



Missoula
COUNTY

Building(s) for the Future Summit
Breakout Group: Developer Incentives
January 15, 2020, 12:30 - 3:00pm

Welcome to Building(s) for the Future and the “Developer Incentives” breakout group. Missoula has worked to advance climate mitigation and adaptation efforts in recent years (adoption of the 100% Clean Electricity Resolution, Climate Ready Missoula plan, Zero by Fifty plan, etc). Buildings play a role in each of these efforts as **they comprise 52% of our community’s carbon emissions, according to 2014 data.**¹ They are increasingly important as pressures mount for development to keep pace with community growth, and in order to meet our carbon neutrality and 100% clean electricity goals, we estimate that Missoula must **reduce total building emissions 15% by 2030.**



In 2019, the City of Missoula issued 197 permits for new multifamily developments and 256 single homes were constructed within city limits, and development pressure persists.² Missoula (city and county) can work with developers to create incentive programs that increase adoption of green building practices. These incentives can work in concert with growth policy goals and take into consideration a variety of climate-oriented environmental metrics, such as energy use intensity, embodied carbon of building materials, or water consumption.

Generally speaking, an incentive is offered through the zoning code, allowing developers to build higher or provide less parking (for example) in exchange for meeting a building performance standard, such as LEED Gold (again, for example - these details would be determined at a later date and are only meant to be illustrative.) The purpose of this group is to discuss and begin to evaluate the potential incentives that could increase the number of new, low-carbon buildings in the Missoula area.

¹ Climate Smart Missoula and City of Missoula. [“Missoula Community Greenhouse Gas Emissions Inventory,”](#) March 2017.

² [“Missoula Housing Report”](#) (Missoula, MT: Missoula Organization of Realtors, 2020).

A Note on Performance Standards

A key component of any incentive program will be identifying the higher performance standard that participating projects will need to achieve in order to earn the incentive. LEED has been a popular standard in other localities, as have energy use intensity (EUI) benchmarks. Energy Use Intensity is a measure of the energy used per square foot of a building, typically reported in units of thousands of British thermal units per square foot per year (kBtu/ft²/yr). Incentives would be given to projects that achieve a specified reduction in EUI relative to a baseline defined as a typical building of the same type normalized by climate zone.

Oftentimes, the performance standard and incentive are both tiered, allowing for projects that meet higher standards to gain bigger benefits. For example, a LEED Silver project would receive a smaller benefit than a LEED Platinum project. The desired performance standard should be decided upon through stakeholder engagement, and they can take into account energy use, embodied carbon, and material and water use. Ultimately, the performance standard and incentive will need to be developed in tandem so that the value of the incentive matches the additional cost of achieving the higher standard.

Primary Strategies to Consider

With technical assistance from the American Council for an Energy-Efficient Economy (ACEEE), the National League of Cities, and community members, we have identified several incentives that may be appealing to local developers. This list is not meant to be exhaustive (we hope you will provide additional ideas!), and we provide brief descriptions rather than comprehensive explanations of how such an incentive would be structured. Our hope is that the following will jumpstart the group's conversation and help all participants begin from a place of shared understanding. As you read, consider the pros and cons of each, as well as what you believe Missoula should prioritize pursuing in the next year, 5 years, and 10 years. Possible incentives include:

- Density bonus
- Reduced parking requirements
- Impact and/or permit fees reduced
- Permit process expedited
- Property tax abatement
- TIF funding made available

For an overview of all the strategies being discussed today, including the ones in this background brief, please reference Appendix A.

Density bonus

A density bonus provides the opportunity to build more units per acre in exchange for developers meeting the higher-than-code performance standard. Greater density offers co-

benefits as well, such as reduction of urban sprawl and vehicle miles traveled. Challenges could include neighborhood resistance to larger development projects or tension with other community objectives that may be interested in leveraging density.³ Successful implementation would need to consider the size and type of density bonus to offset the higher costs of green-certified construction and ensure that the value of the incentive matched the cost of achieving the higher performance standard.⁴ Austin, TX and Seattle, WA both offer density bonuses for green building projects.

Reduced Parking Requirements

Minimum parking requirements incur a myriad of direct and indirect environmental detriments, while also increasing the cost of development. By requiring a number of parking spaces attached to both residential and nonresidential developments, cities artificially reduce their density, increase development costs and make their spaces more auto-centric and less pedestrian friendly.⁵ On a per-unit basis, parking requirements can add up to \$50,000 to development costs and could be a viable incentive for green building projects.⁶

This type of incentive can most readily be applied to multifamily dwelling units, which require between 0.75 and 2.0 parking spaces per dwelling units.⁷ Detached single family homes and commercial properties may also be able to be included in such an incentive program. Policy design and training of city zoning officials would represent the sole cost of implementation of such a policy. Co-benefits include an increase in walkability (with its associated environmental and health benefits),⁸ and potential challenges may be citizen demand for ample parking spaces. Flagstaff, AZ and Denver, CO both offer this incentive to green building projects.

Impact and/or Permit Fees Reduced

Impact and permitting fees can be offered as a financial incentive for developers to use green building practices. Missoula requires developers to pay for impact and permit fees for both residential and non-residential development.⁹ This incentive for meeting green building criteria would have low barriers to program development, and it is currently in place in San Diego, CA and St. Petersburg, FL.

³ The City of Missoula's *A Place to Call Home* report identifies density bonuses as a potential strategy.

⁴ "[Green Building Incentive Trends](#)." American Institute of Architects, n.d.

⁵ Michael Lewyn and Kristoffer Jackson. "[How Often Do Cities Mandate Smart Growth or Green Building?](#)" Arlington, VA: George Mason University, October 2014.

⁶ Hannah Hoyt and Jenny Schuetz. "[Parking Requirements and Foundations Are Driving up the Cost of Multifamily Housing](#)." Brookings Institute, June 2, 2020.

⁷ [Title 20. Table 20.60—1 Off-Street Parking Schedule](#) (n.d.).

⁸ "[Encouraging Green Building Practices](#)." American Planning Association - Washington Chapter, November 2015.

⁹ City of Missoula, MT. "[Impact Fees](#)," n.d.

Permit Process Expedited

Review and permitting processes can often be lengthy, in some municipalities these processes can take up to 18 months. Reducing the duration of the review and permitting process, in exchange for committing to specific green building standards, can result in significant cost savings for the developer. This allows a municipality to offer a significant incentive with little or no financial investment, since it only requires a shift in permitting priority.¹⁰ San Diego, CA currently has a successful expedited permit process program to encourage green building.

Property Tax Abatement

Missoula could offer developers a period of tax abatement on properties that meet green building criteria. These abatements have the benefit of being flexible on the time period allotted by the city (taxes could be abated for 3, 5, 10 years, etc. depending on program design). This type of green building development incentive is becoming increasingly popular with other municipalities - Cincinnati, OH, Cleveland, OH, Baltimore, MD, and Virginia Beach, VA have successful property tax abatement programs.¹¹

TIF Funding Availability

Tax Increment Financing (TIF) is a method of financing a project or development in a designated geographic area based on the anticipated increase in property tax that will be generated by the project.¹² TIF funding is used to leverage public investment into additional private capital, and could be made available in “zones” to projects that reach certain energy use or emissions criteria. A local government could issue municipal or private bonds to raise capital for a large-scale project that meets these criteria, and use the TIF revenue to service bond payments. Alternatively, a local government could use TIF revenue incrementally—as the revenue is collected—to pay for smaller-scale green infrastructure projects. TIF programs and districts are allowed for certain uses in Montana, and the state identifies several types of projects for infrastructure development, like bike racks and tree planting, that TIF funding may be used for when procured.¹³

Foundational Strategies

Achieving green building goals will be more feasible with acceleration of one or more of the foundational strategies below. As you evaluate the incentives above, consider these

¹⁰ [“Financing and Encouraging Green Building in Your Community.”](#) United States Green Building Council, n.d.

¹¹ Stuart Kaplow. [“Residential Green Building Increasingly Incentivized with Property Tax Credits.”](#) Green Building Law Update, April 19, 2015.

John O’Neill and Stefen Samarripas, “Missoula Residential Climate Action Strategies,” October 2, 2020.

¹² Georgetown Climate Center. [“How to Pay for Green Infrastructure: Funding and Financing,”](#) n.d.

¹³ Montana Transportation and Land Use. [“Financing Districts - Tax Increment Financing Districts,”](#) n.d.

foundational strategies and what they would need to look like or include in order for Missoula to be successful.

Expand available financing options (can take a variety of forms)

- **Private financial institutions** can offer (or expand their offerings) of financial products for energy efficiency, renewable energy, and electrification efforts.
- **Utilities** can offer on-bill financing or on-bill repayment. In on-bill financing, the utility incurs the cost of the upgrade and it is repaid in monthly installments on the bill. On-bill repayment is the same except that a third-party provides the up-front capital for the improvement.
- **The City of Missoula**, as a charter city, can establish PACE financing where a clean energy improvement is paid for via property taxes. The repayment is attached to the property rather than the individual. **Missoula County** may also be able to establish a similar program tied to property taxes.

1-stop energy shop for residential and commercial properties

Technical assistance will be central to this work. A 1-stop energy shop would centralize incentives and technical assistance to make it as easy as possible to implement energy efficiency measures. 1-stop shops are typically pursued in partnership with the local utility, though Missoula may be able to create a 1-stop shop independently with appropriate funding.

Workforce development










The policies, if adopted, will likely increase demand for a skilled workforce of energy service companies and contractors who can perform quality building retrofits. Missoula will need to pursue partnerships between local energy efficiency businesses, Missoula College, and other relevant stakeholders to develop a robust clean energy workforce, as well as provide training opportunities for those already in the industry. Workforce development programs can and should diversify the clean energy workforce and support the hiring and training of those typically not employed in these jobs.























































Expand access to low carbon and high efficiency materials

Building materials are constantly evolving. As low-carbon, high efficiency materials (cross laminated timber, high efficiency windows, etc.) become more cost effective, it will be easier to incorporate them into retrofit projects. Additionally, this is a potential opportunity for supporting local entrepreneurs that focus on the manufacturing and distribution of these materials.

This work was funded by the National League of Cities' Leadership in Community Resilience grant. For more information, visit www.missoulaclimate.org/buildings.










Appendix A: Overview of Strategies





































KEY									
Type of Tool			Building Stage			Feasibility Analysis		Group Codes	
									OWN - Owner Occupied Housing RENT - Rental Housing SUB - Low Carbon Subdivisions LARGE - Large Buildings INNOV - Promotion + Innovation INCENT - Developer Incentives
Incentive/Financial	Regulatory	Programmatic	Blueprint	Construction	Operation	Next Life (Decon/Rehab)	Move ahead	Some reservations	

Tool Name	Other Possible Outcomes (in addition to low-carbon buildings)	Implementation Lever	Could advance objectives of...	\$/MT of CO ₂ e Estimate	Legality	Selected Precedents	Groups Discussing
Expand financing	<ul style="list-style-type: none"> Economic development 	Public private partnership	   	N/A		Clearwater Credit Union, People's Gas in IL, Alabama Power	ALL
	Expanded financing can take a variety of forms. Private financial institutions can offer (or expand offerings) of financial products for energy efficiency, renewable energy, and electrification. Utilities can offer on-bill financing or on-bill repayment. The City of Missoula or Missoula County can establish financing programs where repayment is attached to the property rather than the individual.						
One-Stop shop	<ul style="list-style-type: none"> Greater coordination Increased community awareness 	Public private partnership	   	N/A		Energy Trust of Oregon and Energy Works of Fort Collins, CO	ALL
	The 1-stop shop approach makes energy efficiency more accessible for a larger portion of the population (commercial and residential) by simplifying a complicated process. It typically requires a strong partnership with the local utility.						
Workforce development	<ul style="list-style-type: none"> Economic development 	Public private partnership	   	N/A		Philadelphia, PA, Minneapolis, MN, and Raleigh, NC	ALL
	Developing a skilled workforce of energy service companies and contractors who can perform high-quality building audits and retrofits is a key component of any of the strategies in this table. Missoula will need to pursue partnerships between local businesses, Missoula College, and other relevant stakeholders. Workforce development programs can and should diversify the clean energy workforce.						
Expand access to materials	<ul style="list-style-type: none"> Economic development 	Public private partnership	   	N/A			ALL
	Building materials are constantly evolving. Low-carbon, high efficiency materials are becoming more cost effective, and they present an opportunity to support local entrepreneurs that focus on the manufacturing and distribution of these materials.						
Home energy label ordinance	<ul style="list-style-type: none"> Increased consumer awareness Economic development 	Local ordinance	   	N/A		Minneapolis, MN	OWN, RENT, SUB
	All home sales and rental leases must disclose the unit's energy report card at time of sale or lease.						
Residential energy conservation ordinance (RECO)	<ul style="list-style-type: none"> Increased consumer awareness Economic development 	Local ordinance	   	N/A		Burlington, VT, San Francisco, CA, and Berkeley, CA	OWN
	RECOs require prospective sellers or buyers to perform a set of low-cost energy efficiency improvements. These ordinances could result in 10 - 20% energy savings for the average home.						
Energy savings competition	<ul style="list-style-type: none"> Increased community awareness 	Public private partnership	   	N/A		Bozeman, MT, Fargo, ND	OWN, RENT, INNOV, LARGE
	An energy savings competition encourages owners and renters to reduce their energy consumption, all while building momentum and awareness at the ground level for greater energy awareness.						
Retrofit assistance program	<ul style="list-style-type: none"> Preserve affordable housing Economic development 	New local government program	   	N/A		Boulder, CO, Minneapolis, MN, Milwaukee, WI, and Dallas, TX	OWN, RENT
	A retrofit assistance program would be a new local government program for homeowners and landlords that provides grants or low-interest rate loans for energy efficiency upgrades. They often include no-sell or affordability covenants to preserve affordability. Programs should be designed in tandem with, and promoted to, low-income residents.						
Energy efficiency "bulk buy"	<ul style="list-style-type: none"> Economic development 	New local government program	   	\$4/MT		Ann Arbor, MI	OWN, RENT, SUB, LARGE
	A bulk buy program is when a local government makes a bulk purchase of high efficiency products (heat pumps, LED light bulbs, etc.) and provides them to citizens at a below market cost to fill gaps in existing rebate and incentive programs.						

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Eco-District	<ul style="list-style-type: none"> National recognition 	Public private partnership		N/A		Minneapolis, MN, Denver, CO, Boston, MA	INNOV
	District-level project that brings together area stakeholders to design and implement ambitious projects with outcomes in equity, resilience, and climate mitigation. Brings a unique branding opportunity with national recognition.						
Promotion of flagship projects	<ul style="list-style-type: none"> Increased community awareness Marketing opportunity for leaders 	Public private partnership		N/A		Sarasota, FL	INNOV
	Contrasts Eco-Districts by being able to exist city or county-wide, rather than in one neighborhood. Flagship projects may represent a range of “going beyond what’s expected,” such as with a deconstruction plan, all-electric heating and cooling, or reducing embodied carbon. Could be recognized with an online “story map,” recognition placards, or building tours (online or in person).						
Rental certification program with energy efficiency requirements	<ul style="list-style-type: none"> Increased comfort and health 	Local ordinance		\$30/MT		Ann Arbor, MI	RENT
	Establish a rental property registry and attach energy efficiency requirements to the process of acquiring or renewing a rental property owner’s certificate of occupancy. Provide financial incentives, technical assistance, and flexible compliance pathways to help property owners. Bozeman identified this as a key plan in their most recent climate action plan.						
Renewable energy for renters	<ul style="list-style-type: none"> Economic development Increase clean electricity supply 	Public private partnership		N/A		Southern California Edison	RENT
	Increase renters’ access to clean energy via Missoula’s 100% clean electricity efforts, specifically a solar-ease expansion, green tariff, or utility owned community solar. Solar-ease expansion can expand focus to landlords and tenants, as well as develop a green lease that helps align tenant and landlord interests.						
Energy use disclosure ordinance (benchmarking and transparency)	<ul style="list-style-type: none"> Increased data transparency 	Local ordinance		\$17-46/MT		Seattle, WA, Fort Collins, CO, and Philadelphia, PA	LARGE
	Require large building projects to disclose their energy use via an online data portal. This lays the groundwork for higher performance, as well as collects data to inform better decisions.						
Building energy performance standards (BEPS)	<ul style="list-style-type: none"> Economic development 	Local ordinance		\$8/MT		Reno, NV, St. Louis, MO, Washington state	LARGE
	Sets energy or emissions standards that large multifamily and commercial buildings must meet by a certain date. Typically includes a long term policy goal as well as interim goals that must be met along the way.						
High performance standards for new buildings via zoning	<ul style="list-style-type: none"> Economic development 	Zoning		N/A		Boston, MA, Cambridge, MA	LARGE
	In contrast to a BEPS, which applies to existing buildings, there is an opportunity to mandate higher performance standards for new buildings via zoning. The City or County could mandate buildings over a certain size adhere to higher performance standards (such as LEED certification or Energy Use Intensity benchmarks).						
Mandatory retrocommissioning and/or tune-ups	<ul style="list-style-type: none"> Economic development 	Local ordinance		\$27/MT		Seattle, WA, Philadelphia, PA, Los Angeles, CA	LARGE
	Requires large buildings to perform a prescribed set of operations and maintenance improvements designed to reduce building energy use every 5 years. Rather than require a certain standard be met (like BEPS), it requires a set of actions be taken .						
Voluntary stretch code	<ul style="list-style-type: none"> Increased training 	Local adoption of stretch code		N/A		Santa Monica, CA	LARGE
	A stretch code is a code or alternative compliance path that is more aggressive than base code. The state of Montana allows localities to adopt voluntary stretch energy building codes. They are most effective when paired with incentives.						

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Density bonus	<ul style="list-style-type: none"> Increased density 	Zoning	   	N/A		Austin, TX, Seattle, WA	INCENT
	Provides additional density for projects that go beyond base building code.						
Reduced parking requirements	<ul style="list-style-type: none"> Greater walkability 	Zoning	   	N/A		Flagstaff, AZ, Denver, CO, State of CA	INCENT
	Allows projects that go beyond base building code to provide fewer minimum parking spaces.						
Impact and/or permit fees reduced	<ul style="list-style-type: none"> Reduced revenue for local government 	Zoning	   	N/A		St. Petersburg, FL, San Diego, CA	INCENT
	Reduces impact and permit fees for projects that go beyond base building code.						
Permit process expedited		Zoning	   	N/A		Albuquerque, NM, Salt Lake City, UT, Chula Vista, CA, Miami, FL	INCENT
	Provides a faster permitting process for projects that go beyond base building code.						
Property tax abatement	<ul style="list-style-type: none"> Reduced revenue for local government 	Zoning	   	N/A		Virginia Beach, VA, Cincinnati, OH, Cleveland, OH, Baltimore, MD	INCENT
	Provides partial reduction in property taxes for projects that go beyond base building code.						
TIF made available	<ul style="list-style-type: none"> Increased conversations about TIF 	Missoula Redevelopment Agency	   	N/A		Chicago, IL	INCENT
	Makes TIF funding available for projects that go beyond base building code.						