



TO: City Council

FROM: Greg Clark, Development Services Manager

DATE: May 10th, 2024

RE: Home Energy Rating System (HERS) Program

HISTORY OF THE HERS/ERI PROGRAM:

In November of 2017 the HERS/ERI program was discussed at the direction of Council to encourage energy efficient building practices for new residential dwellings. The program first began on July 1st 2018 by Resolution R-1718-117 and has been renewed six (6) times and is set to expire June 30th 2024. The program was most recently renewed on July 1st 2022 by Resolution R-2122-137 updating the programs benchmark and allowing for a 2-year extension.

The program was established through meetings with local builders, stakeholders and Council to discuss potential incentives, specifically in the area of energy efficient residential construction. From these discussions, it was recommended that an incentive program utilizing the Energy Codes Home Energy Rating System (HERS)/Energy Rating Index (ERI).

A HERS/ERI score is a measure of a buildings energy efficiency. A score of 100 is a building built to the standards of the 2006 Energy Code and a score of a 0 is a home that utilizes no energy. In this case the lower the score the more efficient the building.

The last Resolution, R-2122-137, takes the HERS/ERI Program through the six-year mark. The goal of the last extension was to allow an additional window of time to review the results of the program, consider and update benchmarks and allow further discussion between City staff and City Council regarding the potential implementation of a permanent program.

The pilot program provides an incentive for new single-family residential home construction through an adjustment of the building permit fee based on the final HERS/ERI index rating (or score) of the home.

The building permit fee for a single-family home is based on a fee of \$0.14/sq. ft. of the structures project area (area under roof). The program charges a percentage of that building permit fee (for new, single-family residential homes) based on a specified HERS/ERI score. Additional fee adjustments are included for homes achieving scores lower than the minimum HERS/ERI score determined for the adjusted fee. The current pilot program allows for a 50% building permit fee adjustment for a home achieving a HERS/ERI index rating of 57, with an additional 5% fee reduction for each point below 57. The actual

monetary amount of the waiver varies based on the square footage of the structure. The permit fee could potentially be adjusted to \$0 if the home achieved a HERS/ERI score of 47 (additional 5% per point x 10 points below 57). See below chart of the current structure. .

HERS/ERI Program with a 57 benchmark	
47 or less	Builder pays no building permit fee.
48	Pays 05% of building permit fees
49	Pays 10% of building permit fees
50	Pays 15% of building permit fees
51	Pays 20% of building permit fees
52	Pays 25% of building permit fees
53	Pays 30% of building permit fees
54	Pays 35% of building permit fees
55	Pays 40% of building permit fees
56	Pays 45% of building permit fees
57	Pays 50% of building permit fees

BUILDING PERMIT FEE ADJUSTMENT PROCESS:

The process for applying for an adjusted building permit fee begins with the applicant /builder enrolling in the program at the time of permit application.

Homes participating in the program are not required to initially pay the building permit fee portion of the permit. All remaining fees except the building permit fee are paid when the building permit is issued.

Final building permit fee adjustments are based on the applicant/builder submitting a final HERS/ERI index score report and subsequent verification of the final HERS/ERI index score to staff. Following staff review, the final total of the building permit fee is determined, and any outstanding fees owed to the City are required to be paid prior to the issuance of the final Certificate of Occupancy (CO).

CURRENT STATISTICS AND CODE ACTIVITY:

	Enrolled 7/18 to 7/22 Benchmark of 65	Enrolled 7/22 to 5/22 Benchmark 51	Enrolled 7/22 to 4/24 Benchmark 57
Total homes enrolled in the program	539	291	220
Homes that received no credit	139	209	19
Homes that received full credit	149	0	4
Homes that received partial credit	251	82	82
Still enrolled in the program	0	0	115
Average credit	\$335	\$187	\$246
Total credits awarded	> \$133,922	> \$15,131	> \$21,193

The Oklahoma Uniform Building Code Commission (OUBCC) (a State body that adopts minimum codes for jurisdictions in Oklahoma), updated the states minimum energy code standard effective September 2022 to make the minimum stated wide ERI 64. When staff last updated the program, the benchmark was updated to an ERI of 57. The 57 ERI is a notable improvement over the proposed State standard of 64. The 57 is the standard referenced in the 2018 IECC codes. Based on our current data set the 57 standard is proving to be a challenging but achievable benchmark.

Of the 105 homes that were in the program that are complete or near completion 82 received partial credit with 4 of the homes receiving the full credit and 19 received no credit.

RECOMMENDATION:

At this time, we have nearly six (6) years of data and experience with the program. Staff is recommending that if Council desires to continue the program we do so by adopting it permanently as an ordinance. The benefit of adopting the program permanently is it will allow builders the ability to rely on its existence when developing plans and budgets. There are other energy code programs (Federal/State/Utility Companies) that tend to come and go which builders participate in. Having a static program can only encourage builders to consider building an above code home in Norman. Adopting by ordinance will further solidify the program and mitigate future political conditions to affect the programs continuance, as Resolutions should be updated frequently.

If adopted by Ordinance staff recommends that instead of setting a rigid score we adopt an ERI score with a set number of points below the currently adopted code as determined by the OUBCC. This will again allow the program to remain flexible as codes are updated while still ensuring that homes built above the states minimum standard are rewarded. Based on past adoptions of energy codes staff recommend the benchmark to be 7 points better than the states minimum score for ERI. For this code cycle, this would keep the programs reward at a 57. Should the state update the Residential Energy

Code the new benchmark ERI will be reflective of what is likely to be an improved score. As an example, if the State were to make the new minimum ERI a 60, the programs benchmark in the City of Norman would become a 53.

CC: Jane Hudson, Planning & Community Development Director
Kathryn Walker, City Attorney
Beth Muckala, City Attorney III