

# Financing and Encouraging Green Building in Your Community

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## Innovative Financing Mechanisms

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For many homeowners the up-front costs of greening their homes deter them from performing retrofits. In order to stimulate green retrofits, many municipalities have created revolving loan programs for homeowners seeking to go green. These programs offer low interest loans to homeowners for energy efficiency upgrades that are then paid back over time at a rate lower than their annual energy savings. This eliminates the up-front cost to homeowners while allowing them to realize annual energy savings.

**Babylon, NY:** The Town of Babylon's Long Island Green Homes program offers energy efficiency upgrades to residents at little or no out-of-pocket cost. A self-financing program, LIGH added carbon to its definition of solid waste, tapping solid waste collection funds deep home energy retrofit. For already efficient homes, LIGH may finance on-site renewable energy projects. All expenses are repaid by residents on a schedule that allows residents to take advantage of savings and repay retrofit costs. Repayment schedules are attached to the home in the event of change of owner. LINK: <http://ligreenhomes.com/page.php?Page=faq>

**Berkeley, CA:** The Berkeley FIRST program opens the door for city residents to make long-term investments in residential photovoltaics with little out up-front cost and guarantees that benefits of solar are realized by the homeowner. Projects are repaid through a property tax on individual program participants spread thinly over 20 years, ensuring that participants both pay for the system and see real benefits. The solar-electric system and the tax obligation remain with the property, allowing initial program participants to transfer their obligations to future homeowners. LINK: <http://www.ci.berkeley.ca.us/ContentDisplay.aspx?id=26580>

**Cambridge, MA:** A city-sponsored non-profit organization, the Cambridge Energy Alliance (CEA) is investing over \$100 million over the next five to six years to enable energy-efficiency

retrofits of half of all city buildings, and reduce electricity demand by 15% and annual GHG emissions by 150,000 tons (10% of city's total). Under the program, CEA participants (residents and businesses) will pay for efficiency and clean energy projects directly or through CEA–arranged financing for a term of up to ten years such that loan repayments are matched or exceeded by annual energy bill savings. No upfront costs will be required for such installations, and there will be no cost to Cambridge or state taxpayers. LINK : [www.cambridgeenergyalliance.org](http://www.cambridgeenergyalliance.org)

**Sonoma County, CA:** The Sonoma County Energy Independence Program gives commercial and residential property owners the opportunity to borrow funds to increase their property's energy efficiency including insulation, cool roofing, heating and air conditioning systems, waterless urinals, solar panels and energy efficient windows. The money is paid back as an assessment on the property, due at the same time as the property taxes. Five, ten, and twenty years terms are available at 7 % interest. LINK: <http://www.sonomacountyenergy.org/index.php>

**Milwaukee, WI:** The Milwaukee Energy Efficiency (Me2) program offers financing of home energy retrofits for building owners and occupants with immediate savings and no upfront costs. Using both public funds and private capital, Me2 offers longer-term repayment for retrofits through simple additions to municipal services or utility bills at less than the value of energy saved. Repayment schedules are attached to the home in the event of change of owner. LINK: [http://www.cows.org/collab\\_projects\\_detail.asp?id=54](http://www.cows.org/collab_projects_detail.asp?id=54)

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## Incentive Strategies

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One of the most effective strategies to encourage green building is through financial or structural incentives. Rewarding developers or homeowners who adopt green building techniques spurs innovation and demand for green building technologies.

### Structural Incentives

At low or no cost to the municipality, structural incentives encourage developers to build green by providing density bonuses or expedited permitting to make building green a more attractive option.

**Expedited Review/Permitting Processes:** Review and permitting processes vary widely in length from one jurisdiction in another, in some municipalities these processes can take up to 18 months. Reducing the duration of the review and permitting process, in exchange for committing to specific green building standards, can result in significant cost savings for the developer. This allows a municipality to offer a significant incentive with little or no financial investment, since it only requires a shift in permitting priority.

**San Francisco, CA:** Gives priority permit review for all new and renovated buildings that achieve a LEED Gold certification.

LINK: [http://www.sfgov.org/site/uploadedfiles/planning/projects\\_reports/db2006\\_02priorityprocessing%281%29.pdf](http://www.sfgov.org/site/uploadedfiles/planning/projects_reports/db2006_02priorityprocessing%281%29.pdf)

**Los Angeles, CA:** Expedites processing through all departments, if LEED Silver designation is met. LINK: <http://www.lacity.org/MAYOR/villaraigosaplan/EnergyandEnvironment/GreenBuilding/index.htm>

**Gainseville, FL:** The County is providing a fast-track building permit incentive and a 50% reduction in the cost of building permit fees for private contractors who use LEED.

LINK: <http://www.usgbc.org/ShowFile.aspx?DocumentID=1979>

**Density and Height Bonuses:** Many municipalities allow for percentage increases in Floor Area Ratio or other measures of density contingent upon certification or proof of green building practices. Also many municipalities with height restrictions allow for height bonuses, particularly for urban infill projects. This additional bonus in either density or height often allows a developer to devote more money towards green building practices due to the additional units allowed by the bonus.

**Cranford, NJ:** The ordinance established a Green Building Density Incentive program whereby redevelopers who achieve LEED certification and comply with the specific program requirements may earn a development density bonus from the Township.

LINK: <http://www.usgbc.org/Docs/News/News1952.pdf>

**Nashville, TN:** The Nashville Planning Commission approved a density bonus for applying LEED to construction projects in certain neighborhood districts. Various bonuses are awarded based on the district where the development is taking place and the level of LEED certification achieved. The details are found on pages 11 and 12 of the staff report.

LINK: <http://www.nashville.gov/mpc/pdfs/meetings/2007/022207s.pdf>

## Financial Incentives

Financial incentives, including tax credits/abatements and revolving loan funds, are a highly successful means of encouraging developers to follow green building practices. And, contrary to the concern of many local governments that financial incentives negatively impact a municipality's finances, the increased assessed property value that comes from building green frequently offsets any reduction in revenue.

**Tax Credits and Abatements:** Many municipalities already offer tax credits and abatements as a means of advancing specific policy agendas. Abatements work by exempting property owners from paying taxes for a period of time. Credits work by crediting specific tax liabilities back to owners of these properties. These same principles can be applied to homes or developments that achieve green building goals.

**Howard County, MD:** established a five-year property tax credit for projects that achieve LEED-NC and LEED-CS. The credit increases depending on the level of certification: 25% for LEED Silver, 50% for LEED Gold and 75% for LEED Platinum. County tax credits for buildings certified under LEED for Existing Buildings extend for three years: 10% for LEED Silver, 25% for LEED Gold and 50% for LEED Platinum. LINK: <http://www.howardcountymd.gov/CountyCouncil/CCdocs/CB49-2007.pdf>

**Cincinnati, OH:** Established an ordinance providing an automatic 100% real property tax exemption of the assessed property value for newly-constructed or rehabilitated commercial or residential properties that earn a minimum of LEED Certified. Buildings that earn LEED Certified, Silver or Gold can receive a real property tax abatement up to \$500,000, with no limit for LEED Platinum buildings. LINK: [http://city-egov.cincinnati-oh.gov/Webtop/ws/council/public/child/Blob/21605.pdf?rpp=-10&m=2&w=doc\\_no%3D%27200701240%27](http://city-egov.cincinnati-oh.gov/Webtop/ws/council/public/child/Blob/21605.pdf?rpp=-10&m=2&w=doc_no%3D%27200701240%27)

**Fee Reduction/Waiver:** Some municipalities that charge fees for permit review or other permitting processes have begun offering reductions or waivers for developers following green building standards. Many times this incentive can be paired with a structural incentive such as expedited permitting.

**Gainesville, FL:** In addition to an expedited permitting process, private contractors who use LEED can receive a 50% reduction in the cost of building permit fees.

LINK: <http://www.usgbc.org/ShowFile.aspx?DocumentID=1979>

**Mecklenburg County, NC:** Offers permit fee rebates to projects with proof of LEED certification. Rebates increase proportionate to the level of certification achieved: 10% reductions for LEED Certified, 15% for LEED Silver, 20% for LEED Gold and 25% for LEED Platinum.

LINK: <http://www.charmeck.org/Departments/LUESA/GreenPermitRebate/Home.htm>

**Grants:** Generally grant programs will require a financial investment by the city. These programs can often be funded by either taxes or fees, or by federal and state grants. Grants are then awarded to homeowners or developers to go towards certification or other costs associated with green building. Grant programs often require homeowners and developers to submit a proposal for the grant funding, or meet specific program goals.

**El Paso, TX:** Grants are awarded at increasing intervals determined on level of LEED certification. Maximum grant allowance is \$200,000 for LEED Platinum for new construction and \$400,000 for LEED Platinum for “multistory existing buildings” that are mixed use and that have been 50% vacant for 5 years, and as further defined by the City.

LINK: [http://www.ci.el-paso.tx.us/muni\\_clerk/agenda/09-11-07/09110714A.pdf](http://www.ci.el-paso.tx.us/muni_clerk/agenda/09-11-07/09110714A.pdf)

**King County, WA:** King County Council established a Green Building Grants Program that offers from \$15,000 to \$25,000 in grant funding to building owners who meet a minimum of LEED Silver for new construction or major renovation in the county, but outside the City of Seattle.

LINK: [http://www.cityofseattle.net/dpd/stellent/groups/pan/@pan/@sustainableblding/documents/web\\_informational/dpdp\\_018427.pdf](http://www.cityofseattle.net/dpd/stellent/groups/pan/@pan/@sustainableblding/documents/web_informational/dpdp_018427.pdf)

## Other Incentives

**Technical Assistance:** Many municipalities are also offering free planning or certification training and assistance, with access to a credentialed green building expert. This assistance may allow for a developer who is unfamiliar with green building practices to build green.

**Oakland, CA:** Promotes the use of green building strategies in private sector development by offering free technical assistance, green building guidelines and public promotion for qualified projects. LINK: [http://ordlink.com/cgi-bin/hilite.pl/codes/oakland/ DATA/TITLE15/Chapter\\_15\\_35\\_GREEN\\_BUILDING\\_R.html](http://ordlink.com/cgi-bin/hilite.pl/codes/oakland/ DATA/TITLE15/Chapter_15_35_GREEN_BUILDING_R.html)

**Pasadena, CA:** Pasadena, CA: In addition to financial assistance the High-Performance Building Program offers free technical assistance in examining new technologies, providing additional resources, and exploring additional financial incentives that may be available.

LINK: <http://www.ci.pasadena.ca.us/waterandpower/HPBP.pdf>

**Marketing Assistance:** One important aspect of certifying projects under a green building standard is being able to use this as a marketing tool. Some municipalities have begun to offer free marketing assistance via signage, awards, websites, press releases, and other means as an incentive for developers to build to green standards.

**Oakland, CA:** Promotes the use of green building strategies in private sector development by offering free technical assistance, green building guidelines and public promotion for qualified projects.

LINK: [http://ordlink.com/cgi-bin/hilite.pl/codes/oakland/ DATA/TITLE15/Chapter\\_15\\_35\\_GREEN\\_BUILDING\\_R.html](http://ordlink.com/cgi-bin/hilite.pl/codes/oakland/ DATA/TITLE15/Chapter_15_35_GREEN_BUILDING_R.html)

**San Diego, CA:** The City will sponsor a recognition program for innovative Green Building projects implemented in the public as well as private sector in an effort to encourage and recognize outstanding environmental protection and energy conservation projects.

LINK: [http://docs.sandiego.gov/councilpolicies/cpd\\_900-14.pdf](http://docs.sandiego.gov/councilpolicies/cpd_900-14.pdf)

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## Taxes and Fees

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These revenue generating strategies allow a municipality to raise funds that can then be appropriated towards green building and other sustainability initiatives. Also, these can act as deterrents, discouraging unwanted behaviors such as excessive waste generation.

### Fees

Fees are often easier to implement and legislate than taxes since they can be charged for a wide variety of services and unlike many forms of taxes, revenue from most fee programs are stable from year to year. Many municipalities charge fees for specific services such as sewer conveyance or connecting to the sewer/stormwater system and then use the fees charged to improve their systems.

**Stormwater Utility Fee:** There are a few variations on the stormwater utility fee, but most involve charging property owners a fee for their stormwater runoff based upon their total impervious surface area, separate from their sewer utility fees. Property owners can reduce this fee by incorporating effective stormwater management practices on their property. Funds generated by these fees go towards more effective municipal stormwater management facilities or practices.

**Minneapolis, MN:** The city offers fee reductions on stormwater connection for effective stormwater management practices. LINK: <http://www.ci.minneapolis.mn.us/stormwater/fee/>

**Griffin, GA:** The city used stormwater utility fees to develop their own stormwater utility department. The City offers fee reductions for quantifiable reductions in runoff, for stormwater education programs, and other practices.

LINK: <http://stormwaterfinance.urbancenter.iupui.edu/PDFs/GriffinGeorgia.pdf>

**Kansas City, MO:** The city charges a fee based on the total impervious area of a property. They offer fee reductions for the ratio of impervious to pervious area on a property as well as the presence of stormwater detention facilities. LINK: <http://www.kcmo.org/water.nsf/web/billing?opendocument>

**Impact Fees:** Impact fees are assessed on the construction of new buildings, based on the projected environmental impacts of a construction project. Revenues from these fees are used to mitigate the project's environmental impacts.

**Collier County, FL:** The county charges impact fees for a variety of services including water and sewer impacts. LINK: <http://www.colliergov.net/index.aspx?page=1719>

## Taxes

Many municipalities use taxes on property, sales, occupancy and other items to generate funds that can then be appropriated for green building retrofits or other green building programs. Taxes are often dependent on assessed value or sales and thus revenue generated can fluctuate from year to year.

**Occupancy Taxes:** Dedicating a portion of the collected occupancy tax on hotels, motels etc. for a specific sustainability initiative.

**Dare County, NC :** 1% of the tax goes towards beach nourishment

LINK: <http://www.darenc.com/depts/taxes/collections/occp.htm>

**State of Delaware:** 1% of the tax goes towards the Beach Preservation Program

LINK: <http://delcode.delaware.gov/title30/c061/sc01/index.shtml>

**Trash Tax:** This is a tax on the amount of trash being generated, generally passed on by the trash haulers to the customers as a line item expense on their monthly bill.

**Boulder, CO:** Increasing the Trash Tax over a 2 year period allowed for increased revenues, used for energy efficiency and increased waste reduction programs.

LINK: [http://www.bouldercolorado.gov/index.php?option=com\\_content&task=view&id=1327&Itemid=450#Question4](http://www.bouldercolorado.gov/index.php?option=com_content&task=view&id=1327&Itemid=450#Question4)

**Carbon Tax:** This is based on fossil fuel or electricity consumption measured in tons of carbon or carbon equivalent emissions. These taxes are charged on either the front end, for carbon consumption, or the back end for carbon dioxide or equivalent emissions. Funds from these taxes can be used for any number of sustainability or other environmental initiatives.

**British Columbia:** A gradually phased in carbon tax on fossil fuels increasing each year to a final amount of \$30 per ton by 2012.

LINK: [http://www.bcbudget.gov.bc.ca/2008/backgrounders/backgrounder\\_carbon\\_tax.htm](http://www.bcbudget.gov.bc.ca/2008/backgrounders/backgrounder_carbon_tax.htm)

**Boulder, Co:** A municipal carbon tax program which is based on electricity consumption measured by the local utility. The funds are used for education, outreach, rebate and tax credit education and other programs.

LINK: [http://www.bouldercolorado.gov/files/Environmental%20Affairs/climate%20and%20energy/boulders\\_carbon\\_tax.pdf](http://www.bouldercolorado.gov/files/Environmental%20Affairs/climate%20and%20energy/boulders_carbon_tax.pdf)

**San Francisco, CA:** This tax is levied based on the carbon emission levels of local businesses at a rate of 4.4 cents per ton of carbon emissions. The funds raised would be used to study how to measure and reduce the bay area's emissions. Businesses are required to self monitor and report their own emissions as part of this plan.

LINK: <http://articles.latimes.com/2008/may/22/local/me-carbontax22>