LEED Silver certification.

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DISCUSSION

Green Building Grant Program

The goal of the proposed Santa Monica Green Building Grant Program is to build momentum for high performance buildings by encouraging private sector builders to create sustainable buildings that will serve as examples for future projects to emulate. Providing incentives for the design of LEED-certified residential and commercial buildings reinforces the City's commitment to improving the quality, cost effectiveness, and safety of the built environment while reducing stress on the natural environment. Green Building Grants will be awarded to projects in the following four categories: commercial, affordable housing, mixed use, and multi-family residential. Eligible projects must also be registered with the U.S. Green Building Council for LEED certification. The LEED system provides a quantifiable and verifiable system on which to base City-provided financial incentives that closely reflect the goals of the City's Green Building Program. The grants would help cover the cost to design a LEED-certified building, estimated by the State's Integrated Waste Management Board to add approximately two percent to design and construction costs. When approximately 10 private sector LEED-certified buildings have been constructed and occupied for a period of at least one year in Santa Monica, a strong business case, based on actual construction costs and post-occupancy data, could be made for the economic opportunities high performance buildings provide. Such real world case experience and cost/performance data will be extremely useful in the City's education and outreach efforts to encourage resource and energy efficient design in the private sector as one of the means to achieve the goals and targets of the adopted Sustainable City Plan. It is anticipated that the grant program would end on completion of 10 projects.

The grants would be approved on a first-come, first-served basis after review and approval of the application by a committee comprised of three City staff members and two green building experts from other municipalities or nonprofit environmental organizations. Grantees will be required to provide verification of LEED registration, execute a Letter of Agreement with the City and receive their City building permit before any grant funds are released. All grant funds will be disbursed on a reimbursement basis as eligible costs are incurred. The Letter of Agreement commits the grantee to: provide verification of project completion by submitting the LEED Certification Document from the U.S. Green Building Council; allow the City to evaluate the payback and performance of measures for which the grant was given; cooperate in the creation of educational materials, case studies, or photos; and agree to make their facilities available for Green Building Tours. Grant recipients who fail to comply with the terms of the Letter of Agreement will be subject to forfeiture or refunding of their grant award.

Green Building Grants will be awarded to successful applicants as follows:

- LEED Certified: \$20,000
- LEED Silver: \$25,000
- LEED Gold: \$30,000
- LEED Platinum: \$35,000

It is anticipated that these proposed grant amounts would offset approximately 25 percent of the incremental cost for a prototypical LEED-certified Santa Monica multi-family residential building of 30 units or a LEED-certified small commercial building. Developers of larger commercial projects are generally more responsive to process incentives.

Fifty percent of each grant will be funded from the Community Energy Efficiency Fund

which was established by Council in FY 2002 using utility user tax revenues received during the State's energy 'crisis'; 12.5 percent will be funded from the Water Fund; 12.5 percent will be funded from the Wastewater Fund; and the remaining 25 percent will be funded from the Solid Waste Fund. For example, an approved LEED Certified project would receive a total of \$20,000; \$10,000 from the Community Energy Efficiency Fund, \$2,500 from the Water Fund, \$2,500 from the Wastewater Fund and \$5,000 from the Solid Waste Fund.

Process Incentives

During the development of the Green Building Program, the City held focus groups to solicit input from architects, developers, businesses, and residents on how to structure an incentive program that would accelerate the design and construction of high performance buildings. The stakeholders identified grants of fee waivers and expedited plan check and permitting as incentives. Process redesign for permits and plan check has begun to reduce turn-around times for projects. When target turn-around times are consistently met, it will be possible to consider process incentives without penalizing other applicants.

Innovative Technology Grants

The proposed Innovative Technology Grants are intended to encourage developers and property owners to incorporate energy efficiency, on-site energy generation, and urban runoff technologies into projects beyond standard City requirements. The private sector is often reticent to incorporate new technologies because of the risk of adopting unproven systems. The Innovative Technology Grants will help mitigate the risk of using new technologies by providing financial incentives to their adoption. Ultimately, the program will provide real world examples that will make it easier for other property

owners and developers to justify incorporating these or similar technologies into their projects. City staff will work with owners and developers to measure the efficacy of the systems that are installed. The grants will consist of a flat \$5000 award per project and will be limited to 20 total grantees. The funding for energy efficiency and on-site generation projects will be paid from the Community Energy Efficiency Fund and funds for innovative urban runoff technologies will come from the Stormwater Fund.

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All new and existing commercial, mixed-use, affordable, and multi-family buildings greater than two units will be eligible to apply for Innovative Technology Grants. To ensure a variety of technologies are funded, grants would be issued on a quarterly basis. Applications will be reviewed and approved by a committee comprised of three City staff members and two green building experts from other municipalities or nonprofit environmental organizations. Applicants may propose their own technology or may elect a technology from the following list:

- ○ Underfloor Air Distribution for HVAC
- ○ Photocell-controlled daylighting
- ○ Demand-controlled Ventilation
- ○ Natural Ventilation or Forced Air Ventilation alternative to conventional AC
- ○ Ground-coupled Heat Pump (hydronic) or earth-cooled ventilation
- ○ Green Roof application (vegetative, earth covered building)
- ○ Innovative urban runoff systems, with City's approval.

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Selected grantees will be required to provide verification of system installation/completion under an approved building permit (if applicable) and execute a Letter of Agreement before the grant funds are released. All grant funds will be disbursed on a reimbursement basis as eligible costs are incurred. The Letter of

Agreement will commit the grantee to: allow the City to evaluate the payback and performance of measures for which the grant was given; cooperate in the creation of educational materials, case studies, or photos; and agree to make their facilities available for Green Building Tours. Grant winners that fail to comply with the terms of the Letter of Agreement will be subject to forfeiture or refunding of their grant award.

BUDGET/FISCAL IMPACT

Funding for the proposed programs is available from the following existing sources: \$275,000 (\$175,000 for LEED grants, up to \$100,000 for innovative technology grants) from the Energy Efficiency/Conservation Fund, Account Number C01076302.589003 and Account Number C01076302.589004; \$43,750 from the Water Fund, Account Number C25008299.589003; \$43,750 from the Wastewater Fund, Account Number C31008299.589003; and \$87,500 from the Solid Waste Fund, Account Number 27441.555150. Innovative Technology Grants for urban runoff projects will be funded in an amount up to \$100,000 from the Stormwater Fund, Account Number C34058803.589004.

RECOMMENDATION

This report recommends that City Council approve establishment of a Santa Monica Green Building Grant Program designed to promote construction of LEED -rated commercial, multi-family, and mixed use buildings in Santa Monica. It also recommends establishment of an Innovative Technology Grant Program to promote the use of innovative energy efficiency, distributed generation, and stormwater technologies in new and existing buildings.

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