

Green Building Incentives in Maryland, Virginia and the District of Columbia

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October 2009

The reduction of greenhouse gas emissions to mitigate climate change is becoming a paramount policy concern at the local, state and federal levels. Stakeholders, including lenders, insurers, tenants, customers and employees, are coming to expect or even demand that companies operate sustainably. New regulations addressing climate change compel companies to examine their energy supplies and energy efficiency, while the current economic recession highlights cost reductions in all areas, including energy use.

In this context, green building, meaning construction and operation that minimizes environmental impact and is resource-efficient, may present attractive opportunities to your organization. Green building measures can include retrofitting or retro-commissioning your property to improve energy efficiency, as well as installing equipment to produce renewable energy on site.

Of course, there are many challenges. A common problem is securing adequate private financing. To reduce the "first costs" associated with green building measures, many government agencies and regulated utilities offer incentives. New incentive programs are being introduced monthly, and already include tax-exempt bonds, grants, rebates and loan guarantees, Renewable Energy Credits (RECs), and tax credits and deductions.

Incentive programs vary considerably by location. Goulston & Storrs closely monitors the available incentives in several U.S. regions, as well as at the federal level. Attached is a listing of green building incentives in Maryland, Virginia and the District of Columbia. For information about federal green building incentives please visit our website, www.goulstonstorrs.com.

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Overview of State and Local Green Building Incentives
Maryland, Virginia and the District of Columbia

By Goulston & Storrs

States, local governments and utility companies offer various financial incentives to promote “green building,” including the use of on-site renewable energy and improved energy efficiency. These incentives typically come in the form of rebates and grants, tax deductions and credits, loans, and preferential zoning. The following charts summarize the major incentives available in Maryland, Virginia, and the District of Columbia.

State and Local Green Building Incentives – Maryland		
Solar	Property Tax	Solar energy equipment that is installed to generate electricity or to provide hot water for use in a structure is exempted from real property taxes. Prince George’s County provides a property tax credit on residential structures equipped with eligible solar energy systems, equal to as much as 50% of the cost of the system with two-year carry-forward period.
	Income Tax	An individual or corporation may take an income tax credit of 0.85 cents per kilowatt-hour (kWh) of electricity generated by an eligible solar energy system and sold to third parties, for a potential maximum incentive of \$2.5 million over the course of five years.
	Sales Tax	Solar energy equipment that heats, cools, powers, or provides hot water for use in a structure is exempted from the state sales and use tax.
	Grants	The Maryland Energy Administration’s (MEA) Solar Energy Grant Program provides grants up to \$2,000 to install solar water-heating systems and up to \$20,000 to install photovoltaic systems.
Wind	Income Tax	An individual or corporation may take an income tax credit of 0.85 cents per kWh of electricity generated by an eligible wind energy system and sold to third parties, for a potential maximum incentive of \$2.5 million over the course of five years.
	Grants	MEA’s Windswept Grant Program provides grants for the installation of small scale wind energy systems of at least 1 kW for residential properties and 1.5 kW for non-residential properties. The maximum amount of a grant is \$10,000.
Hydro	Income Tax	An individual or corporation may take an income tax credit of 0.85 cents per kilowatt-hour of electricity generated by an eligible hydropower or small irrigation power system and sold to third parties, for a potential maximum incentive of \$2.5 million over the course of five years.
Geothermal	Income Tax	An individual or corporation may take an income tax credit of 0.85 cents per kWh of electricity generated by an eligible geothermal energy system and sold to third parties, for a potential maximum incentive of \$2.5 million over the course of five years.
	Property Tax	Prince George’s County provides a property tax credit on residential structures equipped with eligible geothermal energy systems, equal to as much as 50% of the cost of the system with two-year carry-forward period.
	Sales Tax	Geothermal equipment that heats and cools a structure is exempted from the state sales and use tax.
	Grants	MEA’s Geothermal Heat Pump Grant Program provides grants up to \$500 per ton of cooling capacity. The grants are capped at \$3,000 for residential geothermal heat pump systems and \$10,000 for non-residential geothermal heat pump systems.

Biomass, Biofuel	Income Tax	An individual or corporation may take an income tax credit of 0.85 cents per kWh of electricity generated by an eligible biomass facility (but 0.50 cents per kilowatt-hour if biomass is co-fired), for a potential maximum incentive of \$2.5 million over the course of five years. An individual or corporation may take an income tax credit of up to \$500 per year (nonrefundable and no carryover) for purchases of biodiesel used for space or water heating.
	Loans	The Jane E. Lawton Conservation Loan Program (JELLP) provides loans to eligible nonprofits (including hospitals and private schools), local governments (including public school systems and community colleges) and businesses, for various energy conservation projects. The loans have a payback period of seven years or less and individually-negotiated interest rates that are guaranteed to be below the market rate. The current average interest rate is around 3%.
Energy Efficiency	Utility Rebates	Several utilities offer rebates to their customers for a variety of energy efficiency measures in existing buildings and new construction projects.
	Income Tax	An individual or corporation may take an income tax credit for non-residential and residential multifamily buildings of at least 20,000 square feet that are constructed or rehabilitated to meet criteria set forth by the U.S. Green Building Council (USGBC) or other similar criteria. The MEA is currently no longer accepting applications for the tax credit. Interested taxpayers may register via the program website to find out when new, post-2009 credits will be issued.
Green Building Generally	Property Tax	Property tax credits are available in several Maryland counties for a variety of energy efficiency improvements to commercial and residential buildings. For example, Montgomery County provides property tax credits on new or extensively modified multi-family residential and commercial buildings that achieve at least a Silver rating according to the USGBC's Leadership in Energy and Environmental Design (LEED) standards, or meet other comparable green building guidelines or standards approved by the state.
State and Local Green Building Incentives – Virginia		
Solar	Property Tax	Up to 100% of the value added by a solar energy equipment to real property is exempted from local property taxes. The law is a local option exemption, meaning that local governments may decide whether to allow it.
	Production and Installation Incentives	Through the Green Power Switch program, the Tennessee Valley Authority (TVA) and participating power companies offer a production incentive in the amount of 12.0 cents per kWh of electricity generated by customer-owned photovoltaic systems <i>above</i> the retail rate of electricity plus any fuel cost adjustments. All new participants will qualify for an additional \$1,000 incentive to help offset start-up costs. Currently, Bristol Virginia Utilities is the only power company participating in Virginia. Under the Virginia Residential and Commercial Solar and Wind Incentive Program, up to \$15 million will be provided in first-come, first-served rebates to partially reimburse the costs of residential, commercial and nonprofit renewable energy systems installed on or after June 26, 2009.
Wind	Production Incentive	Through the Green Power Switch program, TVA and participating power companies offer a production incentive in the amount of 3.0 cents per kilowatt-hour of electricity generated by customer-owned wind power systems <i>above</i> the retail rate of electricity plus any fuel cost adjustments. All new participants will qualify for an additional \$1,000 incentive to help offset start-up costs. Currently, Bristol Virginia Utilities is the only power company participating in Virginia. Under the Virginia Residential and Commercial Solar and Wind Incentive Program, up to \$15 million will be provided in first-come, first-served rebates to partially reimburse the costs of residential, commercial and nonprofit renewable energy systems installed on or after June 26, 2009.
	Production Incentive	Through the Green Power Switch program, TVA and participating power companies offer a production incentive in the amount of 3.0 cents per kilowatt-hour of electricity generated by customer-owned low-impact hydropower systems <i>above</i> the retail rate of electricity plus any fuel cost adjustments. All new participants will qualify for an additional \$1,000 incentive to help offset start-up costs. Currently, Bristol Virginia Utilities is the only power company participating in Virginia.
Hydro	Production Incentive	Through the Green Power Switch program, TVA and participating power companies offer a production incentive in the amount of 3.0 cents per kilowatt-hour of electricity generated by customer-owned low-impact hydropower systems <i>above</i> the retail rate of electricity plus any fuel cost adjustments. All new participants will qualify for an additional \$1,000 incentive to help offset start-up costs. Currently, Bristol Virginia Utilities is the only power company participating in Virginia.

Biomass, Biofuel	Income Tax; Grants	Through the Green Power Switch program, TVA and participating power companies offer a production incentive in the amount of 3.0 cents per kilowatt-hour of electricity generated by customer-owned biomass systems <i>above</i> the retail rate of electricity plus any fuel cost adjustments. All new participants will qualify for an additional \$1,000 incentive to help offset start-up costs. Currently, Bristol Virginia Utilities is the only power company participating in Virginia. Under the 2009-2010 Biomass Energy Grant Program announced on October 6, 2009, up to \$10 million in grants are available to install, demonstrate, or commercialize qualifying biomass or waste-to-energy technologies and applications in commercial, industrial, or institutional facilities
	Property Tax	Up to 100% of the value added by recycling equipment, defined as equipment that is integral to the recycling process and for use primarily for the purpose of abating or preventing pollution of the atmosphere or waters, is exempted from local property taxes. The law is a local option exemption, meaning that local governments may decide whether to allow it.
Energy Efficiency	Loans; Rebates	The Energy Leasing Program of Virginia provides loans to finance energy efficiency projects in state agencies costing at least \$100,000. The property to be financed must be used for an essential governmental purpose. Under the Virginia Energy Efficiency Rebate Program, commercial customers that have performed a qualifying energy audit will be eligible for up to \$4,250 each for purchases of qualifying energy efficiency equipment, including some HVAC systems.
Green Building Generally	Property Tax	Virginia provides a local option property tax rate reduction for an energy-efficient building, defined as any building that either (1) exceeds the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by 30 percent, or (2) meets or exceeds performance standards of the following: USGBC's LEED Green Building Rating System, the Green Building Initiative's Green Globes Green Building Rating System, the EarthCraft House Program, or the United States Environmental Protection Agency's Energy Star program.
	Zoning/ Permitting	Arlington County provides bonus density in exchange for LEED certification.
State and Local Green Building Incentives – District of Columbia		
Solar	Rebates	The Renewable Energy Incentive Program of the District Department of the Environment (DDOE) offers rebates to eligible applicants to assist in the installation of solar photovoltaic renewable energy systems. The rebates come in the following amounts: (1) \$3 for each of the first 3,000 installed watts or watt-equivalents of capacity, (2) \$2 for each of the next 7,000 installed watts or watt-equivalents of capacity, and (3) \$1 for each of the next 10,000 installed watts or watt-equivalents of capacity. Rebates for all systems are capped at a maximum of \$33,000 for each applicant site per program year. The program is oversubscribed for the 2009 Fiscal Year. Funding for Fiscal Year 2010 became available after October 1, 2009. DDOE's Renewable Energy Incentive Program plans to offer similar rebates for solar thermal renewable energy systems. The details of these rebates and application form are forthcoming.
Wind	Rebates	DDOE's Renewable Energy Incentive Program offers rebates to eligible applicants to assist in the installation of wind turbine renewable energy systems. The rebates come in the following amounts: (1) \$3 for each of the first 3,000 installed watts or watt-equivalents of capacity, (2) \$2 for each of the next 7,000 installed watts or watt-equivalents of capacity, and (3) \$1 for each of the next 10,000 installed watts or watt-equivalents of capacity. Rebates for all systems are capped at a maximum of \$33,000 for each applicant site per program year. The program is oversubscribed for the 2009 Fiscal Year. Funding for Fiscal Year 2010 became available after October 1, 2009.
Geothermal	Rebates	DDOE's Renewable Energy Incentive Program plans to offer tiered, capacity-based rebates for geothermal renewable energy systems. The details of these rebates and application form are forthcoming.

Biomass, Biofuel	Rebates	DDOE's Renewable Energy Incentive Program plans to offer tiered, capacity-based rebates for biomass and methane gas/waste-recapture renewable energy systems. The details of these rebates and application form are forthcoming
Energy Efficiency	Utility Rebates	Pepco offers its commercial, industrial, government, and public/private institutional electric customers rebates for a variety of energy efficiency measures at project sites located in its District of Columbia service territory.
Green Building Generally	Grants	D.C.'s Green Building Act of 2006 requires all publicly funded (and eventually all privately funded) new building construction to meet various LEED requirements. The Act also provides incentives in the form of grants for early compliance. For example, from October 1, 2009, to December 31, 2011, any applicant for a building construction permit for a commercial private building that will meet or exceed the verification requirements of the LEED-NC 2.2, LEED-CI 2.0 or LEED-CS 2.0 standards at the certification level is eligible for grants. Grant amounts are not set by the Act. The grants are to be paid out of a "Green Building Fund" and are subject to availability of funds.
	Permitting	LEED-certified projects are eligible for accelerated permitting under the Green Building Expedited Construction Documents Review Program.

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