



Howard County

Internal Memorandum

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

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Howard County Council Chairperson

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In response to questions raised during the Howard County Council hearing on May 15, 2017, here is some background information and answers.

Background

The Office of Community Sustainability 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.

The Howard County High Performance Building Credit 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.

In February 2016, by passage of CB 5-2016, the County Council extended of the program until June 2018. This date is a bit confusing since the application deadline was set at April 1, 2017. More time was included so that Finance could process the tax bills during the fiscal 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. This made a lot of sense because there were at least 100 people already in the program who would have been affected.

Issues Raised During Council Session on May 15, 2017:

How many homes are eligible but have not received the tax credit?

Over the life of the residential program, 134 residential parcels have received the credit. From our research with the Finance Department, we believe that there were approximately 240 buildings that were eligible. So there are approximately 106 that would be eligible but did not apply by April 1, 2017.

We've been doing this program for a long time, has it made a difference?

- In 2008, only commercial buildings received tax credits. Commercial buildings of a certain size were required to be built green, so the commercial tax credit was the carrot to go along with the stick.
- The residential program has only been implemented for 4 years. The first 5 applicants were approved in FY2014. (The following 3 years had 44, 19, and 66 homes, respectively). By passage of CB 55-2011, effective on February 2012, the program was extended to residential buildings.

Why extend the program another 5 years?

- The most important reason is that without the tax credit, residential green building will stop in Howard County. This is hard to quantify, but it is what the industry people have told us. Building LEED Silver or above is not easy and without the tax incentive as a selling point, is not worth the hassle.
- 5 years will allow Howard County more time for the tax incentive to be fully implemented and to do a 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. Any shorter time frame will cause uncertainty to the builders and will very likely cause them to stop building "green".
- Another issue is fairness. DPZ estimates that there are at least 200 residential properties in the Oxford Square development that have been approved for building, but not yet completed, that would meet the residential building tax credit. It would be unfair that half of the development received the credit and the other half didn't.

- New developments that are coming on-line with Mitchell & Best and could be done LEED silver if the incentive remains in place are Maple Lawn, Orchards at Brown's Ridge, Highland Reserve and Gaither's Chance.
- We believe that this program has encouraged developers to build to a higher environmental standard. This has created overall benefits for human health and the environment.
- 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. Eventually the tax credit will become obsolete when green building becomes the norm. In Howard County we are not quite to that point.

Maybe it is time to increase the standard beyond LEED Silver?

- The LEED program continues to evolve. LEED was just updated in 2016. The new standard is about equivalent to the previous Gold standard. The new Gold standard is going to be difficult to achieve and would very likely push our Howard County developers out of the program.