2P3

Connecticut Fund for the Environment

Save the Sound®
A program of Connecticut Fund for the Environment

Testimony of Connecticut Fund for the Environment
Before the **Planning and Development Committee**

In support of **Raised Bill 1033**AN ACT ESTABLISHING A TAX CREDIT FOR GREEN BUILDINGS

Charles J. Rothenberger, Staff Attorney

March 6, 2009

Connecticut Fund for the Environment ("CFE") is a non-profit environmental organization with over 6,500 members statewide. For more than twenty-five years, CFE has used law, science and education protect and preserve Connecticut's natural resources.

General Comments

CFE *supports* Raised Bill 1033, which would provide tax credits to encourage the construction of transit-oriented energy efficient green buildings in the state of Connecticut.

The built environment has a profound impact on the natural world. In the U.S., buildings account for 37 percent of all energy use and consume 40 percent of raw material and 12 percent of fresh water supplies.[1] In addition to the consumption of energy and raw materials, concentration of air pollutants indoors can be up to five times greater than outdoor concentrations.[2]

[1] "Building Momentum: National Trends and Prospects for High-Performance Green Buildings" (Prepared for the U.S. Senate Committee on Environment and Public Works by the U.S. Green Building Council, February 2003). See also "Building Connecticut Leadership in Green Buildings and Clean Energy: A Report to Connecticut Innovations" Capital E, (April 2001).
[2] "Building Momentum: National Trends and Prospects for High-Performance Green Buildings" (Prepared for the U.S. Senate Committee on Environment and Public Works by the U.S. Green Building Council, February 2003). Some measurements have indicated indoor air pollution concentrations up to 100 times greater than outdoor levels.

High performance building standards for both the private and the public sector have been adopted in varying degrees by municipalities and states across the country. These include 21 states, more than 60 local governments, and 10 federal agencies.[3]

CFE is pleased to see that the legislature is going the final mile and complementing building standards for the public sector with incentives to promote green building standards for private construction.

Despite the growing adoption of green building standards by the public sector, the private sector still faces some barriers to wide-scale adoption of high performance building practices. Among the greatest barriers are the perceived cost of building green and, for speculative construction, "split incentives" between the builder and the owner/tenant. In addition, despite the economic benefits of green buildings, most private firms or public agencies do not recognize the full financial value of green buildings, including reduced energy and resource consumption and increased worker productivity.

While many buildings in the past decade have incorporated some green elements, a true commitment to building green requires a focused program that encourages comprehensive planning and design. Green buildings consider and integrate the environmental impacts of every aspect of planning, constructing and operating a building, including site impacts, building materials, energy and water consumption, stormwater management, renewable power, transportation, and indoor air quality. The Leadership in Energy and Environmental Design (LEED) program of the U.S. Green Building Council has been recognized as a model program for green building design. A project's certification level depends on the points earned by implementing various green strategies within several categories.

The Green Building Tax Credit is designed to encourage the construction industry to adopt green practices by providing tax credits to owners and tenants who invest in increased energy efficiency, recycled and recyclable materials and improved air quality. To qualify, the building must be certified to a minimum level equivalent to LEED gold, and use no more than 70% of the energy allowed under the Connecticut energy code for new construction or 80% of the energy allowed under the state code for renovations. Currently, Maryland, New York, Oregon and New Mexico offer green building tax credits at the state level, with other states considering such programs

Suggestions for Improved Language

Section 1 (a) (1). CFE would also recommend capping the amount available per square foot in the definition of "allowable costs." The purpose of thus limiting the tax credit is to avoid a situation where the tax credit is inflated as a result of the inclusion of high-end non-essential amenities, such as marble foyers, etc. I suggest adding the following language to qualify the definition of "allowable costs":

"For the purpose of determining the amount of tax credits due, "allowable costs" shall not exceed $250 per square foot for new construction, or $150 in the case of renovation or rehabilitation of a building."

[3] For a full list of the various initiatives, see "LEED Initiatives in Governments and Schools," U.S. Green Building Council (October 2006).

Section 1 (c) (1). It is clear that the intent of this section is to require buildings that are eligible for the tax credits to meet more stringent energy efficiency standards than required by the state building code. However, as currently written, this language is a bit confusing and could be read as allowing buildings to actually meet less stringent standards than the base minimum energy requirements. Accordingly, we would recommend changing the language in this section to read:

"(c) (1) To be eligible for a tax credit under this section any project shall: (A) Not require a sewer extension of more than one-eighth of a mile, (B) [not have energy use exceeding the energy use permitted by the state energy code by (i) seventy percent for new construction, or (ii) eighty percent for renovation of a building] <u>not have energy costs that exceed (i) seventy percent of the energy use permitted by the state energy code for new construction, or (ii) eighty percent of the energy use permitted by the state energy in the case of a renovation or rehabilitation of a building</u>, (C) use equipment and appliances that meet Energy Star standards, if applicable, including, but not limited to, refrigerators, dishwashers and washing machines."

Additionally, we suggest that the tax credit is a good vehicle to create additional market demand for low-VOC construction materials. Accordingly, we suggest adding the following additional language at the end of this section:

<u>"(D) use low VOC products in all interior applications where such products are commercially available, per standards established by LEED for (1) adhesives & sealants, (2) paints & coatings and (3) carpets."</u>

Section 1 (e) (2). With respect to section 1 (e) (2), CFE would hope that the transferability of the tax credits would provide a pathway for non-profits and tax-exempt organizations to realize the benefit of the green building incentives. It seems unclear whether the current language would in fact provide for this possibility. To ensure that tax-exempt non-profit organizations are also encouraged to build green, CFE suggests adding the following language, which we believe is much clearer in establishing the ability of non-profit organizations to realize the benefit of the green building incentives:

"<u>Tax credits are fully assignable and transferable. A project owner, including but not limited to a non-profit or institutional project organization, may transfer its tax credit eligibility to a pass-through partner in return for a lump-sum cash payment."</u>

<u>Conclusion</u>

As Connecticut attempts to address rising energy costs, preserve open space and stem sprawl, and improve the overall quality of life for its citizens, high performance transit-oriented development provides a sound solution. CFE, therefore, urges the committee to vote in favor of Raised Bill 1033 to encourage green building practices within the state of Connecticut.