



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

September 12, 2022

MEMORANDUM

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: Alex Hirtle
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-090-2022 Green Building Permit Incentives

CB-090-2022 (proposed by: Council Members Franklin, Hawkins, Medlock, Streeter, and Taveras)

Assigned to Planning, Housing, and Economic Development Committee (PHED)

A BILL CONCERNING GREEN BUILDING PERMIT INCENTIVES for the purpose of providing permit fee reductions for Leadership in Energy and Environmental Design (LEED)-Platinum and Zero Energy certified building construction and renovations and the installation of solar panels under certain circumstances.

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures likely.

Revenues: Modest decrease in revenues likely, dependent on use of the incentives.

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Indirect Impact:

Potentially positive.

Legislative Summary:

CB-090-2022, sponsored by Council Members Franklin, Hawkins, Medlock, Streeter, and Taveras was presented on September 6, 2022, and referred to the Planning, Housing, and Economic Development Committee. The Bill provides for permit fee reductions for LEED-Platinum and certified Zero Energy commercial and residential buildings. The reduction is set at 50% of the standard building permit fee and includes new construction and renovations. The permit fees for installation of solar panels would be reduced by 50% if installed by a County-based small business, County-based minority business enterprise, or Locally-owned and Operated Business (a County-based business that is also a County-resident owned business), as defined under Subtitle 10A of the County Code.

The Director of the Department of Permitting, Inspections, and Enforcement (DPIE) would enforce the Act. Enforcement would include the project owner to require proof of certification of a project with a LEED-Platinum or Zero Energy requirements. Should the project not meet the LEED-Platinum or Zero Energy certification requirements as set forth in the Act within eighteen full months after issuance of the Certificate of Occupancy, the County will require a permit fee reduction refund from the permitted project owner.

Current Law/Background:

A previous Council saw a Bill similar to this legislation in 2016 (CB-076-2016). The contents of that legislation was more specific to the level of LEED certification (Silver, Gold, Platinum, etc.), and provided permit fee reductions in a graduated manner. The Bill was ultimately held in Committee.

Past Councils have passed legislation with permit fee exemptions for new or renovation projects. They include CB-101-2004, which exempts all Board of Education projects from permit fees. Additionally, CB-041-2014 provides for an exemption of fee permits for new buildings constructed by certain non-profit organizations that provide healthcare and medical services.

Resource Personnel:

Brendon Laster, Chief of Staff, At-Large Council Member Franklin

Discussion/Policy Analysis:

LEED Fee Reductions

The first section (Section 1) is specific to fee reductions for permits of new construction and renovation that meet the LEED-Platinum certification or certified Zero Energy building. The legislation sets a high bar for the fee reductions, given LEED-Platinum and Zero Energy buildings are some of the most stringent certifications for building, and consequentially, have higher costs for construction and renovation. It is estimated that LEED construction can add 10-30% to the cost of a house, and there are additional costs for the certification process.¹

For Zero Energy buildings, the construction costs added can be up to 8%, and the design factors, location, energy-savings appliance selection, and the certification process can all add additional costs to completion of the new construction or renovation of the building.²

Even given recoveries in lower energy costs and an eventual payback point of 10 or more years (sometimes several decades³), as well as the 50% reduction in building permit fees which may amount to thousands of dollars according to the DPIE Fee Schedule⁴, there may be a consideration of adding a graduated scale to the legislation to include reduced building permit fees for certified buildings of levels such as LEED Silver or Gold. Considering that less than 6% of buildings that are LEED certified are of the Platinum level (worldwide),⁵ and even in Washington DC, a neighboring jurisdiction that tends to attract high-end developers with plenty of up-front capital, the percentage is less than 9%.⁶ The Council may want to look at a prototype legislation like CB-76-2016⁷ to provide more equitable incentives for Green Building promotion.

Enforcement/Recovery

The enforcement part of the legislation, which applies to only the building permit fee reductions, does not provide a clear process of how DPIE, the designated enforcement agency, would “require a refund of the permit fee reduction from the permitted project”. Will the County require an amount to be placed in escrow? Will there be a bond to post by the developer? Will a Use of Occupancy permit sunset if the certification is not made within 18 months of issuance? There should be an understanding of how this recovery will be made to ensure that the County is not

¹ <https://www.kyinbridges.com/how-much-does-leed-add-to-construction-budget/>

² <https://www.attainablehome.com/how-much-does-building-a-net-zero-home-cost/>

³ IBID

⁴ <https://www.princegeorgescountymd.gov/DocumentCenter/View/23559/DPIE-Fee-Schedule-PDF?bidId=>

⁵ <https://caddetailsblog.com/post/how-many-buildings-in-the-world-have-become-leeds-platinum-certified#:~:text=Out%20of%20the%20estimated%206%2C633,that%20achieved%20a%20LEED%20certification.>

⁶ <https://www.usgbc.org/projects?State=%5B%22District+of+Columbia%22%5D&Certification=%5B%22Gold%22%2C%22Silver%22%2C%22Certified%22%5D>

⁷ <https://princegeorgescountymd.legistar.com/LegislationDetail.aspx?ID=2838990&GUID=4F28DA7C-6A45-4C5C-85A5-BE4AE0AEE3E0&Options=&Search=>

providing fee reductions that later cannot be refunded due to a lack of an enforceable follow-up process.

Solar Panel Fee Reductions

Section 2 provides for a 50% reduction of permit fees for installation of solar panels, the requirement being that the installment be by a County-based small business, County-based minority business enterprise, or Locally-owned and Operated Business. The legislation is to incentivize and support the noted types of local businesses and promote economic development within the County. Here to note, though, that the installation fee for solar panels, in general, is \$110 for either rooftop or ground-based devices,⁸ so such a reduction would be only \$55. It is unknown whether a consumer, given the wide choice of solar installers in the DC Metropolitan region, would choose a \$55 savings over another company that may install panels at a notably less price, or have a better reputation in their quality of work. Ultimately, market forces will work out the success of this part of the legislation, but this section can be seen as an active piece to incentivize more entrepreneurs and local start-ups within the alternative energy field.

Fiscal Impact:

- *Direct Impact*

Enactment of CB-090-2022 will have a modest adverse fiscal impact on the County through providing fee reductions for certain certified building permits, and certain solar panel installations, which will decrease overall permit revenues. Given LEED-Platinum building certification is below 10%, even in capital-intensive jurisdictions like Washington DC, it can be expected that the fiscal impact would be modest for the County. Additionally, as the fee for solar panel installation is currently set at \$110 per permit, even an unusually high number of installations performed by the definitions used for County businesses that would receive a 50% fee discount would have a modest direct fiscal impact.

- *Indirect Impact*

Enactment of CB-090-2022 could have a positive indirect impact by increasing the health and quality of life for residents, through reduced energy use and emissions, and increase indoor air quality through the use of more sustainable and higher quality products to finish the indoor spaces of the LEED-Platinum buildings. In addition, providing demand to utilize more local companies in solar panel installation could spur economic development within the County.

- *Appropriated in the Current Fiscal Year Budget*

No.

⁸ <https://www.princegeorgescountymd.gov/DocumentCenter/View/23559/DPIE-Fee-Schedule-PDF?bidId=>

Effective Date of Proposed Legislation:

This Act shall take effect 45 calendar days after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please reach out to me via phone or email.