Testimony before the Planning & Development Committee
On SB 1033, An Act Establishing a Tax Credit for Green Buildings
Given by Sara C. Bronin
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I am testifying today in favor of the green building tax credit proposed by Senate Bill 1033. By way of brief background, I am an associate professor of law at the University of Connecticut School of Law, and my primary areas of teaching and research are land use, property, and real estate law. Last year, a similar bill came before this committee, and I testified in favor of that bill as well. I was disappointed that it passed the House but died at the last minute on the Senate floor. I hope that this year, we can move this bill forward in an expeditious manner, to give hope to those projects which are currently in the pipeline and desire to include or retain green building features.

I am sure you are asking why anyone should support a tax credit bill in the current economic crisis. There are at least four reasons why I think that passing this bill is essential, not just in spite of, but <u>especially because of</u> current economic conditions.

First, many scholars have documented the correlation between tax policy and economic behavior. We use our tax system, for example, to provide incentives for charitable giving or for investments in home ownership. Similarly, tax credits have proven to be a significant stimulant to private development activity. A recent study conducted to document the impact of the historic preservation tax credits awarded by our neighbor, Rhode Island, indicates that every dollar of state tax credits leverages $5.47 in total economic output. The same study indicates that the state quickly recoups the money invested in tax credits from construction taxes, property taxes, post-construction sales, and income taxes. The tax credit proposed by Senate Bill 1033, which would have <u>no impact on the state budget for at least three years</u>, would stimulate construction activity in an otherwise dismal economic climate.

Second, as a policy matter, government should aid developers who are willing to go forward with pioneering but costly green projects, despite the significant downturn in construction activity. I know firsthand how difficult it is to construct a LEED-certified project in Connecticut, as I serve as the attorney for the state's largest residential green building project currently under construction, 360 State Street in New Haven. The developer I work with has spent hundreds of thousands of dollars in architecture fees, engineering fees, and legal fees and has waited for years for certain regulatory approvals—just to ensure LEED compliance. (I do not include in that figure the price of materials and the costs of construction required by LEED compliance, which runs into the millions.) In this climate, this investment is remarkable, but at the same time, it has contributed to a funding gap in the project which has been exacerbated by changing economic conditions. The green building tax credit proposed by Senate Bill 1033 would aid green building projects like 360 State Street to retain their green features, which may be in peril without assistance.

Third, is the simple reason that, in the states' race to the top, Connecticut is far behind and without changing our economic incentives, we will lose key investments. Over the last few months, we have seen many of the state's developers and construction managers either abandon green building components, or stop construction altogether. Individuals and firms who do have the capital to build in this climate are likely to do so in states with the most attractive financial incentives. They will choose states like New York or Maryland, which have robust green building tax credit programs; they will not choose Connecticut. To maintain our state's competitiveness, we need to ensure that we are using every tool in our economic development toolbox, including tax credits.

Fourth, I should reiterate as a general matter the pressing need to change the way we build in this country and emphasize that in this economic climate, we risk of losing sight of this priority. Scientists have documented how conventional construction techniques harm the environment and our health. Construction uses sixty percent of non-food, non-fuel raw materials each year and is the largest single source of solid waste in this country. Worldwide, buildings consume one-sixth of the world's freshwater withdrawals, forty percent of the world's material and energy flows, and fifty-five percent of wood cut for non-fuel uses. They also generate up to forty percent of the nation's carbon dioxide emissions (greenhouse gases). The negative impact of conventional construction is real, but it is reversible if we set out the right policies; the danger related to these current economic conditions is that we will fail to do so.

Last week, I happened to attend a sustainability conference at the University of Colorado School of Law, with participants representing academia, law, policy, and the design professions. Everyone expressed concern about the impact of current economic conditions on the recent trend toward building green, and pledged to take action. I hope that you, too, feel obliged to take action. Your positive vote on Senate Bill 1033 will have a positive effect on not just green building construction, but also the economy as a whole—without any immediate impact on the state budget.