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	AGENCY NAME & ADDRESS	Department of Planning Room 800, 417 E. Fayette Street
	SUBJECT	City Council Bill #08-0057 High Performance Buildings

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 to Bill #08-0057.

This bill, as amended, would grant property tax credits to buildings that achieve at least a LEED Gold ranking (or equivalent designation) equal to 100% of the City property tax. If the building is approved, the tax credit may be taken annually for up to 5 taxable 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 #5: Improve the health of indoor environments;
- Resource Conservation Goal #1: Reduce Baltimore's energy use by 15% by 2015;
- Resource Conservation Goal #2: Reduce Baltimore's water use while supporting system maintenance; and
- Resource Conservation Goal #4: Maximize the reuse and recycling of materials.

To provide some context, City Council Bill #07-0552, passed in August of 2007, enabled the creation of green building requirements. As of July 1, 2009, all newly-constructed and extensively-modified non-residential, and specific multi-family residential buildings that have or will have at least 10,000 square feet of gross floor area, will be required to meet the Baltimore City Green Building Standards. These standards require that buildings be built to LEED Silver certification level or equivalent. The LEED system currently has four progressively strenuous levels (Certified, Silver, Gold, and Platinum).

In formulating its recommendation, the CoS has taken into account Bill #08-0057's impact on people, planet, and prosperity. The Department of Finance estimates that this bill would lead to a total revenue loss of \$6.6 million for fiscal year 2010 and over \$115 million over the next seven years. Using research on cost premiums of building to LEED Gold, the Department of Finance also noted that the incentive structure of Bill #08-0057 would result in a cumulative tax credit to the property owner of nearly three times the amount of premium they paid to make the building LEED Gold as opposed to a standard "non-green" building. For instance, assuming a 5% construction cost premium, a building with construction costs of \$5 million would incur additional cost of \$250,000 to achieve the required certification. The proposed tax credit for a newly constructed building with construction costs of \$5 million would generate a

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property tax reduction of \$119,100 in the first year, with a cumulative five-year tax credit cost of \$657,900 per building.

The CoS believes that in addition to using the Baltimore Green Building Standards as a policy “stick”, the City of Baltimore should also consider the creation of carefully-chosen policy “carrots” to both encourage green building practices in those projects not covered under the Standards and reward those buildings covered under the Standard which go beyond minimum compliance. However, the CoS feels that Bill #08-0057 may create a policy tool that is too blunt and too generous to accomplish the desired results in the most sustainable manner. Instead, the CoS would like to examine more focused incentives to encouraging sustainable buildings using a more strategic approach. Examples could include targeting buildings currently not covered under the Baltimore Green Building Standard or encouraging a specific green building feature (e.g. green roofs) that have benefits particularly important to Baltimore’s needs.

While the CoS supports the promotion of high performance buildings, offering such a general and generous tax credit is neither the most effective nor fiscally-responsible means of accomplishing this goal. In the spirit of balancing the environmental, social, and economic components of sustainability, the CoS opposes Bill #08-0057 and welcomes the opportunity to explore other options to encourage green buildings in Baltimore.

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