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# **Building Electrification Policy Options**

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# Background

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- City climate action goals
  - 40% GHG reduction by 2030
  - 70% GHG reduction by 2050
- Council Goals include responding to community interests including natural gas policy
- Council work session on 3/20/24 → initiate Electrification Policy Options Analysis Project
- 2 phase process
  - *Phase 1* – research policies and ECC develop recommendation on which policies to pursue and/or explore further
  - *Phase 2* – further explore narrower set of policies with broader public/stakeholder engagement
- **Council Work Session on 12/4/24: Direction to get input from BEDAB and AHAC regarding which policies to pursue to encourage electrification**



# Electrification Policy Options Process to date

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- Staff research on policy options of what other cities have pursued or considered
  - Policy matrix includes high level evaluation of benefits and risks
- Consultant report on building stock characterization → identifies opportunity areas
- Stakeholder meetings to further understand opportunities and risks
  - Environmental group, business group, builders, and all 3 energy utilities
- Environment & Climate Committee process to consider options and develop Council recommendation



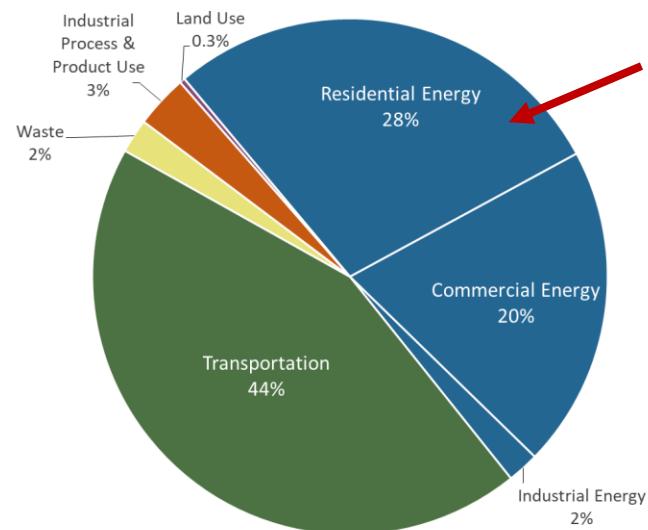
# Bend Building Stock Characterization



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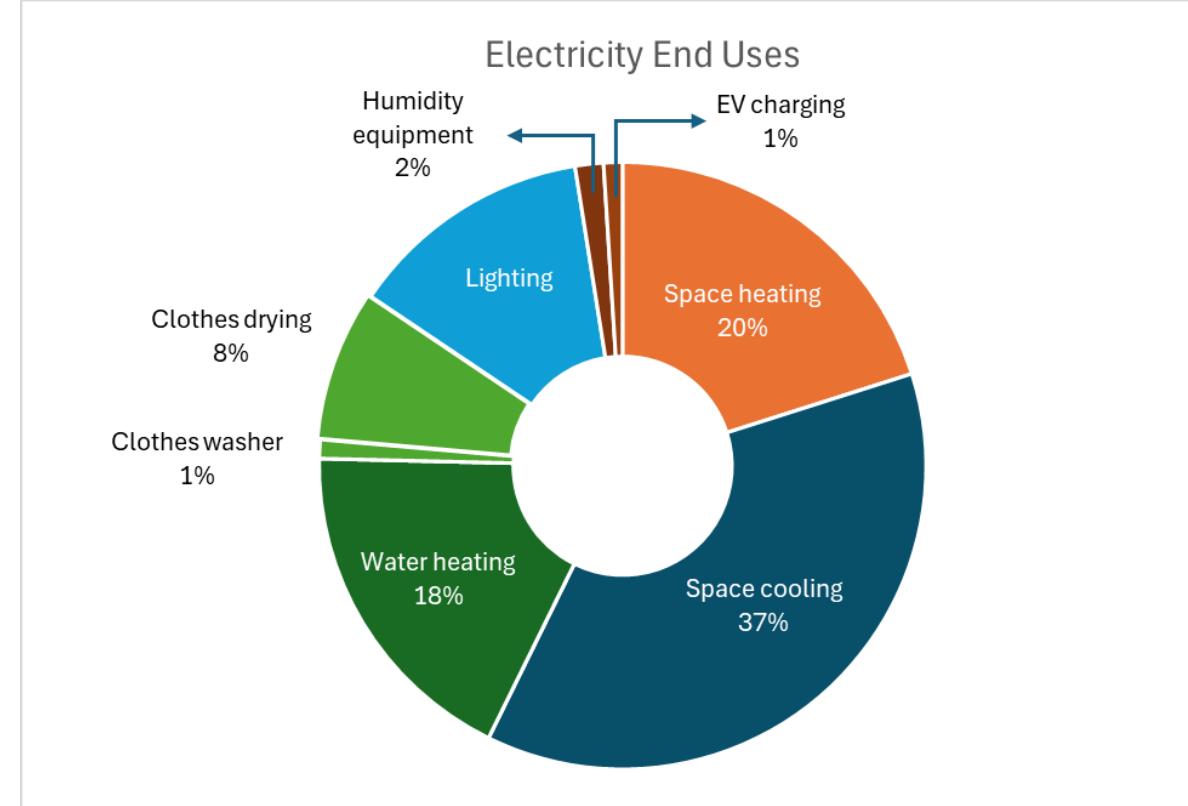
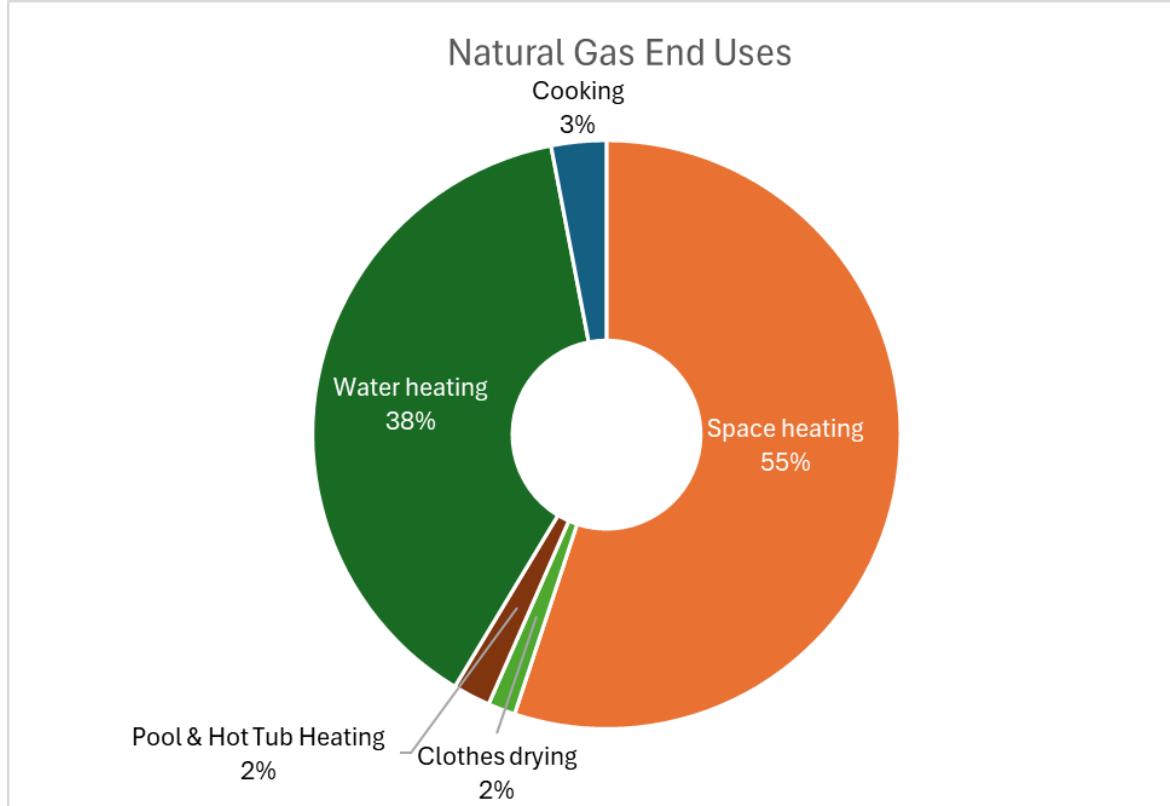
# Residential Buildings

Bend 2021 GHG Inventory Results



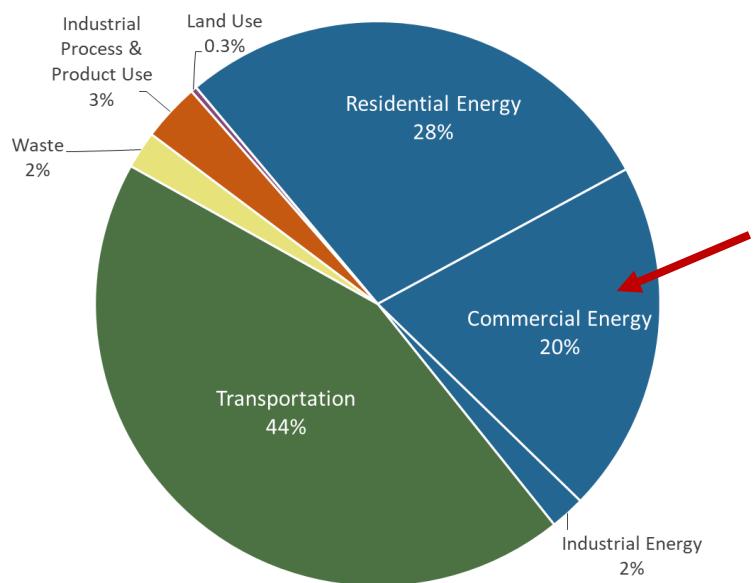
# Common end uses for natural gas and electricity in residential buildings

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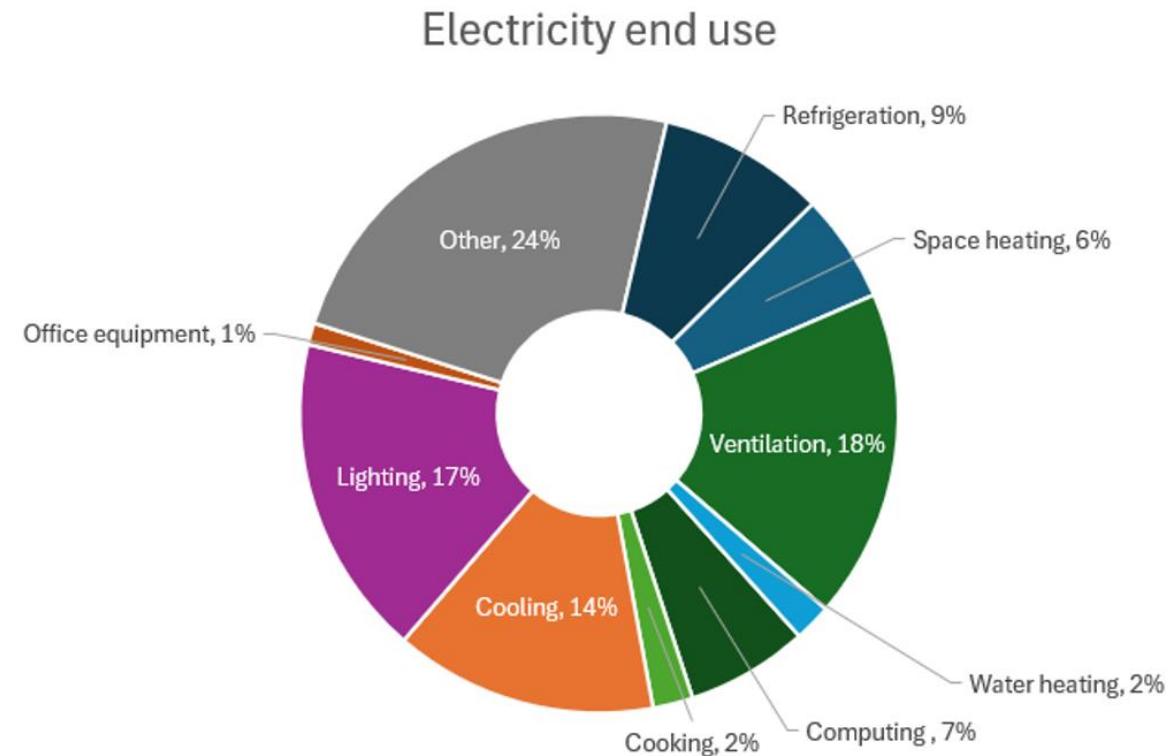
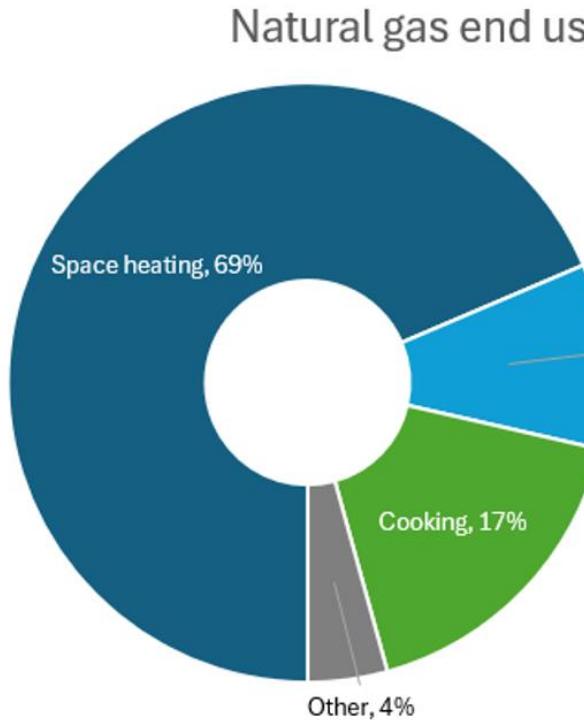
# Commercial Buildings

## Bend 2021 GHG Inventory Results



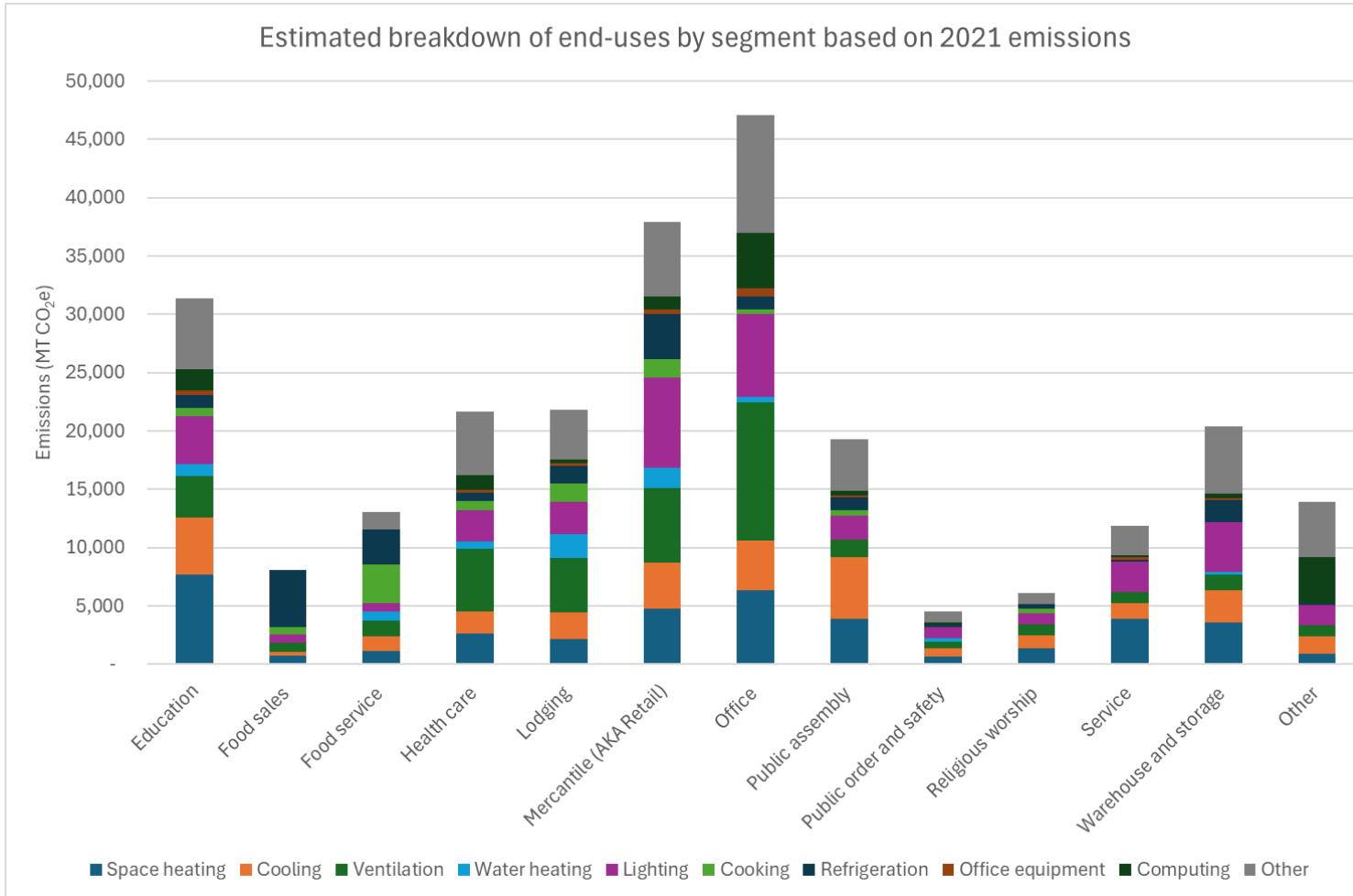
# End uses for natural gas and electricity in commercial buildings

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# Emissions by end use for commercial segments

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# Policy Options



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# Policy Options

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State level advocacy:  
regulations and  
electrification support



Education & support  
programs



Incentives



Local regulations



Fees



Building Code



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# Legal Framework

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- The law is unsettled and changing, so to regulate in this area could be legally risky.
- May be other state or federal laws that have preemptive effect not identified in this presentation.
- Bend would be at the forefront in Oregon: we are not aware of any municipal ordinances in Oregon prohibiting natural gas or requiring electrification in buildings.
- Public health justifications might be dubious, as the City is not the public health authority.



# State Level Policy Advocacy

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- **Regulations**
  - State building code updates to increase energy efficiency in new construction and major renovations
  - Legislation expressly authorizing municipal prohibitions or limitations on use of fossil fuels
  - Legislation requiring cooling in rental properties
- **Electrification Support**
  - New state incentives for all-electric construction



# Education & Support Programs

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- Navigation support programs to help community members identify, understand, and access financial and contractor resources to install heat pumps, heat pump water heaters, and electric stoves in existing homes. Can include project management to facilitate deployment of equipment
- Provide technical assistance on building electrification and decarbonization for builders and developers
- Create new educational materials to encourage residential and commercial construction in both new construction and existing homes
- Promote state and federal incentives or tax credits



# Incentives

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- Prioritize or expedite permit applications for all-electric development projects
- Development incentives, such as floor area ratio (FAR), height or density bonus for all-electric construction
- City funded financial incentive for all-electric new construction
- City-funded ductless heat pump and heat pump water purchase and installation subsidy for new construction and/or existing homes
- Provide additional urban renewal assistance for all-electric buildings



# Local Regulations & Fees

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## Local Regulations

- Limit natural gas expansion in the right-of-way
- Establish nitrogen oxide (NOx) emissions standards for new appliances in existing buildings or for new buildings
- Enact benchmarking, energy performance, or greenhouse gas reduction standards for commercial and multifamily buildings as allowed under HB 3409, the State of Oregon Building Performance Standards Program

## Fees

- Create a new building permit fee for non-electric infrastructure in new construction. Fee can be determined in relation to the anticipated gas use of the building (i.e. Climate Impact Fee)
- Increase right-of-way fee on natural gas utility



# Building Code

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## Building Code

- Pursue local amendment to state building code to require electrification in new residential construction and major remodels



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# Stakeholder Meeting Key Takeaways



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# Overall Takeaways

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- There are differing opinions and perspectives about the approach to take regarding electrification.
- Lots of general support for outreach and education
- Takeaways in favor of strong regulation emphasize:
  - Higher effectiveness of driving electrification adoption compared to education and incentives
  - Gas-free homes are healthier and more efficient for the occupants
  - Urgency of addressing climate change
- Takeaways in favor of focus on incentives and more education emphasize:
  - Concerns about costs and barriers to housing development
  - Desire to find solutions that align with other City goals
  - Concerns about costs to the business community
  - Concerns about legal risk of regulatory approaches
- All utilities expressed support for electrification but cautioned a measured approach. Lots of risks and constraints associated with certain approaches.



# Key Findings – Stakeholder Meetings

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- **Environmental Advocacy**
  - Emphasis on co-benefits of electrification beyond emissions reductions
  - Emphasis on the risks of inaction should be considered as heavily as other kinds of risks (i.e. legal risk)
  - Suggested setting a voluntary but aspirational electrification goal (e.g. 50% of buildings electrified)
  - Highest priorities are creating low NOx standards, enacting right-of-way restrictions, and creating a revenue source
- **Business & Economic Development**
  - Desire to make sure decisions are data-driven
  - The speed of the transition influences affordability and the available workforce to assist the transition
  - Concern about how policy changes might impact business owners and the business environment
  - Preference for outreach and education and incentive programs, rather than regulatory options
  - Policy options should align with other city priorities and not create barriers for existing priorities



# Key Findings – Stakeholder Meetings

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- **Builders**
  - Concern about how building electrification policies may impact Bend's housing availability and affordability goals
  - Biggest opportunities include educating the building community, urban renewal assistance, incentives for builders of market-rate, workforce housing
  - Primary concerns around additional fees or increasing existing fees, changes to the construction excise tax, and expedited permitting
- **Cascade Natural Gas**
  - Interest in a collaborative approach for achieving decarbonization goals
  - Planning with the expectation that the Climate Protection Program will be re-enacted in a similar form
  - Revenue and natural gas usage are decoupled – presents an opportunity to be collaborative about gas reduction
  - Biggest concerns around electrification include reliability and affordability



# Key Findings – Stakeholder Meetings

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- **Pacific Power**
  - Acknowledgement that electric system is currently constrained both locally and regionally.
    - Local constraints will be addressed over the next decade with local projects; regional constraints also have upgrades planned in about 8-10 years
  - Electricity demand is increasing substantially and this is driven by many different sectors (AI/data centers, EV, heating equipment, larger buildings)
  - Meeting OR Clean Energy Targets is feasible and planned for. Intention is for electricity supply to be 100% clean energy.
    - Volatile regulatory conditions are challenging to deal with
- **Central Electric Cooperative**
  - Acknowledgement that electric system is constrained both locally and regionally
  - Different considerations and concerns/opportunities for different areas, such as new construction in new neighborhoods vs. in existing neighborhoods
    - Existing neighborhoods can be very constrained, varies neighborhood by neighborhood
    - Costs for line extensions and upgrading transformers are borne by the homeowner
  - All new demand is met with higher-priced electricity, increasing costs for all rate-payers
  - Desire for the City to partner with organizations who are already doing some of this work (CEC, Energy Trust, etc.)



# Next Steps

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- Staff to begin working on education and outreach and proposal for an energy/electrification navigator program
- Staff meeting with BEDAB (today) and AHAC to share background of project
- **February convening of BEDAB/AHAC/ECC and Council members to further discuss proposed policy approaches and determine pathway forward**
  - BEDAB Volunteers needed to participate
- Further process to define policy (incentive/regulation/fee) in 2025. BEDAB and other business stakeholder expected to play significant role



# Accommodation Information for People with Disabilities



To obtain this information in an alternate format such as Braille, large print, electronic formats, etc. please contact Cassie Lacy at [clacy@bendoregon.gov](mailto:clacy@bendoregon.gov) or 541-323-8587. Relay Users Dial 7-1-1.



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