

# WORK SESSION AGENDA ITEM SUMMARY

City Council



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## STAFF

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## SUBJECT

**Building Performance Standards.**

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## EXECUTIVE SUMMARY

The purpose of this item is to bring forward recommendations derived from the Building Performance Standards (BPS) policy development process. Staff will also highlight how BPS, as a regulatory lever, is a key part of a larger strategy to reduce climate pollution and air pollution. From the start, staff have partnered with community contributors who helped provide a full consideration of local circumstances and conditions, sharing feedback that accounts for lived experiences in our community. Input from affected groups shaped the policy recommendations that will be outlined in this work session and associated materials. BPS policy work aligns with the 2024-2026 adopted Council priorities and the Our Climate Future (OCF) plan; specifically, the goal of an 80% greenhouse gas emission reduction by 2030 and Big Move 6: Efficient, Emissions Free Buildings.

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## GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What information is needed to advance the conversation related to community electrification?
2. Do Councilmembers have initial feedback on staff BPS recommendations?
3. Do Councilmembers want staff to return to another work session to continue the BPS conversation? If so, what specific topics would be helpful to discuss?

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## BACKGROUND / DISCUSSION

### City Electrification Strategies

With the recent adoption of a Council priority related to reducing climate pollution and air pollution through best practices, emphasizing electrification, staff plan to define strategic electrification, and also outline the comprehensive strategies deployed by the City to advance toward the priority and council adopted BPS.

Stated simply, there is a right way and a wrong way to pursue electrification. Strategic electrification is defined as improving in one of the following categories without negatively impacting the others:

- Saves money

- Benefits the environment
- Fosters grid resilience
- Improves quality of life

Throughout the course of implementing programs and developing policies, staff heard initial concerns related to upgrade costs. After identifying the financial resources available, the conversation often quickly evolved into changes in behavior and education on technical resources. A key element to successful electrification is continuing our efforts toward increased efficiency. Efficiency related efforts often prevent negative impacts.

The City has a comprehensive strategy taking several approaches to reducing climate pollution and air pollution. The “levers” can be categorized as economic, behavioral, regulatory and infrastructure. A balanced approach to utilizing these levers is required to support the City’s strategic objectives and achieve OCF goals. These levers can be used across different areas of impact, or segments, of our community.

Utilities has a long history of using economic and behavioral levers in both energy efficiency and conservation. In both residential and business engagement, energy savings are achieved through a balance of economic levers such as time of day rates and incentives for equipment upgrades, as well as behavioral levers such as transparency (social norming) and education on energy use. Despite our growing population, efficiency has helped limit the increase in electricity use. It is estimated that the electric use would be 27% higher without Utilities efficiency programs.

It is unlikely, however, that the City will be able to achieve OCF goals with economic and behavioral levers alone. An increasing reliance on regulatory strategies (such as BPS and advancing building codes) and updating infrastructure will be required. Staff recognize the success of any regulatory strategies is dependent on community access to financial and technical resources.

## **Building Performance Standards**

### Background

More than two-thirds of our community’s carbon emissions come from local buildings. To help tackle climate change, improve air quality, and drive economic opportunities locally, Utilities has been exploring BPS.

BPS have the potential to be the most powerful, direct policy action the City can take to meet 2030 goals outlined in OCF (as building performance accounts for over 16% of projected efforts to meet an 80% greenhouse gas reduction). Additionally, BPS have a far greater impact on natural gas reduction than other Utilities programs. Utilities estimates savings from BPS alone could be just under that of every other efficiency program run by Energy Services combined.

Investing in our buildings is an investment in the future of our community, particularly in light of expected changes in our local and global climate. BPS supports the following City strategic objectives:

- Environmental Health (principal alignment)
- Neighborhood Livability and Social Health
- Economic Health
- Safe Community

## **BPS Community Benefits**

BPS focus on increased building efficiency, plugging into a larger effort of climate change mitigation policies across Colorado, nationwide, and beyond. Investing in the built environment, where we spend 90% of our time, beneficially impacts health, safety, comfort, and resilience. More efficient buildings can lower utility bills and improve indoor and outdoor air quality. More efficient buildings have increased occupancy and tenant retention, facilitating community-building, which in urban areas is critical to resilience. Efficient commercial spaces are shown to have more productive employees and higher property values. BPS also lead to the creation of high-paying jobs and foster a more competitive economic environment.

BPS are a critical tool to mitigate and adapt to impacts of climate change both at the utility level and for community members. Better air quality benefits all residents, as do improvements resulting in increased health, safety, comfort, and resilience. Utility customers stand to benefit directly from BPS through lower utility bills. Multi-family tenants and property managers benefit from reduced operations and maintenance costs, and increased occupancy and tenant retention. Businesses benefit from higher productivity of on-site staff. Building owners benefit from the higher property value of efficient buildings and the value of efficiency investments.

## **BPS Development Process**

In late 2022, Utilities convened an internal task force composed of City and Platte River Power Authority staff. Part of those discussions helped shape the external Task Force (participant summary listed in Community Engagement, Attachment 4) composed of experts representing industries that would likely be significantly impacted by BPS. Our external Task Force met throughout 2023 and brought critical perspectives to define policy recommendations for a truly implementable local BPS. Also in 2023, Utilities formed a Technical Committee. This committee is composed of an experienced consultant along with a group of local experts with deep expertise in building science. The Technical Committee (participant summary listed in Community Engagement, Attachment 4) supported Task Force recommendations with extensive data review while balancing real-world understanding of Fort Collins buildings (accounting for our local buildings, technical feasibility, upgrade timelines, and costs). The Technical Committee continues to meet.

Equity-focused engagement included:

- Meeting with several community-based organizations (CBOs) focusing on affordability
- Connecting with local subsidized housing providers
- Engaging with the newly formed Climate Equity Committee (CEC) for long-term partnership
- Beginning scoped work in 2024 to identify under-resourced commercial buildings and their barriers to efficiency

Staff plan to continue to check in with CBOs and partner with the CEC to monitor for negative repercussions from an equity lens. Should they occur, staff would partner to explore recommendations to address identified repercussions.

Broad community outreach with internal and external groups included business groups, environmental groups, other jurisdictions, federal partners, local boards, and more. We continue to seek feedback internally and in the community around the policy recommendations and required supporting resources. Program staff strive to bring leadership policy recommendations that are shaped by and for the community, informed by regional and nationwide partnerships leveraging industry-wide best practice along with learnings from jurisdictions with existing policies.

## **BPS Structural Recommendations**

Find additional context in the Task Force Recommendations and Community Contributor Recommendations (Attachments 1 and 3).

### Covered Buildings

BPS policy recommendations center on increased efficiency demonstrated through decreased Energy Use Intensity (EUI). Based on committee recommendations, staff recommend including (covering) commercial and multi-family buildings 5,000 square feet and above. The proposed BPS would cover just below 1,400 buildings, 32% of which already meet proposed targets. Covered buildings account for 40% of all Fort Collins building electricity use (including residential and industrial properties).

### BPS Targets

Staff recommends adopting an EUI target for individual covered buildings. EUI is typically measured by thousand British thermal units (kBtu/square foot) and is a common metric that includes multiple fuels (often natural gas and electricity) used for energy in a building within a single metric. EUI is tracked through our existing benchmarking program, ensuring objective targets are easily monitored (Performance Target Recommendations, Attachment 6). A common metric for tracking BPS compliance around the country, and used in both Denver and the State of Colorado, EUI provides an objective comparison of all energy use accounting for weather, building size, and property use type.

Staff recommend buildings between 5,000-10,000 square feet have more-attainable targets.

### Compliance Timeline

Staff recommend implementing a BPS with 2027 as the interim timeline and 2030 as the target deadline. For the smallest cohort of covered buildings, those 5,000-10,000 square feet, staff proposes an extended timeline. These dates ensure time for community education, engagement, and action, and also are timely enough to contribute to our OCF 2030 emissions reductions goals.

### Alternative Compliance Pathways

Staff have designed alternatives to ensure buildings are not tasked with meeting unachievable targets. Recommended “off-ramps” include EUI reduction caps which limit the maximum energy savings a building would need to achieve, timeline and target adjustments, waivers, and the potential for providing additional help for under-resourced buildings.

## **Resources for Success**

While BPS can have significant positive impacts on our community, any policy can do further harm and perpetuate existing inequities if not thoughtfully designed around social equity. Recommendations seek to shape a policy that encourages benefits in health, safety, comfort, and resilience while working to reduce the risk of increased unaffordability. Community contributors have discussed recommendations with program staff to encourage maintained affordability in housing, and ongoing work focuses on relevant offerings directed to under-resourced building owners.

Community contributors shared that successful implementation depends on resources for all buildings, with an emphasis on under-resourced buildings. This includes education on the benefits associated with BPS and their alignment with City and community goals, as well as robust and targeted educational, financial, and technical resources. Identifying and offering appropriate resources is an essential strategy to keep the policy from hindering economic growth.

Staff continue to explore ways to build upon the robust federal, state, and local incentives currently available for energy efficiency projects. Acknowledging that there will still be a cost associated for many buildings, partnership with “green” financing providers such as Colorado PACE and the Colorado Clean Energy Fund is an essential path to assure payments for upgrades better align with payoff periods, and high upfront costs are minimized or avoided entirely. Utilities plans further education for covered building owners to demonstrate how green financing can overcome perceived barriers focusing on return on investment. Partnerships also help determine where the City can assist with financing gaps.

While cost barriers may seem like the most profound, our informed community voices shared that technical and educational resources are no less critical. Educational resources set for development, if BPS policy is adopted, include training and on-demand recordings. A Help Center will be on hand to support building owners with compliance and provide assistance for both simple and highly technical questions and requests. An online hub will provide educational resources including technical and financial.

Existing technical support is available to building owners to identify low- and no-cost improvements along with smart investments in energy efficiency. Staff are prepared to build upon existing resources with additional support for all covered buildings and advanced technical support for under-resourced buildings through an expansion of existing vendor partnerships. On-site, whole building assessments with targeted recommendations will help assure building owners understand their best options to meet targets and encourage alignment with 2050 carbon neutrality goals.

Part of policy education includes sharing the benefits of BPS, so our community understands the work we are doing and why. Staff continue to address workforce challenges by exploring a local scholarship program. Collaborating with local jurisdictions with adopted policies (Denver, Boulder, Aspen, and the Colorado Energy Office) allows shared learning and resources, extends opportunity to expand the workforce and partner for other resources including funding opportunities.

Staff propose Utilities lead BPS management and resulting citations, in partnership with the Court and Prosecution teams. Internal staff needed for BPS adoption may be reduced by partnering with trusted vendors, which allows program management to ratchet support up or down as appropriate across the wide range of programmatic support. We expect this to be a program with significant peaks in activity, although there should be a steadily growing baseline of activity associated with compliance. Staff propose education and resource development (resource hub, financial hub, technical assistance) be developed and shared widely early on, and regularly thereafter, with the expectation of more support needed for individual building owners close to interim and final target dates.

## **NEXT STEPS**

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Staff seek feedback from Council on policy recommendations. Staff acknowledge that further conversation with Council may be appropriate after this meeting to address specific aspects of the proposed policy.

## **ATTACHMENTS**

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1. Task Force Recommendations
2. BPS Potential Impact Numbers
3. Community Contributor Recommendations
4. Community Engagement Memo
5. Fort Collins BPS Case Studies
6. Performance Target Recommendations
7. BPS Cost Benefit Analysis
8. Presentation