

DATE: December 20, 2024  
TO: Cassie Lacy, Senior Management Analyst, City of Bend  
FROM: Maddie Cheek and Tracy Lunsford, Parametrix  
SUBJECT: Electrification Policy Options  
PROJECT NAME: Bend Electrification Policy Analysis

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## Background

In March 2024, the Bend City Council directed staff to research electrification policy options in response to community interests related to electrification and natural gas policy, and in alignment with the City's climate action goals. This research was scoped to be completed in two phases, with phase 1 focusing on higher-level policy research and phase 2 focusing on a deeper exploration of policy options and a broader public and stakeholder engagement process. This memo details a list of electrification policy options for the City of Bend's consideration as part of phase 1 of the electrification policy analysis.

The electrification policy options included in this memo were generated by researching existing policies that other jurisdictions are pursuing – both locally and nationally – in line with promoting electrification. The initial list was then vetted for feasibility, cost, and risk within Bend's specific context. This memo presents a list of potential electrification policy options the City of Bend could pursue to facilitate electrification in Bend. This list will serve as a starting point for phase 2 research, analysis, and engagement with the public and stakeholders.

The policy options included in this report are grouped and presented in the following 7 categories:

1. State-level advocacy: regulations
2. State-level advocacy: support
3. Education and support programs
4. Incentives
5. Local regulations
6. Fees
7. Building code

For each of the options, this memo provides a description of the policy option, relevant background information, and examples of other jurisdictions that have pursued a similar policy, as applicable. This information is intended to serve as a starting point for discussion of these options; more analysis will need to occur before moving forward with policy selection.

Two of the policy options and initiatives that were considered at the start of the policy analysis have been completed recently. These items include adopting policies committing the City of Bend to eliminate fossil fuels in new and existing City-owned or operated buildings and advocating for the state to reinstate the Climate Protection Program. More information about these options can be found in the [Recently Completed Efforts](#) section at the end of this document.



**Table 1** is a policy options matrix that includes the full list of policy options and a high-level assessment of each option's characteristics, including building type, time, cost, greenhouse gas (GHG) impact, risk, departments involved, and other cities. The definitions and color key are below, the policy options matrix is on page 3.

**Definitions:**

- **Building Types:** policy addresses new (**N**) or existing (**E**) buildings
- **Time:** staff time needed to accomplish policy or initiative
- **Cost:** cost to City to accomplish policy or initiative
- **GHG impact:** anticipated greenhouse gas emissions reduction impact, assuming policy goals are met through initiative
- **Risk:** legal and practical risk associated with policy or initiative
- **Departments involved:** the number of departments that need to be involved in developing or executing the policy or initiative. A proxy for overall complexity of executing the policy or initiative.
- **Other cities:** whether there is precedent in other cities to accomplish this action and a model to follow

**Key:**

Time	<6 mo	6 mo – 2 yr	2+ yrs
Cost	Low	Med	High
Impact	High	Med	Low
Risk	Low	Med	High
Departments Involved	1	2	3+
Other Cities	Yes	Considering	No

**Table 1: Bend Electrification Policy Options Matrix**

Category	Description	Policy Options	Building Type	Time	Cost	GHG Impact	Risk	Depts	Cities
State-level advocacy: regulations	State level policies often preempt local ability regulate fossil fuel reduction or use.	Advocate for updated state building code to increase energy-efficiency requirements for new construction and major renovations	N						
	City can advocate for changes to state law or policy to support local efforts to restrict fossil fuel use.	Advocate for legislation expressly authorizing municipal prohibitions or limitations on use of fossil fuels	N				Y		
		Advocate for legislation requiring cooling in rental properties	E			Y			
State-level advocacy: support	State legislation can provide and enable ways to facilitate electrification through expanded incentives and new programs. This may include new funding pools and revenue streams for financial incentives or policies that enable different infrastructure.	Advocate for new state incentives for all-electric construction	N						
	City can advocate for new state law or policy that provides this kind of support for electrification.								
Education & support programs	Establish new education and outreach programs to help increase public awareness, support informed decision making, and encourage voluntary upgrades to electric equipment and appliances in homes and commercial buildings.	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.	E	Y	R	Y			
	Includes both passive education, such as websites, social media, and coordinated campaigns as well as active outreach, such as workshops, technology demonstrations, technical assistance, and project management to facilitate electrification upgrades.	Provide technical assistance on building electrification and decarbonization for builders and developers	N	Y	Y	Y		R	
		Create new educational materials to encourage residential and commercial construction in both new construction and existing homes	N, E		R			R	
		Promote state and federal incentives or tax credits	N, E		R				
Incentives	Develop voluntary programs to incentivize the adoption of electric technologies in new construction, major remodels and in existing homes (at the time of replacement). Incentives will reduce the financial or other costs associated with electrification.	Prioritize or expedite permit applications for all-electric development projects	N	Y		Y		R	
		Development incentives, such as floor-to-area (FAR), height, or density bonuses to encourage all-electric developments	N	R	Y	Y		R	
		City-funded financial incentive for all-electric new construction	N	Y	R	Y			
		City-funded ductless heat pump and heat pump water heater purchase and installation incentive for existing homes	E	R		Y			
		Provide additional urban renewal assistance for all-electric buildings	N		Y	Y		Y	
Local Regulations	Implement new restrictions or requirements to reduce fossil fuel use in new or existing residential or identified commercial construction.	Establish nitrogen oxide (NOx) emissions standards for new appliances in existing buildings or for new buildings	N, E	R			R	R	
		Restrict or limit natural gas infrastructure in the right-of-way in new residential developments.	N	Y		Y		R	
		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	E	R	Y		R		
Fees	Implement financial disincentives to using fossil fuels in new construction. Proceeds of fees could fund staff investment in outreach and support programs or financial incentives.	Charge a new building permit fee for non-electric infrastructure in new construction. Fee may be determined in relation to anticipated gas use of the building.	N	Y		Y		R	
		Increase franchise fee on natural gas utility	N, E		R				
Building Code	Request local authority to amend building code to promote electrification.	Pursue local amendment to state building code to require electrification in new residential construction and major remodels	N	R				R	

## State-level Advocacy: Regulations

State or federal law often preempts local ability to regulate fossil fuels. Preemption is when a higher level of government expressly or impliedly removes or limits the authority of a lower level of government. Where the City is preempted from taking action, the City can advocate for changes to state or federal law or policy to support local efforts to restrict fossil fuel use and/or electrify buildings. While there is an opportunity to advocate at the federal level, this report focuses on state-level advocacy. There are three policy options included in the State-level Advocacy: Regulations category.

Category	Policy Options	Building Type	Time	Cost	GHG Impact	Risk	Depts	Cities
State-level advocacy: regulations	Advocate for updated state building code to increase energy-efficiency requirements for new construction and major renovations	N						
	Advocate for legislation expressly authorizing municipal prohibitions or limitations on use of fossil fuels	N					Y	
	Advocate for legislation requiring cooling in rental properties	E			Y			

### Advocate for updated state building code to increase energy-efficiency requirements for new construction and major renovations.

#### Policy description

This initiative would involve City staff advocating at the state level for changes to the Oregon building codes that would increase energy efficiency requirements for buildings that are subject to the building code (i.e., new construction and major renovations), or for other code updates, such as making the Oregon Reach Code mandatory.

#### Background

In Oregon, building codes are set at the state level by the [Building Codes Division](#) of the [Department of Consumer and Business Services](#) and/or the Legislature. Cities must adhere to state building codes and are preempted from adopting local changes to the state code unless they get permission from the state.<sup>1</sup> Energy efficiency measures can help to ensure that electricity being used in buildings is being used efficiently. Energy efficiency is important to pursue in parallel with electrification to minimize the additional demand on the electricity grid as electricity demand is increasing in various ways: from electrification of appliances, with population growth, electrification of vehicles, and an increase of data centers coming online.

<sup>1</sup> See the [Building Code category](#) for more information on what options are available to cities that are considering deviating from the state building code.

Though Oregon's residential and commercial building codes are based on the most recent and advanced national energy code, there is still room for further efficiency, which is why this action suggests that the City advocate for updates to the state building code that increase energy efficiency requirements.

For example, Oregon has a Reach Code, which is a set of statewide *optional* construction standards and methods designed to increase energy efficiency beyond the standard building code. The 2023 Oregon [Residential Reach Code](#) was adopted and became effective on July 1, 2024. The Oregon [Commercial Reach Code](#) is in the process of being adopted, and can provide 5% - 10% improved efficiency over the 2021 Oregon Energy Efficiency Specialty Code (OEESC).

Achieving the specifications in the Reach Codes are optional, but meeting the specifications of the state building codes is required. Therefore, the City could advocate for future updates to the state level building code to require the specifications included in the Reach Code and maximize efficiency in new construction and major renovations by setting higher base efficiency standards at the state level.

This initiative would mostly affect new buildings but could affect existing buildings undergoing major renovations as well, providing an opportunity to lock in higher levels of building efficiency as Bend continues to grow.

### Example efforts

It is common for cities to advocate for their preferred policy options at the state level to attempt to influence decision-making. However, it is often most effective to advocate along with other cities or through the League of Oregon Cities. There is no available information to indicate that this issue will be tackled during the next legislative session.

## Advocate for legislation expressly authorizing municipal prohibitions or limitations on use of fossil fuels.

### Policy description

This initiative would involve advocating for changes in state law that would authorize municipalities to limit or prohibit the use of fossil fuels in buildings. For example, advocating for a change in the state law that would authorize cities to require heat pumps for space heating or cooling in new residential construction.

### Background

Berkeley adopted a natural gas ban in new buildings in 2019. That law was challenged in court by the California Restaurant Association. In 2023, as later amended in 2024, the Ninth Circuit Court of Appeals held that a Berkeley, California ordinance completely prohibiting the installation of natural gas piping within newly constructed buildings was preempted by The Energy Policy and Conservation Act ("EPCA"), 42 USC § 6297(c) ("Berkeley Decision").<sup>2</sup> The Ninth Circuit Court of Appeals covers many western states, including Oregon. State legislation expressly authorizing municipal limitations on the use of fossil fuels may provide a less legally risky path for cities to restrict natural gas use.

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<sup>2</sup> Ninth Circuit Court of Appeals, Case No. 21-16278 -  
<https://cdn.ca9.uscourts.gov/datasstore/opinions/2024/01/02/21-16278.pdf>

This initiative would only affect new buildings that would have otherwise installed natural gas hookups. Further research on the prevalence of natural gas hookups in new buildings would help the City better understand the potential emissions reduction impacts of prohibiting or limiting natural gas in new construction.

### Example efforts

Our research found no examples of current legislative efforts for authorizing municipal prohibitions or limitations on use of fossil fuels.

## Advocate for legislation requiring cooling in rental properties.

### Policy description

This initiative would involve City staff advocating for legislation that requires cooling in rental properties to be paired with incentives for ductless heat pumps. Ductless heat pumps provide both heating and cooling. By helping rental property owners and managers meet cooling requirements with this electric technology, some of the gas that is being used in homes for heating can be replaced by electricity, further reducing emissions.

### Background

The policy option of advocating for legislation requiring cooling in rental properties as a method of encouraging electrification has been explored and implemented by cities as a way of introducing electric heating and cooling equipment into more homes while providing cooling benefits to renters. When paired with incentives and other programs to meet the cooling requirement with ductless heat pumps, this can be an opportunity to introduce a heat pump into a home that currently uses gas for heat, with the intention of shifting some of the gas heating load to using the efficient electric heat pump. This is a relatively large opportunity given that, on average, 55% of residential natural gas use is directed toward space heating.<sup>3</sup>

Ductless heat pumps are an energy efficient way to heat and cool indoor spaces. Required cooling in rental properties would also improve resilience for renters, particularly during times of extreme heat.

However, the City is proposing potential advocacy at the state level instead of a direct regulation because the City does not regulate landlord-tenant relationships and state law very likely preempts the City's ability to regulate in this area.

### Example efforts

Examples of other jurisdictions who have pursued requiring cooling in rental properties include:

- Chicago, IL – [2022 Cooling Ordinance](#): The Chicago City Council adopted an ordinance requiring certain new and existing residential buildings to install air conditioning equipment in indoor common gathering areas and to make these areas available to building residents as cooling centers when the outdoor heat index exceeds 80°F. The ordinance allowed temporary (portable)

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<sup>3</sup> Building Stock Characterization Memo

air conditioning equipment to be used to meet this requirement until April 30, 2024. Permanent equipment was required to be installed by May 1, 2024.

- Montgomery County, MD – [Bill 24-19](#): In 2020, the Montgomery County Council enacted Bill 24-19, Landlord – Tenant Relations – Obligations of Landlord – Air Conditioning, which requires landlords to provide and maintain air conditioning service for rental housing in the County. If a landlord does not comply with the new law, tenants may file a complaint with the Department of Housing and Community Affairs and the landlord may face a fine of \$500.
- New Orleans, LA – [Healthy Homes Program](#) and Minimum Rental Standards. The Healthy Homes Program was put in place to protect the health, safety and welfare of the public by ensuring people who reside in Orleans Parish occupy safe and habitable rental housing, including cooling among other things. As of January 2024, owners of rental properties are required to register for a Healthy Homes Certificate of Compliance. Rental property owners must have a Certificate of Compliance in order to rent housing units to tenants in New Orleans, and renewal of the certificate is required every two years.

## State-level Advocacy: Support

The state can provide non-regulatory support for electrification, such as incentives and pilot projects. The City can advocate to the state in support of programs and initiatives that support the goal of electrification locally. There is one policy option included in the State-level Advocacy: Support category.

Category	Policy Options	Building Type	Time	Cost	GHG Impact	Risk	Depts	Cities
State-level advocacy: support	Advocate for new state incentives for all-electric construction	N						

### Advocate for new state incentives for all-electric construction.

#### Policy description

This initiative would involve City staff advocating at the state level to establish new incentives for all-electric construction to reduce construction costs for developers who choose to build all-electric.

#### Background

A statewide incentive program for all-electric construction would help to level out the playing field between municipalities by reducing construction costs for contractors across the state, instead of having a patchwork of incentives (or lack of incentives) and associated construction costs between neighboring jurisdictions, as may occur if individual municipalities develop their own incentive programs. This

statewide continuity could help increase the overall awareness and experience levels with all-electric construction across the development industry.

This initiative would only apply to new buildings and incentive uptake would depend on a variety of factors, including how attractive the incentive is to contractors and other market factors.

### Example efforts

Examples of existing state programs that provide incentives for all-electric construction:

- [California Electric Homes Program](#) (CalEHP). Provides technical assistance and financial incentives to residential developers and builders constructing new, market-rate homes with all-electric appliances and equipment. The program supports all-electric new construction practices, drives energy savings, and supports California's advanced energy efficiency policy goals.

## Education and Support Programs

The policy options in the Education and Support Programs category would establish new education and outreach programs to help increase public awareness, support informed decision making, and encourage voluntary upgrades to electric equipment and appliances in homes and commercial buildings.

The options considered here cover a spectrum of activities that include both passive education, such as websites, social media, and coordinated campaigns, as well as active outreach, such as workshops, technology demonstrations, technical assistance, and project management to facilitate electrification upgrades. In some cases, there are existing programs that the City would aim to expand by identifying and filling gaps in services from those existing programs. There are four policy options included in the Education and Support Programs category.

Category	Policy Options	Building Type	Time	Cost	GHG Impact	Risk	Depts	Cities
Education & support programs	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.	E						
	Provide technical assistance on building electrification and decarbonization for builders and developers	N						
	Create new educational materials to encourage residential and commercial construction in both new construction and existing homes	N, E						
	Promote state and federal incentives or tax credits	N, E						

### 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.

### Policy description

This initiative would involve the City establishing a navigation support program to serve as a one-stop-shop where residents can get trustworthy information and technical assistance related to installing new electric equipment and/or securing outside funding to help pay for that new equipment. Establishing a navigation support program could include gathering and sharing information in various formats, providing technical assistance, tracking program participation and/or maintaining an approved contractor list.

### Background

Navigation support programs provide technical assistance to help community members improve their understanding of electric options, identify, understand, and apply for relevant financial incentives, and connect with qualified contractors for equipment installation. These programs acknowledge that navigating the process of installing new technology and pursuing outside funding opportunities can be complex and confusing and offer support for community members who are interested in installing electric equipment. Electrification is a growing topic of discussion and there are external funding resources available for building electrification at this moment in time. At the same time, electric options – like heat pumps, heat pump water heaters, and electric stoves – are still new or unfamiliar to many people. Financial incentives are currently available from multiple sources (i.e., federal government, state government, non-profit organizations, and utilities). It can be difficult to understand if and how these incentives stack. Navigation support programs provide one-on-one direct assistance to help community members navigate these processes and make it easier for community members to install electric equipment in their homes.

On average, space and water heating account for 93% of natural gas use in homes.<sup>4</sup> Because navigation support programs are focused on helping community members upgrade equipment like gas furnaces and gas water heaters to electric options in existing homes, these programs provide a large opportunity to reduce emissions from natural gas.

### Example efforts

Examples of other jurisdictions that have established navigation support programs include:

- Shoreline, WA – [Energize Shoreline](#) program: Qualifying participants are required to attend a workshop and complete a site assessment with a contractor from an approved list of heat pump installers. Once those steps are completed, the participant will receive a \$1,000 discount on their installation of a heat pump. Residents must meet eligibility requirements to qualify for this program.
- Olympia, WA – [Energize Olympia](#) program: Financial assistance ranges from \$800 to full coverage for income-qualified applicants. To receive the incentive, applicants must attend an educational workshop, get a free assessment and quote from an installation partner, and review and sign a contract.

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<sup>4</sup> Bend Building Stock Characterization Memo

## Provide technical assistance on building electrification and decarbonization for builders and developers.

### Policy description

This initiative would involve the City developing a technical assistance program for builders and developers to offer guidance on building electrification and decarbonization. This program could provide support, including information on the latest technologies, best practices for implementation, and available financial incentives.

### Background

The goal of providing technical assistance is to help builders and developers confidently incorporate electrification into their projects. Builders and developers play a pivotal role in the electrification transition but can face challenges in understanding and implementing the latest technologies and practices. There are numerous resources and incentives available to support these efforts, including federal and state programs, utility rebates, and non-profit initiatives. However, navigating these resources and integrating them into building projects can be complex and challenging. Providing technical assistance to builders and developers can bridge this gap, ensuring they have the knowledge and support needed to adopt electrification and decarbonization measures effectively. Technical assistance offerings could include providing project assistance from subject matter experts, hosting designer and developer roundtable discussions, and/or providing technical training for contractors.

This initiative would only apply to new buildings and the uptake of technical assistance support would likely depend on a variety of factors, including how well the program is advertised, trust that participating in the program will be a good use of time and resources for builders and developers, and other market factors.

### Example efforts

While this research did not uncover any examples of municipalities offering technical assistance for electrification, there are examples of nonprofit organizations offering technical assistance programs:

- Silicon Valley Clean Energy is a non-profit agency in California that offers free technical assistance for building design and upgrades to support building electrification through its [Building Electrification Support](#) program.
- Peninsula Clean Energy, a community-controlled, not-for-profit, Community Choice Aggregation program in San Mateo County, California, provides free [design technical assistance](#) for all-electric buildings and upgrades.

## Create new educational materials to encourage residential and commercial electrification in both new construction and existing homes.

### Policy description

This initiative involves creating new educational materials highlighting the benefits of electrification and information about incentives to encourage residential and commercial electrification in both new

construction and existing homes. This information could be shared digitally on the City's website or social media platforms, in print (e.g., informational flyers available at popular community destinations), and/or in person at community events.

## Background

Many electric options – like heat pumps, heat pump water heaters, and electric stoves – are still new or unfamiliar to many people. Providing educational materials about what electrification is, the benefits of electrification, and key considerations for people considering electrification can help to raise awareness about electric options, their benefits, and relevant financial incentives that might make electrification a more cost-effective option.

Providing education for both new construction and existing homes can help to ensure that electrification resources are available to all who may be interested in pursuing electrification. While education on electrification alone is unlikely to result in emissions reductions, providing this information is a good first step to increasing community awareness of electric options and their benefits.

## Example efforts

Many other jurisdictions and organizations are providing education to their communities about electrification in addition to other climate-friendly behaviors or changes. Some examples include:

- Seattle City Light – [Tips for Saving on Heating and Cooling Your Home](#): This webpage provides tips for saving on heating and cooling homes and information on local discounts and rebates for upgrades.
- City of Eugene – [Financial Incentives for Building Owners](#): This webpage offers information about technology and energy upgrades that can help a home's energy performance (including but not limited to incentives).

# Promote state and federal incentives or tax credits.

## Policy description

This initiative involves City staff helping to raise awareness around the financial incentives that are available at the state and federal level through local promotion of existing programs that help reduce electrification costs for community members. This information could be shared digitally on the City's website or social media platforms, in print (e.g., informational flyers available at popular community destinations), and/or in person at community events.

## Background

As mentioned above, electrification is a growing topic of discussion and there are external funding resources and tax credits available for building electrification.

Current and upcoming State of Oregon rebate and incentive programs include:

- [Community Heat Pump Deployment Program](#) – provides financial assistance to homeowners towards the purchase and installation of heat pumps in owner-occupied residences.
- [Home Efficiency Rebate Program \(HOMES\)](#) – provides performance-based rebates for energy efficiency retrofits in single-family and multi-family homes. This can include installing more

efficient equipment like a heat pump or on-demand water heater, weatherization measures like insulation or air sealing, smart thermostats, and more. HOMES rebates are funded by a grant from the federal Department of Energy.

- [\*\*Home Electrification and Appliance Rebate Program \(HEAR\)\*\*](#) – provides point-of-sale rebates to low- and moderate-income households to install eligible high-efficiency electric appliances and associated upgrades, as well as insulation and air sealing measures.

Current Federal tax credits include:

- [\*\*Energy Efficient Home Improvement Credit\*\*](#) - Beginning Jan. 1, 2023, the credit equals 30% of certain qualified expenses, including: qualified energy efficiency improvements installed during the taxable year, residential energy property (HVAC units and water heaters), and home energy audits.

By sharing this information through its communication channels, the City can help to promote these programs to save community members money on electrification projects. Electrification of space and water heating equipment in existing residential buildings provides a large opportunity for emissions reduction given that, on average, space and water heating account for 93% of natural gas use in homes.<sup>5</sup>

## Example efforts

Other Oregon cities are promoting existing state and federal programs that provide incentives or tax credits for electrification. Examples include:

- Ashland, OR – [\*\*State and Federal Rebates/Incentives\*\*](#): Provides hyperlinks to relevant incentives and notes that state and federal incentives may be used alongside local incentives.
- Eugene, OR – [\*\*Financial Incentives for Building Owners\*\*](#): Offers information about technology and energy upgrades that can help a home's energy performance (including but not limited to incentives).

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<sup>5</sup> Bend Building Stock Characterization Memo

## Incentives

The options in the Incentives category would result in the City of Bend developing voluntary programs to incentivize the adoption of electric equipment technologies in new construction, major remodels, and in existing buildings at the time of equipment replacement. Incentives are meant to reduce the financial, time, or other costs associated with electrification. There are five policy options included in the Incentives category.

Category	Policy Options	Building Type	Time	Cost	GHG Impact	Risk	Depts	Cities
Incentives	Prioritize or expedite permit applications for all-electric development projects	N						
	Development incentives, such as floor-to-area (FAR), height, or density bonuses to encourage all-electric developments	N						
	City-funded financial incentive for all-electric new construction	N						
	City-funded ductless heat pump and heat pump water heater purchase and installation incentive for existing homes	E						
	Provide additional urban renewal assistance for all-electric buildings	N						

### Prioritize or expedite permit applications for all-electric development projects.

#### Policy description

This initiative would involve City staff prioritizing or expediting permit applications for all-electric development projects. The goal is to entice developers to build all-electric by reducing project wait times for qualifying projects.

#### Background

In Oregon, local governments must take final action on permits, limited land use decisions and zone changes within 120 days of receiving a complete application. In addition, the City of Bend has been and continues to undergo process improvements to reduce the permitting time periods, particularly for residential development. As a result of Council directive, the City has expedited permitting for qualified residential and commercial affordable housing projects since 2023. The ability to provide additional expedited permitting is likely limited and would be extremely difficult to implement for the wide variety of development types and permitting processes. Further research and analysis of staffing and feasibility would be required before deciding to implement this incentive. If this incentive could be implemented, it would be geared toward developers and would incentivize electrification by reducing the amount of time it takes for permit applications for all-electric development projects to be processed by the City.

This incentive would encourage all-electric development for new construction, not existing buildings. This provides an opportunity to lock in lower emissions buildings over time, but the overall emissions

reduction impact from this action would ultimately depend on how much developers utilize the incentive.

### Example efforts

Another jurisdiction that offers expedited or priority permit review for developers who choose to build all-electric includes:

- Seattle, WA – The [Priority Green Expedited program](#) shortens the time it takes developers to get a construction permit in exchange for meeting a green building certification and other criteria. The program sets goals for energy efficiency, embodied carbon, indoor air quality, resource conservation, and lead hazard reduction.

## Development incentives, such as floor-to-area (FAR), height, or density bonuses to encourage all-electric developments.

### Policy description

This policy would involve the City establishing nonfinancial development incentives for all-electric developments.

### Background

The goal of a development incentive is to provide a benefit to the developer, that would not otherwise be granted, in exchange for the developer making a design choice that is preferred by the City, like building all-electric. Development incentives could include granting permission to the developer to increase the floor-to-area ratio, height, and densities over the regularly allowed amounts.

For example, by granting a density bonus to the developer in exchange for all-electric development, the developer may be able to build and ultimately sell more housing units on a given parcel of land than they otherwise would have been able to.

This incentive would apply to new construction, not existing buildings. This provides an opportunity to lock in lower-emissions buildings over time, but the overall emissions reduction impact from this action would ultimately depend on which building type(s) are eligible for the incentive (e.g., residential and/or commercial) and how much the incentive is utilized by developers.

### Example efforts

One example of a municipal development incentive is Portland's [Planned Development process](#), which allows developers to obtain additional floor area and an increase in height for commercial buildings in exchange for providing public benefits, including energy-efficient buildings. Bonuses are dependent on meeting specified energy use intensity standards and participating in established building efficiency programs (e.g. Energy Trust of Oregon, LEED).

## City-funded financial incentive for all-electric new construction.

### Policy description

This initiative would involve the City providing a City-funded financial incentive to developers that choose to build all-electric new construction. To provide a new, City-funded incentive, the City would need to identify and/or develop a funding source.

### Background

As a local alternative to advocating that the State create financial incentives for all-electric new construction, the City can create its own financial incentive to help lower construction costs for developers that choose to build all-electric new construction. A new financial incentive would require a revenue source to fund the incentive.

This initiative would only apply to new buildings and incentive uptake would depend on a variety of factors, including how attractive the incentive is to developers and other market factors.

### Example efforts

This research did not uncover examples of other jurisdictions that currently provide City-funded financial incentives for all-electric new construction.

## City-funded ductless heat pump and heat pump water heater purchase and installation incentive for existing homes.

### Policy description

This initiative would involve creating a program to provide City-funded incentives for the installation of ductless heat pumps and heat pump water heaters. To provide a new, City-funded incentive like this one, the City would need to identify and/or develop a funding source.

### Background

A City-funded incentive could help reduce the price of new ductless heat pumps and heat pump water heaters making the purchase of electric systems more feasible or appealing to potential buyers. By focusing on individual appliances rather than all-electric building, these incentives could help convert existing homes to electric. Programs already exist to help residents to upgrade their home heating and water heating. The City would work with existing providers to identify gaps in those programs (such as supporting middle-income residents) that the City program could fill. On average, space and water heating account for 93% of natural gas use in homes<sup>6</sup> and encouraging electrification of these systems provides a large opportunity to reduce emissions from natural gas.

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<sup>6</sup> Bend Building Stock Characterization Memo

## Example efforts

Examples of programs from other jurisdictions include:

- Tigard, OR – [Heat Pump Cash-In Program](#): Funding from the Oregon Department of Energy was administered by Earth Advantage, a nonprofit organization that works on housing and the climate impacts of housing. Note: as of June 2024, this program is on hold after receiving the maximum number of applications allowed by Earth Advantage.
- Seattle, WA – [Clean Heat Program](#): This program offers a \$2,000 instant rebate when applicants switch from heating their homes with oil to heating with an electric heat pump. The rebate can be combined with federal tax credits. Participants must select a participating contractor to install the heat pump, complete a participation form to provide to the contractor, install the heat pump, and decommission their oil tank.

## Provide additional urban renewal assistance for all-electric buildings.

### Policy description

This initiative would involve the City providing additional urban renewal financial assistance for all-electric buildings by adding all-electric buildings as an approved activity for Tax Increment Financing (TIF)/urban renewal funding. This change could help to reduce electrification costs for recipients of TIF/urban renewal funding.

### Background

Urban Renewal is a state-authorized redevelopment finance program. Urban renewal areas use TIF to reinvest or rebuild parts of cities that are physically deteriorated, economically stagnated, unsafe or where the old urban layout no longer works. There are currently three established TIF/urban renewal areas in Bend: Core Area, Juniper Ridge, and Murphy Crossing. These TIF/urban renewal areas are managed by the Bend Urban Renewal Agency (BURA). The City hopes to use TIF/urban renewal as a tool to achieve the urban changes needed to accomplish the city's growth plan.<sup>7</sup>

TIF/urban renewal funds are available to developers and business owners that are working towards reinvesting or rebuilding in the designated urban renewal areas. Examples of current TIF investments in Bend include:

- Capital improvement loans for small or startup businesses
- Storefront improvement grants for improvements to existing properties
- Streetscape improvements and transportation enhancements, including new lighting, trees, sidewalks, and intersection improvements
- Redevelopment projects, such as mixed-use or infill housing developments

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<sup>7</sup> City of Bend – [Urban Renewal/Tax Increment Financing](#)

- Historic preservation projects
- Parks and plazas
- Utility or infrastructure projects to support new development

TIF/urban renewal funds can be targeted to encourage certain types of development aligned with the City's goals. Therefore, all-electric buildings could be added into a TIF/urban renewal incentive program to encourage all-electric development.

### Example efforts

Our research did not identify any jurisdictions in the U.S. that have pursued incentivizing all-electric buildings through urban renewal.

## Local Regulations

The Local Regulations category includes three policy options that would implement new restrictions or requirements to reduce fossil fuel use in new or existing residential or commercial construction.

Category	Policy Options	Building Type	Time	Cost	GHG Impact	Risk	Depts	Cities
Local Regulations	Establish nitrogen oxide (NOx) emissions standards for new appliances in existing buildings or for new buildings	N, E						
	Restrict or limit natural gas infrastructure in the right-of-way in new residential developments.	N						
	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	E						

### Establish nitrogen oxide (NOx) emissions standards for new appliances in existing buildings or for new buildings.

#### Policy description

This initiative would involve the City establishing nitrogen oxide (NO<sub>x</sub>) emissions standards for new appliances. Electric appliances do not emit NO<sub>x</sub> emissions, while fossil-fuel powered appliances do. NO<sub>x</sub> emissions standards set limits on the amount of NO<sub>x</sub> that certain new appliances can emit to improve outdoor air quality and combat negative public health impacts from exposure to NO<sub>x</sub>.

#### Background

NO<sub>x</sub> emissions come from the combustion of fossil fuels, including passenger vehicles and gas-powered appliances. NO<sub>x</sub> emissions impact air quality and contribute to the formation of ozone and particulate matter, or PM<sub>2.5</sub>. Exposure to NO<sub>x</sub> has been linked to coughing, wheezing, difficulty breathing, asthma, and increased susceptibility to respiratory infections. Exposure to particulate matter has been linked to

asthma and other respiratory conditions, neurological disease, heart attack, stroke, lung cancer, and premature death. Generally, air quality is regulated under the local public health or air quality authority.

Phased standards have been adopted under the authority of state law and the Clean Air Act and set outdoor air quality standards for targeted appliances at a regional level under rules adopted by air quality districts in other parts of the Country, such as in California. Because these NO<sub>x</sub> standards have had the effect of encouraging electric appliances in place of natural gas appliances, several cities are exploring establishing NO<sub>x</sub> regulations to encourage electrification of homes and buildings as a climate action strategy. Since the only examples of NO<sub>x</sub> regulation occur through air quality districts, regulating NO<sub>x</sub> through City regulations would be a novel and untested approach. The City would need to establish new mechanisms in its development processes to create an enforceable regulation.

By focusing on individual appliances rather than all-electric building, these regulations could help convert equipment in existing homes to electric over time.

### Example efforts

No other cities in Oregon (or elsewhere, based on the research the City has done) have enacted a NO<sub>x</sub> regulation, but some (like [Ashland](#)) are considering this policy option.<sup>8</sup> Whether cities have the authority to regulate air quality in Oregon remains an open question.

In California, the [Bay Area Air Quality Management District \(BAAQMD\)](#), which includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, southwestern Solano and southern Sonoma counties) has enacted NO<sub>x</sub> regulations that require new commercial and residential gas furnaces and water heaters to be zero- NO<sub>x</sub>. The [Appliance Rules](#) would apply only to new appliances and do not mandate the immediate change out of existing appliances, nor will they apply to appliances used for cooking, such as gas stoves. NO<sub>x</sub>-emitting natural gas furnaces and water heaters will be phased out over time, beginning in 2024, and phasing in for various types of development and water heaters or furnaces through 2031.

The [South Coast Air Quality Management District \(SCAQMD\)](#) also adopted air quality rules in 2022, which include NO<sub>x</sub> emission standards for space heating, water heating and other appliances for installation in new commercial and residential buildings and at the end of useful life for units in existing buildings. They are working on incentive programs to encourage the early transition to zero-emission appliances.

To reduce NO<sub>x</sub> pollution from fossil fuels, the [California Air Resources Board](#) (a statewide board) voted in September of 2022 to ban the sale of new gas furnaces and water heaters beginning in 2030.

## Restrict or limit natural gas infrastructure in the right-of-way in new residential developments.

### Policy description

This initiative would involve the City establishing regulations that apply to the installation of natural gas infrastructure through the right-of-way. This could include requiring natural gas distribution networks in

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<sup>8</sup> Ashland Climate and Clean Air Ordinance Appendices – Appendix 5: Emissions-based Ordinance

the right-of-way to be right-sized or decommissioned, or prohibiting the installation of new distribution lines in new developments.

## Background

In Oregon, a city can determine the terms and conditions under which a utility may use its streets, highways, or other public property within the city. To provide service to customers, gas utilities in Oregon need to install and maintain infrastructure (e.g., gas distribution or service lines) on or beneath public rights-of-way (e.g., public streets and sidewalks) to connect to the gas meter outside the building. Notwithstanding the authority in ORS 221.420, the City could expect to see various concerns related to potential EPCA preemption, as well as potential equal protection, takings, and anti-trust arguments as to why removing natural gas infrastructure from the right-of-way is not permissible.

## Example efforts

Our research did not identify other jurisdictions pursuing regulation of natural gas via the right-of-way at this time, although it was mentioned as a potential alternative to the franchise agreement by the [City of Ashland](#) in May 2024, while noting this is uncharted territory with legal concerns. Since that time, the Ashland City Council hired outside council to review several paths to regulation; to date they have not yet considered any right-of-way regulations in a public setting.<sup>9</sup>

## **Enact benchmarking, energy performance, or greenhouse gas reduction standards for commercial and multi-family buildings as allowed under HB 3409, the State of Oregon Building Performance Standards Program.**

### Policy description

This initiative would involve the City enacting benchmarking, energy performance, or greenhouse gas reduction standards for commercial and multi-family buildings that are stringent enough that they heavily favor all-electric buildings.

## Background

A Building Performance Standard (BPS) sets performance targets for existing buildings to meet over time. Local governments can adopt performance standards addressing energy use, carbon emissions, or public health impacts that result in eliminating or reducing natural gas. Unlike prescriptive approaches that tell building owners what to do in a top-down manner, performance standards are flexible and customizable. BPS programs are generally directed at commercial buildings, which can include multi-family housing.

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<sup>9</sup> Ashland Climate and Clean Air Ordinance Appendices – Appendix 7: Upcoming Franchise Agreement or Ordinance in Lieu

In 2023, the Oregon Legislature passed [House Bill 3409](#), establishing an Energy Performance Standard policy for commercial buildings.<sup>10</sup> This policy addresses energy use and emissions from existing commercial buildings and will require many large commercial buildings to enhance energy management practices and implement efficiency measures to meet energy use targets.

Additionally, HB 3409 explicitly allows municipalities to adopt energy or greenhouse gas performance standards so long as the standards are more stringent or apply more broadly than the state law and do not exceed the state building code for new buildings.<sup>11</sup>

Establishing a local BPS would allow the City to focus on decreasing natural gas emissions from existing buildings in the commercial sector (including multi-family housing, where applicable).

## Example efforts

Many other jurisdictions are developing or have adopted a BPS, including:

- Vancouver, WA – [Green Building Policy](#) (developing): The Green Building Program will introduce new building and development code standards and incentives to significantly reduce energy use and emissions. These changes will happen gradually, helping Vancouver reach its goal of zero carbon emissions by 2040. The program will apply only to new buildings, not to existing buildings or remodels.
- Portland, OR – [Climate and Health Standards for Existing Buildings](#) (developing): These climate and health-related performance standards would apply to existing rental apartments as well as large commercial and multifamily buildings. Buildings covered by these policy requirements would have to meet minimum standards for the building's carbon emissions, indoor air quality, and indoor temperature by certain dates.
- Seattle, WA – [Building Emissions Performance Standards \(BEPS\)](#) (adopted): Adopted in 2023, the BEPS includes verification and reporting requirements and sets emissions targets for existing nonresidential and multifamily buildings larger than 20,000 square feet. A building's particular emissions targets and compliance deadlines are determined by the use and size of the building and become gradually stronger every five years. Most buildings covered by BEPS should reach net-zero emissions in the 2040s, making it one of the most impactful climate actions the City of Seattle is taking to tackle the climate crisis.
- Denver, CO – [Energize Denver, Existing Buildings](#) (adopted): Buildings 25,000 square feet or larger must submit annual benchmarking data. They must also meet specific energy efficiency requirements.

## Fees

There are two policy options in the Fees category. These would result in the City of Bend implementing financial disincentives to limit fossil fuel use in new construction. Proceeds of fees could potentially help

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<sup>10</sup> Oregon Department of Energy – Building Performance Standards Rulemaking:  
<https://www.oregon.gov/energy/Get-Involved/Pages/BPS-Rulemaking.aspx>

<sup>11</sup> Institute for Market Transformation – [Ten Points on the Beaver State's New Building Performance Standard](#)

fund policy options that introduce new costs, such as staff investment in outreach and support programs or financial incentives.

Category	Policy Options	Building Type	Time	Cost	GHG Impact	Risk	Depts	Cities
Fees	Charge a new building permit fee for non-electric infrastructure in new construction. Fee may be determined in relation to anticipated gas use of the building.	N						
	Increase franchise fee on natural gas utility	N, E						

## Charge a new building permit fee for non-electric infrastructure in new construction. Fees may be determined in relation to anticipated gas use of the building.

### Policy description

This initiative would involve the City establishing and charging a new building permit fee for non-electric infrastructure in new construction. The goal is to disincentivize non-electric construction by making it more expensive. This a new permit fee would be in addition to existing permit fees for new homes and commercial buildings. The fees could be determined based on the anticipated gas use of the building.

### Background

This policy option addresses the challenge that is posed when new sources of greenhouse gas emissions are added, since it creates additional work to reach the City's climate goals. This option would create a funding stream to help pay for the actual costs of mitigating the added carbon emissions from new non-electric buildings. The idea behind this policy option is that if a resident or developer chooses to install natural gas in their new home or commercial building instead of a low carbon option, the homeowner or developer should take responsibility for the costs and effort the city will have to undertake to mitigate that carbon and meet its climate goals and pay upfront. Since fees in Bend are charged to cover the actual or average cost of providing the service, careful consideration would need to be given to the policy basis for a different approach under the city's home rule authority and regulation of the public health, safety and welfare. Further consideration would need to be given to the legal basis and nexus for charging such a fee.

### Example efforts

[Ashland, OR](#) – Is analyzing establishing a "carbon charge" that would be imposed on those who choose to install natural gas infrastructure in their home during construction. Under this theory, the charge would be created by weighing 3-4 variables. The first three variables include the social cost of greenhouse gas emissions, the average gas usage of an Oregon home serviced by Avista (Ashland's natural gas utility), and the average lifespan of major appliances. The fourth variable could be utilized to

better size the mechanism for different sized homes. This was one of the options presented to the Ashland City Council for further review in May 2024.<sup>12</sup>

## Increase the right-of-way use fee on the natural gas utility.

### Policy description

This initiative would involve the City increasing the right-of-way use fee on the natural gas utility. The goal is to disincentivize expanding the natural gas system by making it more expensive.

### Background

Bend Municipal Code [Chapter 3.20](#) (Regulation of Utility Use of City Rights-of-Way) governs franchise utility access to and use of the right-of-way to provide electric and natural gas service to residential and commercial customers. Utilities with facilities in City rights-of-way, such as Cascade Natural Gas, pay an annual fee to the City based on a percentage of gross revenue. This fee is known as the “Rights-of-Way Use Fee.” The Use Fee is currently set by Council resolution at 7% of gross revenues.

This initiative would involve the City increasing the right-of-way use fee on the natural gas utility to disincentivize expanding the natural gas system by making it cost more to operate in Bend.

Increasing the right-of-way use fee could result in higher costs being passed along to consumers and may or may not result in decreased natural gas use.

### Example efforts

Examples of other jurisdictions that have considered or enacted increased franchise fees on natural gas utilities include:

- [Ashland, OR](#) is considering enacting an increased franchise fee on natural gas utilities. The City's Electric Department pays a franchise fee of 10%, while the natural gas utility, Avista, pays 5%.<sup>13</sup>
- [Gresham, OR](#) has a utility licensing fee that applies to electric and gas utilities, set at 10%.

## Building Code

The Building Code category includes one option, which is for the City of Bend to request local authority to amend the building code to promote electrification.

Category	Policy Options	Building Type	Time	Cost	GHG Impact	Risk	Depts	Cities
Building Code	Pursue local amendment to state building code to require electrification in new residential construction and major remodels	N						

<sup>12</sup> Ashland Climate and Clean Air Ordinance Appendices – Appendix 6: Carbon Charge

<sup>13</sup> Ashland Climate and Clean Air Ordinance Appendices – Appendix 7: Upcoming Franchise Agreement or Ordinance in Lieu

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

### Policy description

This initiative would involve the City applying to the Oregon [Building Codes Division](#) for a local amendment to adopt an ordinance that differs from the state building code. Specifically, this amendment would require electrification in new residential construction and major remodels.

### Background

In Oregon, building codes are set at the state level by the Building Codes Division of the [Department of Consumer and Business Services](#) or the state legislature. Cities must adhere to state level building codes and do not have much flexibility in adopting codes that differ from the state building code.

Local governments seeking to electrify structures by imposing different requirements from the construction standards in Oregon's building code could pursue this policy option through a local amendment. To obtain a local amendment, a local government must follow a regulatory process, including holding meetings and submitting required materials to the Oregon Building Codes Division, who will either approve or deny the request<sup>14</sup>.

This process is lengthy and complex. Local amendments are generally accepted when a local government has unique conditions that warrant a different building code than the rest of the state. According to state building officials, it is not intended to be used for policy matters but instead is intended to accommodate local conditions. Outside of this scenario, the Oregon Building Codes Division has a strong preference for uniformity in the state building code. In addition, a local amendment to the building code would also need to be compliant with the [Energy Policy and Conservation Act](#). Even if a local amendment were granted for the City of Bend, the City would need to undergo the entire local amendment process to make any changes to this code in the future.

### Example efforts

Our research did not identify any municipalities that have *applied* for a local amendment for the purposes of prohibiting natural gas or requiring electrification.

[Ashland, Oregon](#) considered this option, but it was deemed to be less viable given the length of the process and subsequent Energy Policy and Conservation Act compliance requirements.<sup>15</sup>

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<sup>14</sup> Regulating Natural Gas in Oregon Buildings: A Guide for Local Governments – Green Energy Institute at the Lewis & Clark Law School, Breach Collective (2023)

<sup>15</sup> Ashland Climate and Clean Air Ordinance Appendices – Appendix 9: Building Code Amendment

# Recently Completed Efforts

## City-owned Buildings

The City-owned Buildings category includes options focused on the City of Bend adopting policies committing the City of Bend to eliminate fossil fuels in new and existing City-owned or operated buildings. As of November 2024, the City has adopted policies to commit the City to eliminate fossil fuel use in City buildings. On October 2, 2024, the Bend City Council adopted [Resolution 3400](#) to commit to avoiding the use of fossil fuels in new City buildings and to explore opportunities to retrofit existing City buildings with electric alternatives to fossil fuel equipment, and to implement opportunities identified where feasible. With this policy in place, the City is committed to building any new facilities to be all-electric, demonstrating leadership in electrifying buildings communitywide.

## Climate Protection Program

This initiative would have involved City staff advocating at the state level for the reinstatement of the [Climate Protection Program](#) (CPP), but the CPP was reinstated on November 21, 2024 and state-level advocacy to reinstate it is no longer needed.

The 2024 CPP rules set an enforceable declining cap on greenhouse gas emissions from fossil fuels used throughout Oregon, including diesel, gasoline, and natural gas. The program is designed to reduce these emissions by 50% by 2035 and 90% by 2050. Gas utilities may be able to comply with CPP rules by increasing the proportion of renewable natural gas in their product mix or improving system efficiency to minimize leaks, as opposed to eliminating natural gas usage.