



Date: November 16, 2021

To: Mayor and City Council

From: Grace Hancock, Sustainability Coordinator

Subject: Proposed Sustainable Buildings Policy

Executive Summary, November 16, 2021:

Staff requested City Council comment on this proposed policy at their October 19, 2021 work session. At that time Council received a complete report detailing the policy creation process and elements. This report can be read in full below. This Executive Summary is the only new section of this report; it addresses Council comments and affirms final policy language.

- *Building efficiency performance trends:*

In Minnesota, building code is set at the state level based on national recommendations, and includes energy code requirements. Since 2000, building codes have changed more than five times, resulting in design standards intended to use 52% less energy than buildings constructed to the requirements of 1976 code, Minnesota's baseline.¹ However, a 2017 report that looked at building energy efficiency trends in Minneapolis and statewide found no clear relationship between a building's age – and thus what code it's built to – and its energy performance.² This trend is reflected in Edina; while buildings may have been designed to a more advanced energy code over time, Edina buildings built in the last five years are not reporting more efficient energy use than those built 10 to 20 to 40 years ago – especially the largest buildings.³ To understand the disparity between building energy code requirements and building performance, researchers commonly find that building operations are often not fine-tuned to maximize energy efficiency, and that uneven code enforcement due to education or capacity can impact the degree to which buildings actually comply with design standards. Thus, standards that affect new construction are an important foundation, but programs and policies that influence efficient building operations – such as benchmarking – help check and hold buildings to these standards.

- *Statewide building efficiency efforts:*

There has been an ongoing effort by cities interested in climate action to influence state energy code and advocate for adoption of advanced standards. Edina staff are part of a small working group to draft recommendations, build support across Minnesota, and connect with lawmakers. In December 2020, MN Departments of Labor and Commerce issued a joint report on this topic.⁴ In 2021, a joint DFL-Republican bill was introduced in the statehouse, but did not advance.⁵ In 2022, the City of Edina will continue to include this topic as a legislative priority to lend its support to passage of updated building and energy code standards statewide.

- *The final proposed policy reads:*

New Construction or Major Renovations to which this policy applies are required to be certified under an eligible Sustainable Building Rating System at the listed rating level and must meet the standards set forth in the Edina Overlay. Effective April 1, 2022.

¹ <https://www.dli.mn.gov/sites/default/files/pdf/BuildingsEnergyEfficiency2020.pdf>, page 5

² <https://www2.minneapolismn.gov/media/content-assets/www2-documents/business/Energy-Benchmarking-Report-2015.pdf>, page 19

³ Edina Efficient Buildings Benchmarking Program Report, 2021 (see related Nov. 16, '21 Council item)

⁴ <https://www.dli.mn.gov/sites/default/files/pdf/BuildingsEnergyEfficiency2020.pdf>

⁵ [Finance & Commerce: Sustainable: Bill hastens net-zero commercial development](#)

For Reference: Original Council Work Session Staff Report, October 19, 2021:**What is a Sustainable Buildings Policy**

Sustainable building policies establish minimum sustainability criteria that go beyond existing state code for new construction or significantly renovated developments. Included criteria typically target areas for pollution reduction and resource conservation. Because the State of Minnesota sets the building code, cities are unable to establish building requirements that are more strict than existing code; however, with financial levers and authority over land use, cities can use sustainable building policies as a tool to make progress toward sustainability goals. Thus, where triggered by funding or land use incentives, sustainable building policies establish minimum sustainability criteria that go beyond existing state code for new construction or significantly renovated developments

This policy, known as the Edina Sustainable Building Policy, proposes to require sustainability components beyond existing code for developments receiving financial and planning incentives from the City. The requirements include complying with one sustainability rating system, which is selected from a list, as well as with an Edina-specific overlay. The overlay targets specific sustainability strategies that align with existing Edina goals and are not necessarily covered by all rating system options.

Why a Sustainable Buildings Policy

Climate change in Minnesota is here. The state's climate today is warmer, wetter, and less predictable than in the past thanks to an accumulation of greenhouse gas emissions (GHGs) - primarily CO₂ and CH₄ (methane) - in the atmosphere. To meet this challenge, the City of Edina set emission reduction goals of 30% by 2025, and 80% by 2050, from 2007. These goals are under review as part of the climate action plan development process, and will likely become more ambitious in line with current understanding of the climate crisis.

In Edina, building energy use – electricity and natural gas - accounted for ~60% of GHG emissions in 2018⁶. Roughly 60% of building energy use comes from commercial buildings (rather than residential). Finally, the top 20% of commercial energy accounts consume nearly 90% of Edina's commercial electricity use⁷.

A policy of this kind will affect roughly 2/3 of large building proposals in Edina each year. Large buildings are the greatest emitter of greenhouse gas emissions in Edina and, based on energy benchmarking data from 2019 and 2020, are *not* operating more efficiently than buildings built 20 years ago despite advancements in sustainable design technology. Thus, this policy lever is required to drive new construction to adopt more efficient building techniques and achieve efficiency targets that meaningfully contribute to making progress on the City's greenhouse gas emission reduction goals.

⁶ Regional Indicators Initiative, <https://www.regionalindicatorsmn.com/emissions-chart>, 2018

⁷ Edina Electricity Action Plan, Xcel Energy, 2016

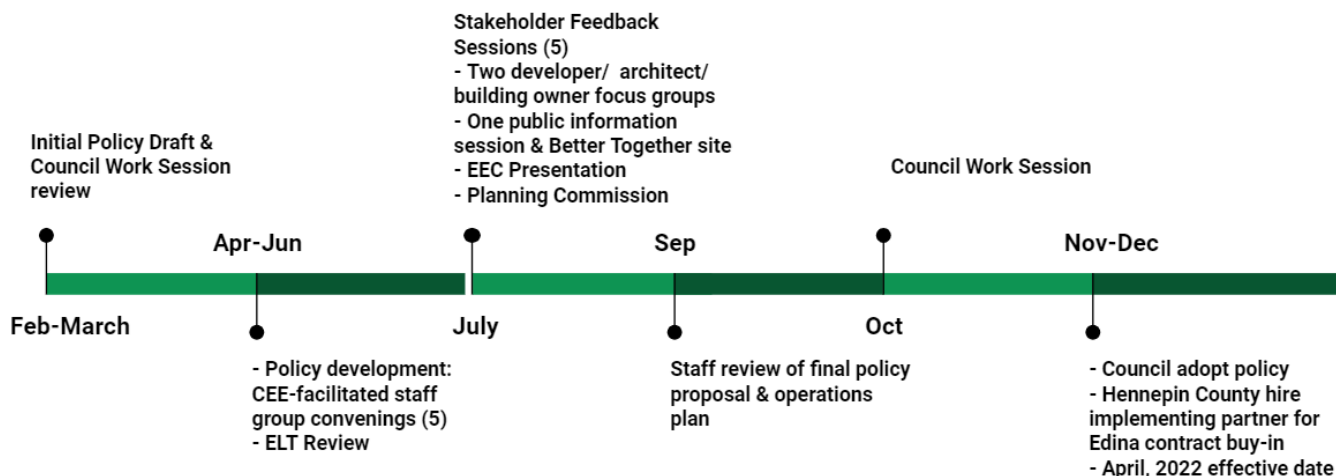
The City of Edina currently has a voluntary development questionnaire that asks developers and architects to design for sustainability early in the design process. While this questionnaire uses guided questions on a limited number of topic areas to encourage sustainable development, the new policy requires developers select one third-party green rating systems from a list and become certified, along with compliance with a short specific list of overlay requirements.

A sustainable buildings policy would complement the City's existing Efficient Building Benchmarking Ordinance and its Green Business Recognition program - ensuring the most efficient building is designed, constructed and operated to help the community meet its GHG emission reduction goals and build a more resilient city.

The policy would apply to new construction and significant renovations that either (a) seek public funding or (b) seek a Planned Unit Development variance. A policy of this design would cover roughly two thirds of large commercial development proposals, while only relying on a funding trigger would cover just 10-15%. The policy would include two requirements: projects select and comply with a third-party rating system and comply with the City's Overlay.

The City's forthcoming Climate Action Plan addresses the need for a policy such as the proposed Sustainable Buildings Policy. One of the eight chapters included in the plan focuses on building energy use. This chapter outlines strategies to reduce building energy needs 15% community-wide by 2030, increase renewable energy use to 17%, transition 10% of on-site fossil fuel combustion (like natural gas) to less carbon intensive sources, and reduce the number of residents living in high energy poverty by half. Each of these strategies is supported by implementing the proposed policy.

Policy Development Process



Feb-March: Staff convened an internal working group in February, 2021 to study the impact and craft an initial version of a sustainable buildings policy for city-owned buildings. This preliminary information was shared with City Council at their March 16, 2021 work session.

April-June: Soon after, the Center for Energy and Environment (CEE) approached Edina with the opportunity to provide their services to assist in a policy development process. These services were rendered free of charge, thanks to support from Hennepin County Efficient Buildings Collaborative. Edina agreed to engage CEE, and from April to October worked together to craft the proposed policy under review at the October 19th, 2021 City Council Work Session

Five planning meetings took place with City staff in May and June of 2021. City staff representing sustainability, community and economic development, and building inspections participated in the sessions led by the Center for Energy and Environment on behalf of Hennepin County's Efficient Buildings Collaborative. In these sessions, staff learned about the basic elements typical of sustainable building policies, internal operational needs of a policy, and best practices around stakeholder engagement. Given the development patterns in Edina, one planning meeting focused on this policy's potential applicability for single-family homes, where it was determined there was not a pathway to expressly apply this to single-family home developments.

July: After staff scoped initial policy details, the Sustainability Coordinator hosted five stakeholder engagement sessions in partnership with CEE. The audiences for these sessions included the Planning and Energy & Environment Commissions, the public, and those directly impacted by the policy – developers, architects, and contractors. A [BetterTogetherEdina](#) project site was made available for community information.

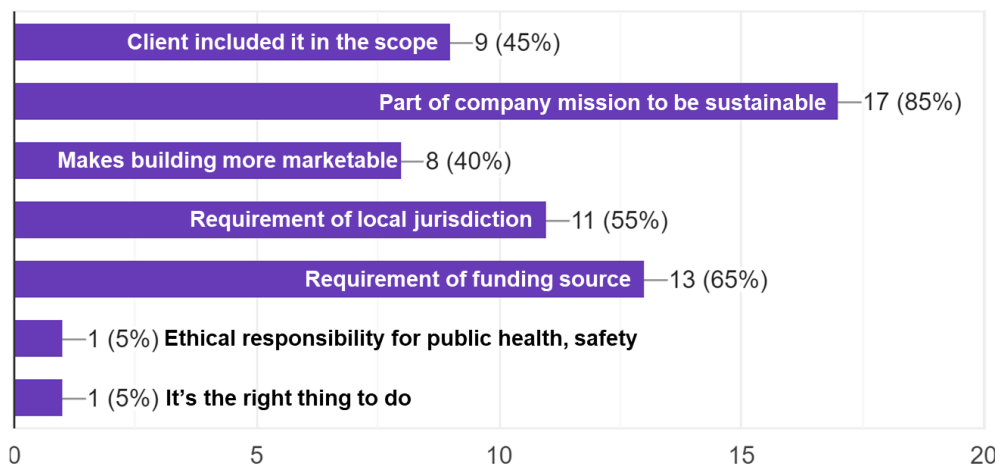
Stakeholders received information on the policy within the following parameters:

- Tone:
 - Overall positive tone with focus on how sustainable building development is core to the city realizing its sustainability values and that more sustainable development will make the city even more attractive.
 - The City will help building owners and managers succeed in developing their building.

- This is an established policy by our peers. We're not the first.
- **Process and Resources:**
 - The policy leverages the existing development process, adding an additional meeting pre-project, agenda items during the 30, 60, 90 check-ins, and inspection items.
 - The City will provide technical resources to help developers comply.
 - The City is taking best practices from other cities and aims to support regional consistency.
- **Benefits:**
 - Sustainable development saves businesses and residents operational costs.
 - Sustainable development will help the city reach its environmental goals and make the city more attractive.

Stakeholder Engagement Results

- I. Statewide developer attitudes - Concurrent to the stakeholder engagement activities described above, CEE conducted a statewide survey of developers and architects, to set a baseline understanding of attitudes toward sustainable building. Here are their findings in brief:
 - a. Many developers and architects already incorporate sustainable elements
 - i. 90% of surveyed developers answered "yes" they incorporate some sustainable standard into design
 - ii. Majority of respondents said because of mission, requirement of development funding and then requirement by local policy



2. Edina-specific developer attitudes – Two virtual focus group sessions were held with architects and developers who commonly propose projects in Edina. These stakeholders shared the following:

a. **Barriers and Concerns** mentioned by stakeholders:

Compliance	Expertise
<ul style="list-style-type: none"> • Setbacks, design guidelines, zoning • Evolving policies • Who is confirming compliance? 	<ul style="list-style-type: none"> • Lack of technical expertise at different points in process (design, approvals, construction, certification) • Only so many contractors who can do this work
Cost implications	Consistency
<ul style="list-style-type: none"> • Higher standards result in more costs • Additional review can delay construction • Most funding sources don't identify additional expense as "eligible" 	<ul style="list-style-type: none"> • Some funding sources have their own requirements • Differences between jurisdictions on overlays

b. **Solutions and Benefits** mentioned by stakeholders:

Compliance	Expertise
<ul style="list-style-type: none"> • Single point of contact on who to ask questions • Clear decision maker on adherence to policy • Updated website, development review 	<ul style="list-style-type: none"> • Technical expertise for guidelines and overlays early on in process • Different points in process (design, approvals, construction, certification)
Cost implications	Consistency
<ul style="list-style-type: none"> • Grants or incentives to help achieve goal • Streamlining process to avoid construction and permit delays 	<ul style="list-style-type: none"> • Uniform policies across jurisdictions to avoid confusion • Developer agreement listing requirements to avoid changes in standards

3. Community Information sharing – Edina sustainability and CEE hosted a virtual information session with the public, primarily to share additional information and contextualize the information shared on the Better Together Edina Sustainable Buildings project site.
4. Primary developer & public findings and takeaways:
- Building owners should be able to choose their rating system based on goals and cost
 - Bringing in third party rating requirements takes risk/liability off design team
 - Need for technical expert for questions
 - It's important to be able to tell the story of SBP through case studies, both to demonstrate best practices and to sell to financiers
 - Currently, there is a market for sustainability in commercial buildings
 - There is less of a market demand for sustainability in multi-family buildings.

- iii. In both cases, SBP can help move the market.
 - c. This policy takes a different approach than Edina's development questionnaire
 - i. Rather than guided questions, it requires a third-party certification and compliance with an overlay
 - d. Be very clear about rating system version requirements and the policy's relationship to code
 - i. Requirement will be for whichever is most stringent between chosen rating system and code
 - e. There was interest:
 - i. In addressing sustainability in existing buildings
 - ii. To accelerate this policy's adoption
- 5. Commission feedback – The EEC and Planning Commission each received a presentation on the Sustainable Buildings Policy at their July meetings. Comments received include:

EEC:

- a. Overlay requirements for electrification and electric vehicles should be stronger
 - i. Electrification has greenhouse gas emission impacts and is important component of Climate Action Plan under development
 - ii. Electric vehicle requirements seem low, especially with even more new vehicles on the road
- b. Timeline for implementation should be moved up
 - i. Education period should be shorter to avoid missing 2022 projects
- c. Renovations and remodels should be included in the policy at 10,000 sq ft
- d. Sustainability rating systems should include LEED Silver as a minimum
- e. Where possible, integrate this into EEC business recognition program

PC:

- a. Single-family: is there a way to put incentives specific to single-family homes so more are included in this policy scope?
- b. Parking: the overlay should include additional requirements around parking maximums, flat ramp requirements (for future reuse) and bike parking minimums
- c. Healthy buildings: how are healthy building principles included here? Can we call out goals or objectives around this?
- d. Costs: LEED and other certifications are costly and there are concerns about the burden being put on developers
- e. Operationalizing: Ensure developers know about this early on and don't skirt the requirement by asking for TIF after project approval
- f. Emphasize Edina is joining an existing community of practice nation and statewide where sustainable building policies are common. Consider if there more leading-edge and ambitious requirements we can incorporate using other cities as an example.
- g. "This kind of policy is important"... "a good start"... "I would support a policy that goes further quicker"... "Only addressing a small wedge of what we need to."

Policy Description

Staff expertise and stakeholder feedback shaped the attached policy proposal and related policy operations plan for Edina. The following section describes the policy elements and seeks to contextualize reasoning for inclusion.

The policy, known as the Edina Sustainable Building Policy, proposes to require sustainability components beyond existing code for developments receiving financial and planning incentives from the City. The requirements include complying with one sustainability rating system, which is selected from a list, as well as with an Edina-specific overlay. The overlay targets specific sustainability strategies that align with existing Edina goals and are not necessarily covered by all rating system options.

I. Policy Application

The policy applies to all of the following new construction and major renovation projects:

1. Facilities owned or operated by the City of Edina or the HRA.
2. Facilities of which the City or HRA are, or will become, the sole tenant.
3. Facilities within the City of Edina receiving Financial Assistance (*further defined in 2. Policy Triggers*).
4. Facilities within the City of Edina with Planned Unit Development District zoning.

Policy application of this scope will affect roughly 2/3 of all large projects proposed in Edina.

Note on single-family homes: it is rare for a single-family home development to apply for a PUD or financial incentive from the City. Examples of when this policy might affect single-family homes include an affordable townhome development or a subdivision development requesting a PUD. Thus, staff expects this policy will not have a large effect on single-family home development.

2. Policy Triggers

Per Minnesota law, cities cannot make additional requirements of developers unless as part of an exchange in which the developer is asking something of the city. In the case of Edina, staff recommend that the following planning and financial incentives be used to trigger sustainable development requirements:

- Primary
 - Tax Increment Financing (TIF)
 - HRA Funds
 - Metropolitan Council Livable Communities Grant
 - Housing Improvement Area
 - Affordable Housing Trust Fund
 - Conduit Bonds
 - Land sale
 - Land write-downs
 - Other funds granted or loaned by the City of Edina and Edina HRA

3. Rating Systems

Sustainability rating systems encourage increased environmental and health performance in buildings through comprehensive sets of energy, water, waste, material, siting, and other strategies. They are third party administered and certified. Not all rating systems are exactly alike but may accomplish similar goals. Some are building type specific, while others are more adaptive.

Using a third-party rating system, such as LEED or MN Green Communities, ensures that buildings are meeting sustainability requirements that are widely recognized as best practices. Doing so also clarifies liability and allows for more certainty for the design team in knowing the policy requirements will be met. The cost for engaging the third-party rater is typically less than one percent of the cost of a project and when examined early in the design process, studies show that utilizing sustainability practices contributes 1-2% to total costs. While third party verification is relatively easy to operationalize for a city, some certifications cannot be given until 12 months after a development is constructed.

When a development triggers the sustainability requirements, we recommend the following rating systems as options by development type.

Development Type	Recommended Rating Systems
Municipal, Commercial, Mixed-Use, Industrial	LEED for New Construction and Major Renovations; Certified Silver or higher B3 Guidelines; Certified Compliant
Multifamily	LEED for New Construction and Major Renovations; Certified Silver or higher B3 Guidelines Green Communities; Certified
Single-family	LEED for Homes; Certified Silver or higher Green Communities
Parking	Park Smart Silver; Certified Silver or higher

As rating systems are constantly evolving and developing, the policy allows for developments to petition for alternative rating systems.

4. Overlay

An overlay is used to customize sustainability requirements based on City goals. The overlay is additive to the selected rating system. In some cases, an overlay requirement may help to create standardization among the rating systems for a specific topic area (i.e. using the same energy standard). Based on existing City goals and workplans, the following overlay requirements are proposed:

- a. Predicted greenhouse gas emissions
 - i. Calculated and reported
- b. Electric vehicle charging capability

- i. 5% of parking spaces must install Level 2 or higher charging stations –AND–
 - ii. Install conduit that allows 10% of spaces dedicated to Level 2 or higher charging stations, which would be installed at a future date
- c. Energy efficiency standard
 - i. For 1-4 unit residential New Construction and Major Renovation projects:
 - I. US Department of Energy Zero Energy Ready Homes
 - ii. For all other residential and commercial New Construction and Major Renovation projects:
 - I. Sustainable Buildings 2030
- d. Bird-safe glazing
 - i. For New Construction and Major Renovation projects seeking LEED:
 - I. Achieve bird collision deterrence point
 - ii. For New Construction and Major Renovation projects seeking all other Sustainable Rating Systems:
 - I. Follow B3 Guideline S.9: Bird-Safe Building

5. Compliance

The policy reads:

- For any projects to which this policy applies, compliance must be a condition of receipt of Financial Assistance or Planned Unit Development approval.
- Buildings will not advance to the next stage of construction or operation, including necessary permit issuance, without demonstrated ongoing compliance with this Policy.
- The requirements of this Policy may be waived, in whole or in part, by the City Council after consideration of the advantages and disadvantages of a waiver, and upon demonstration by the developer of a compelling public purpose.

Sustainability, the Planning Department, and the Building Department will work jointly to implement and enforce the policy, with Sustainability having the ultimate responsibility. Although penalties for lack of enforcement were discussed, the recommendation is to use the development and inspection processes to ensure regular progress and adherence with the policy.

6. Effective Date

Staff originally recommended an effective date of July 1, 2022, allowing for a ~6-month transition and education period. Upon feedback from Planning Commission and EEC, the current policy will take effect in April 1, 2022.

Appendices:

- A. For Review: Proposed Sustainable Buildings Policy
- B. For Information: Draft Policy Operations Plan
- C. For Information: MN Sustainable Building Policy Recommendations
- D. For Information: CEE-Edina Policy Planning Services Report
- E. For Information: Staff Presentation: Proposed Sustainable Buildings Policy