

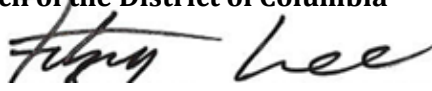
Government of the District of Columbia
Office of the Chief Financial Officer



Fitzroy Lee
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Fitzroy Lee 
Chief Financial Officer

DATE: June 13, 2022

SUBJECT: Fiscal Impact Statement – Clean Energy DC Building Code Amendment Act of 2021

REFERENCE: Bill 24-420, Committee Print as provided to the Office of Revenue Analysis on June 10, 2022

Conclusion

Funds are sufficient in the fiscal year 2022 budget and fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. The bill has an applicability date of October 1, 2023.

The bill's implementation will cost approximately \$2.7 million over the four-year financial plan period, beginning with the bill's applicability of October 1, 2023. These costs have been included in the approved fiscal year 2023 through fiscal year 2026 budget and financial plan.

Background

The bill requires the Mayor to issue regulations that update the commercial building energy conservation codes by December 31, 2026 to require that all newly constructed or substantially improved covered buildings¹ be constructed to a net-zero energy building standard. Generally, a net-zero building standard is one where a building is constructed with extensive energy efficiency elements and generates on-site renewable energy that covers the entire energy needs of the building.² According to the bill, the code updates must require a building to save an amount of energy equal to or greater than what is in the Appendix Z of the District of Columbia Energy Conservation

¹ The bill defines covered buildings as all those subject to the District of Columbia Energy Conservation Code – Commercial Provisions (12-I [CE] DCMR § Z-1 et seq.).

² <https://www.energy.gov/eere/buildings/zero-energy-buildings>

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Code – Commercial Provisions³ and to obtain energy from renewable sources as required by Appendix Z. If the Mayor has not updated the regulations by the required date, covered buildings must comply with the most up-to-date version of Appendix Z beginning on January 1, 2027.

The bill also requires the Department of Buildings to contract for an independent audit that audits a sample of covered buildings that received a certificate of occupancy in the prior three years and assesses those buildings' compliance with net-zero building standards. The audit should occur every three years with the first beginning in 2029. The Department of Buildings should submit the complete audit report to the Mayor and the Council by March 31 of the year following the audit. The bill allows for the Department of Buildings to pay for the audit out of resources in the Green Building Fund.⁴

Financial Plan Impact

Funds are sufficient in the fiscal year 2022 budget and fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. The bill's implementation, beginning in fiscal year 2024, will cost approximately \$2.7 million over the four-year financial plan period.

The bill changes commercial construction codes as of January 1, 2027. The Department of Energy and Environment (DOEE) and the Department of Buildings will need to work together beginning in fiscal year 2024 to update the Energy Conservation Code by the required date. The code update and related education and outreach will cost \$325,000 in fiscal year 2024 and \$525,000 over the four-year financial plan period. DOEE needs two additional staffers to help with the code update that will cost approximately \$177,000 in fiscal year 2024 and \$549,000 over the four-year financial plan period. The Department of Buildings will also require a new staffer to support the code development process that will cost approximately \$116,000 in fiscal year 2024 and \$361,000 over the four-year financial plan period.

Beginning on January 1, 2027, the Department of Buildings must begin to apply the updated code or the most up-to-date version of Appendix Z to permits and approvals for any new construction or substantial improvements of covered buildings. To be prepared to apply the energy requirements in 2027, the Department of Buildings must add two plan reviewers and net-zero building specialists starting in fiscal year 2025 that will cost approximately \$686,000 over the four-year financial plan period.

These building energy requirements will also apply to District government projects. To prepare for these changes the Department of General Services (DGS), which contracts for the construction of District Government buildings, must also hire net-zero building specialists beginning in fiscal year 2025 that will cost approximately \$601,000 over the four-year financial plan period.

DGS currently has ten projects that are slated to begin construction in fiscal years 2027 and 2028 that would be required to be constructed to the new standard. DGS believes this could result in increased construction costs of up to 10 percent on these projects and any future projects. However, these projects fall outside the financial plan period and DGS will need to evaluate the costs of building to the net-zero standard as those projects get closer to realization.

³ Appendix Z – Net-zero Energy Compliance Path, effective May 29, 2020 (2017-12-I[CE]Z DCMR § 1 et seq.).

⁴ Green Building Act of 2006, effective March 8, 2007 (D.C. Law 16-234; D.C. Official Code § 6-1451.07).

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Also outside of the financial plan, the Department of Buildings must contract for an independent audit every three years beginning in 2029 to ensure buildings are complying with the net-zero building requirements. The bill allows the Department of Buildings to pay for the costs of the audit out of the Green Building Fund.

The fiscal year 2023 Budget Support Act⁵ adjusted the Sustainable Energy Trust Fund⁶ (SETF) to both increase SETF revenues and authorize those resources to support this bill's implementation. The additional SETF revenues are sufficient to support these costs. The following chart outlines the full implementation costs of this bill.

Clean Energy DC Building Code Amendment Act of 2022					
Bill 24-420					
Implementation Costs					
Fiscal Year 2023 - Fiscal Year 2026					
(\$ thousands)					
	FY 2023	FY 2024	FY 2025	FY 2026	Total
Energy Conservation Code Development					
DOEE Staff	\$0	\$177	\$183	\$189	\$549
Department of Buildings Staff	\$0	\$116	\$120	\$124	\$361
Update and Outreach Costs^a	\$0	\$325	\$150	\$50	\$525
Subtotal	\$0	\$618	\$453	\$363	\$1,435
Government Preparation for Code Application					
Department of Buildings Staff	\$0	\$0	\$340	\$346	\$686
DGS Staff	\$0	\$0	\$295	\$305	\$601
Subtotal	\$0	\$0	\$635	\$651	\$1,287
TOTAL IMPLEMENTATION COSTS	\$0	\$618	\$1,088	\$1,014	\$2,722

Table Notes

^a This includes both the code development and education and outreach costs.

⁵ Approved June 7, 2022 (D.C. Bill 24-714).

⁶ Clean and Affordable Energy Act of 2008, effective October 22, 2008 (D.C. Law 17-250; D.C. Official Code § 8-1774.10).