

CASE STUDY: CITY OF SAN FRANCISCO GREEN PRIORITY PERMITTING PROGRAM

1. THE POLICY

In October 2007, the San Francisco Building Inspection Commission and Planning Commission jointly issued new fast track directives that provide market-based economic incentives to developers planning to build major new commercial developments. The program will make provisional exceptions for other qualifying project types. These directives provide priority permit reviews from both the Department of Planning and Building Inspection Department to all new and renovated buildings that achieve LEED® Gold certification or equivalent, a process that shaves at least six months' waiting off the development's total timeline. Applied to projects valued at millions of dollars, these time savings translate quickly into bottom-line, long-term investment incentives.

Project Qualifications

Since 1999 the City of San Francisco has mandated green building standards for its municipal buildings. The standard is currently LEED® Silver Certification. In developing the program for the private sector, the City wanted to reward projects that are pushing the envelope in terms of green building practices beyond what is customary in San Francisco. Therefore, the City selected LEED® Gold Certification as the minimum threshold for the Green Priority Permitting Program. There is discussion about raising the standard to LEED® Platinum Certification and including local sustainability criteria tailored to San Francisco, though no final decisions have been made.

The initial application includes an agreement prepared and executed by the Department of Environment. The agreement must be accompanied by a LEED® checklist to specify the elements of the project that will achieve credits towards the LEED® Gold Certification, and includes a processing fee required by the Department of the Environment. Prior to the Department's evaluation of the project for priority processing, the applicant must meet with the SF Green Team, comprised of technical staff from reviewing agencies, to describe the project.

Target Timeline

The target timeline is two weeks for assignment (the elapsed time between arrival of an application at the Department of the Environment and assignment to and receipt by Planner) and two weeks for initial review (the elapsed time between assignment and the planner's first review of application for project scope and application completeness). It should be noted that the permits in review are only environmental permits. Once a project passes through the expedited environmental permit review, it moves to the traditional permitting process. Typical permitting time in San Francisco is around 6 to 9 months.

Verification

The program requires that the project's site permit application be accompanied by a Design Phase Certification from the USGBC, and that final LEED® Certification be obtained with a Gold Rating within six months of issuance of the first Certificate of Occupancy, or Certificate of Final Completion. If the project fails to achieve a LEED® Gold Rating, developers would be required to attend hearings with the Planning Commission and offer a mitigation strategy to offset their failure to comply with their project's green building commitments.

2. ENERGY EFFICIENCY POTENTIAL

2.1. Policy Uptake

The Department of the Environment expected to review around seven projects in the first year of the Green Priority Permitting Program. The actual policy uptake was double, with 14 projects slated to go through the process this year, representing well over two million square feet of development. The projects tend to be large commercial developments, though there was also one small mixed use development and a private school. The City has already encountered some capacity issues, and is finding it challenging to meet the target timeline of four weeks.

The City has is considering expanding the program to a much wider range of development, and will be structured as a tiered-benefit system, in which projects with varying levels of green building certification can apply for priority permitting

services.

2.2. Energy Saving Potential

The energy saving potential of this program at the project level is substantial – LEED® Gold projects can achieve 30% to 45% energy reduction over code requirements. As evidenced by the higher than anticipated policy uptake, the basic financial incentive of reduced pre-construction time is enough to entice some developers to comply with the green building stipulations. City officials speculate that many of the participating developers were already leaders in green building in San Francisco. It is, therefore, unclear how much the incentive offered by the Green Priority Permitting Program affected the level of energy savings and/or LEED® certification that the developer pursued.

The impact of this program on overall energy saving in new construction, however, is limited by the narrow focus of the program and the high barrier to entry. This was intentional on the part of the program designers in order to limit the number of applicant projects and afford the City time to develop the necessary internal procedures and experience in order to expand the program in the future. City officials intend to expand the program to include other building types and sizes after the program gains a track record of success with developments.

Currently, there is no monitoring or evaluation component to the program. City officials identified the need to verify actual building performance post-occupancy, and have had preliminary discussions as to how a monitoring and enforcement program may be incorporated. No recommendations on the monitoring and evaluation mechanism have been made.

3. COST OF IMPLEMENTATION

3.1. Program Cost to the City

The additional employee costs for the program were negligible as the policy was integrated into the existing Department of Planning, Department of the Environment, and Department of Building Inspection infrastructure.

The City has experienced some indirect costs of implementing the Green Priority Permitting Program due to increased demands on permitting specialists. As the program was integrated into the existing permitting processing structure, resources that were allocated to the Green Priority Permitting Program were no longer available to the traditional permitting program. Thus, permitting specialists that process traditional project applications have seen their workload increase, resulting in additional project backlog. This backlog can increase the overhead costs born by the City, and has the effect of increasing permitting time for the majority of developers in the city.

3.2. Cost to the Developer

According to City officials, the cost to developer of achieving LEED® Gold Certification ranges from 2% to 5% of project hard costs. According to Matarozzi/Pelsinger Builders, the additional cost of pursuing a LEED® Gold Certification was approximately 2-2.5%. This cost was, in part, recuperated through the reduced carrying costs, which in the case of Matarozzi/Pelsinger Builders development – 355 11th Street – was approximately \$75-\$125k, or 2-3% of project cost. The financial payoff came not only in avoided carrying costs, but also in increased lease rates. Tenants in the 355 11th street building, which include an architecture firm and a restaurant, are paying up to three times market lease rates to occupy the building.

4. ADMINISTRATIVE FEASIBILITY

4.1. Administering Agency

The program is administered by the Department of the Environment, with project oversight and advisory provided by the Green Team, comprised of the Chief Building Inspector, a representative from the Department of the Environment, and a representative from the Department of Planning.

4.2. Ease of Initiation

The program did not require extensive policy research and development or stakeholder involvement prior to implementation. As the program is implemented by an existing team of permitting specialists, it has impacted the existing permitting process by reducing the personnel resources available to administer the traditional permitting process. Some on-the-job training is required by the permitting specialists to learn how to administer the program and process

applications to meet the target timelines.

4.3. Educational Outreach Requirements

According to City officials, the educational outreach requirements were minimal. Word-of-mouth advertising was sufficient to attract twice the number of projects than were anticipated. Internal educational requirements were also minimal, as the involved staff was already LEED® Accredited Professionals. According to Matarozzi/Pelsinger Builders and Adlin Darling Design, permitting specialists could have benefited from more training and familiarization with the LEED® process. It was suggested that the city dedicate a team of permitting specialists, mechanical engineers, and LEED® Accredited Professionals to work exclusively on projects in the program.

5. STAKEHOLDER IMPACTS

5.1. Acceptability to the Developer

In the San Francisco permitting environment, a typical commercial development could take 6 to 9 months to have an environmental planner assigned to the project and receive a report of the project's compliance with environmental regulations. As the Green Priority Permitting Program would reduce this time to approximately one month, there are significant financial gains related to the resulting decrease in pre-construction costs, confirmed by Matarozzi/Pelsinger Builders.

The program currently caters to primarily large commercial developments. This is, in part, due to the cost of developing a LEED® Gold project – the marginal cost of achieving a LEED® Gold Certification for large commercial developments is lower as a percentage of project costs than for smaller developers. For smaller developers, the financial incentive offered by the Green Priority Permitting Program may not fully offset the incremental costs of developing a LEED® Gold project. According to Adlin Darling Design, it is important that the policy design take into account the relative difficulty that small developers have in absorbing the soft consulting costs associated with attaining a LEED® Gold Certification. It was suggested that the City provide smaller developers with mechanical and energy consulting services to help their projects achieve higher building performance without compromising their project budgets.

Setting a high barrier to entering the program was intentional on the part of the City. The narrow focus is allowing the City to refine its internal program processes and protocols while not being deluged in project applications in the first year. Even though the City intends to expand the program to include smaller developers, some concern has been expressed by the developer community that the program is biased towards well financed developers, while ignoring those that focus on smaller buildings who nevertheless also take on substantial financial risk in their developments.

6. REFERENCES

Richard Chien, City of San Francisco Department of Environment

Dan Pelsinger, Developer, Matarozzi/Pelsinger Builders

Shane Curnyn, Architect, Adlin Darling Design