



Howard County

Internal Memorandum

Subject: Testimony on Council Bill No CB 34-2017; extending the High Performance Building Credit

To: Lonnie R. Robbins
Chief Administrative Officer

From: Elissa Reineck
Sustainability Project Manager
Office of Community Sustainability

Date: May 1, 2017

My name is Elissa Reineck and I am a Sustainability Project Manager in the Office of Community Sustainability. I'm here to talk about the government perspective on the Howard County High Performance Building Credit. This program has two aspects, a commercial building tax credit and a residential building tax credit. The commercial credit does not have a sunset date, but the residential program does. The residential high performance credit is effectively expired because any applications were due on April 1, 2017. Our office was asked to research and make a recommendation on behalf of Howard County Government regarding the residential High Performance Building Credit. To do this, we drew on the knowledge and experience of staff in the government agencies that implement the program as well as local industry experts. After this process, we came to the conclusion of recommending that the 5 year program should be extended as outlined in CB 34.

Background

The Howard County High Performance Building Credit program was designed to encourage "green" building. It is based on the nationally recognized LEED program. LEED stands for Leadership in Energy and Environmental Design and is implemented by the US Green Building Council, a non-government organization which is made up of industry experts.

Residential buildings are eligible for the Howard County tax credit if they achieve LEED certification at the Silver level or higher. More tax credit is given the higher the level achieved. Higher levels include LEED Gold and Platinum. The Howard County tax credit is spread out over 4 years and decreases each of those 4 years until it phases out for each approved property.

The original Building Credit program was implemented in FY 2008. Initially, the program began with a credit for commercial buildings. By passage of CB 55-2011, effective on February 2012, the program was extended to residential buildings. Accordingly, residential credits were not issued until FY2013. It took a while before any of the residential green buildings were designed, approved, built and sold. Since then, the program has grown steadily. Over the life of the residential program, 134 residential parcels have received the credit for at least the initial year with a total cost of \$557,962.

In February 2016, by passage of CB 5-2016, the County Council extended of the program for another year. CB 5 also amended the program so that approved credits could be paid beyond the end of the program which allowed applicants to receive their entire 4-year credit. Over the next 4 years, the cost of this extension is estimated to be \$608,000.

Recommendation:

Several Howard County government agencies are involved with implementing the High Performance Building Tax Credit. DPZ reviews the building plans, DILP inspects the properties and verifies the LEED status, while Finance issues the tax credits and tracks the overall costs. The office I work for, Office of Community Sustainability (OCS), is concerned with the policy aspects of the program.

To make the decision about what to do about the residential credit, OCS reached out to the Howard County agencies involved with the program (as mentioned above) plus a representative from Howard County Economic Development. After discussion of the program, all representatives agreed that we should recommend that the program be extended.

Here are some reasons why we should extend this successful program:

- DPZ estimates that there are at least 200 residential properties that have been approved, but not yet completed, that would meet the residential building tax credit. The cost of these additional units is estimated to be \$1.3M over 4 years.
- We would like to accommodate Howard County residents who have expressed an interest in applying for this credit by fulfilling the promises made by the builders that their home would receive a tax credit. Several agencies have received calls and emails about this issue.

- In addition to these logistical issues, OCS believes that this program has encouraged developers to build to a higher environmental standard. This has created overall benefits for human health and the environment.
- More importantly, by going through the process of designing homes to the LEED standards, builders learn about green building technology and it becomes more main stream and accepted.
- In 2016, OCS also provided staff support to the Howard County Energy Task Force. This was a sub-set of the Environmental Sustainability Board. The Task Force was composed of local experts who came together to advise the Howard County Executive and Howard County Council on energy policy and programs. Among the many recommendations included in the Task Force's final report, the following two items were included: "Extend the expiration date for existing green building incentives which are currently set to expire" and "Conduct a review of the County's current commercial and residential green building tax incentives."
- Eventually the tax credit will become obsolete when green building becomes the norm. In Howard County we are not quite to that point.
- Howard County needs more time for the tax incentive to be fully implemented and to do more thorough review of the tax incentive program and its future. CB34 includes a requirement that a review of the tax incentive program is done by 2020. OCS would be happy to take the lead on that.

In conclusion, the Office of Community Sustainability on behalf of Howard County Government respectfully requests that the County Council approves the extension of this forward-thinking program as outlined in CB 34-2017. Thank you for your time.