

<b>FROM</b>	NAME & TITLE	Thomas J. Stosur, Director
	AGENCY NAME & ADDRESS	Department of Planning Room 800, 417 E. Fayette Street
	SUBJECT	City Council Bill #08-0058 Energy Devices

CITY of  
**BALTIMORE**  
**MEMO**



**TO** President Stephanie Rawlings-Blake  
And Members of the City Council

DATE: April 13, 2009

Please be advised of the following comments on behalf of the Baltimore Commission on Sustainability (CoS) in opposition of Bill #08-0058.

This bill would grant property tax credits for buildings with solar panels, solar water-heating equipment (unless used to heat pools or hot tubs), or geothermal energy technologies. Single family homes would qualify for a tax credit worth 1/3 of the cost to purchase and install the technology up to a maximum of \$25,000. Commercial, industrial, and multifamily dwelling buildings are eligible for up to 100% of the technology's cost up to \$150,000, taken in equal portions over 5 years.

The intent of this bill does address the following goals of the Baltimore Sustainability Plan as approved by City Council on March 2, 2009:

- Pollution Prevention Goal #1: Reduce Baltimore's greenhouse gas emissions by 15% by 2015;
- Pollution Prevention Goal #2: Improve Baltimore's air quality and eliminate Code Red days; and
- Resource Conservation Goal #1: Reduce Baltimore's energy use by 15% by 2015 (*specifically, Strategy C: Increase renewable energy generation in Baltimore City*).

Currently, the federal government offers a similar credit to income taxes up to 30% of the technology cost. While the federal credit was formerly capped at \$2,000, ARRA (the Stimulus Act) removed the maximum credit amount for eligible technologies placed in service after 2008. In addition, the state of Maryland offers a Solar Energy Grant Program which awards the lesser of \$3,000 or 30% of the cost for solar water heating equipment or \$2,500 per kilowatt (kW) up to \$10,000 for solar PV systems. These funds have been exhausted for the current fiscal year; however funds for the program will likely be expanded in future fiscal years with funding from Regional Greenhouse Gas Initiative auction revenues and from ARRA funds. The details of the program offerings under the expanded funding have not yet been finalized.

In formulating its recommendation, the CoS has taken into account Bill #08-0058's impact on people, planet, and prosperity. Increasing the amount of renewable energy generated in Baltimore City and reducing our demand on traditional energy sources aligns well with the goals of the Sustainability Plan. However, the CoS believes there are more cost-effective ways to accomplish these goals. The Department of Finance estimates that this bill would lead to a total revenue loss

*unfaint*

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of \$32 million over the next eight years. The Department of Finance also noted that federal tax subsidy programs often require that local government subsidies be deducted from the taxpayer's federal tax subsidy which would lead in some cases to the City of Baltimore subsidizing the federal government while reducing the anticipated net taxpayer benefit. Due to the availability and accounting structures of incentives for energy devices at the federal and state levels, creating an additional tax incentive at the local level does not seem to be the optimum use of City funds.

There are a variety of more economically-sustainable and effective policy mechanisms to address existing market barriers and increase renewable energy generation within Baltimore City than creating another tax credit. Some localities are adopting a "feed-in-tariff" which requires the local utility to buy renewable energy for independent producers (such as property owners) at rates slightly higher than the average cost of production. Purchasing power to meet overall energy demand in this way is less expensive for the utility (and ultimately the rate payer) than building new power plants. In another example, the Berkeley FIRST model allows property owners to install energy devices through financing at no up-front cost and then repay this cost over time through their property taxes. This could potentially be financed through a municipal bond or through a third party private financier.

While the CoS supports the promotion of renewable energy, it does not believe Bill #08-0058 is the most effective or sustainable means of accomplishing this goal. In the spirit of balancing the environmental, social, and economic components of sustainability, the CoS opposes Bill #08-0058 and welcomes the opportunity to explore other options to encourage renewable energy generation in Baltimore.

CC: Cheryl Casciani, Chair, Sustainability Commission  
Andrew Frank, Deputy Mayor  
Angela Gibson, City Council  
Beth Strommen, Office of Sustainability