

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 512 (Delegates Beidle and Vitale)
Environmental Matters

High Performance Homes - Rebate Program

This bill requires the Department of Housing and Community Development (DHCD) to establish a program that provides a rebate of between \$3,000 and \$6,000 to a homebuyer at closing for the purchase of a new residential structure that meets or exceeds the current version of either the International Code Council's 700 National Green Building Standard Bronze rating, or the U.S. Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) for Homes Rating System Silver rating.

Fiscal Summary

State Effect: General fund expenditures increase, potentially significantly, beginning in FY 2012 to provide rebates and potentially for DHCD to hire additional staff to implement the program. Revenues are not affected.

Local Effect: None.

Small Business Effect: Potential meaningful beneficial impact on small business housing developers and contractors and other firms engaged in the production of green construction materials.

Analysis

Current Law: State law does not specifically address comprehensive green building standards with respect to residential structures.

Background: Developed by USGBC, LEED is an internationally recognized green building certification system, providing third-party verification that a building or

community was designed and built using strategies aimed at improving energy savings, water efficiency, carbon dioxide emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts. According to USGBC, 35,000 projects are currently participating in the LEED system, comprising over 4.5 billion square feet of construction space in all 50 states and 91 countries. In Maryland, there are 40 LEED Certified Buildings and 520 LEED Registered Projects. LEED for Homes was launched in November 2007 in several target markets, including Maryland. Similar to other LEED programs, there are four levels of certification: Certified, Silver, Gold, and Platinum. Currently, there are 10 homes in Maryland certified under the LEED for Homes program; 9 of these are rated at the Silver level or above.

Maryland's High Performance Buildings Act (Chapter 124 of 2008) requires that most new or renovated State buildings and new school buildings meet or exceed either the USGBC's Council's LEED criteria for a Silver rating or a comparable rating according to a nationally recognized, accepted, and appropriate standard approved by the Department of Budget and Management and the Department of General Services. Chapters 527 and 528 of 2010 further required that community college capital projects that receive State funds comply with the State's High Performance Building Act (*i.e.*, achieve at least a LEED Silver rating). Chapters 527 and 528 allow community colleges to receive a waiver from this requirement under the Act's existing procedures.

Chapters 115 and 116 of 2007 codified the Maryland Green Building Council, which had been established by executive order but had been dormant for several years. In December 2007, the council issued its first report with a list of recommendations that were subsequently codified in the High Performance Buildings Act. Chapters 224 and 225 of 2009 required the Maryland Green Building Council to evaluate high performance building technologies, list the types of buildings that the technology should not be applied to, and report to the Governor on recommendations for the most cost-effective technology and how to expand green building in the State.

Maryland has also adopted several energy efficiency and conservation related building code standards deemed important to reducing greenhouse gas emissions and lowering energy costs. Chapter 294 of 2009 required DHCD to adopt the International Energy Conservation Code (IECC) and to consider changes to the International Building Code (IBC) to enhance energy conservation and efficiency. The IECC residential building code is compliant with the federal Energy Conservation and Production Act, and has been adopted in the majority of states. DHCD may adopt energy conservation requirements that are more stringent, but not less stringent, than in the IECC.

The International Code Council was established in 1994 as a nonprofit organization dedicated to developing a single set of comprehensive and coordinated national model

construction codes. The IBC has been adopted by all 50 states as well as thousands of local jurisdictions. According to the International Code Council, the 700 National Green Building Standard defines green building for single and multifamily homes, residential remodeling projects, and site development projects while still allowing for the flexibility required for regionally appropriate best green practices. For residential buildings, there are four threshold levels – Bronze, Silver, Gold, and Emerald. To comply with the standard, a builder or remodeler must incorporate a minimum number of features in the following areas: lot and site development; energy, water, and resource efficiency; indoor environmental quality; and homeowner education. Nationwide there were over 2,000 homes certified under the International Code Council’s 700 National Green Building Standard as of February 2011.

State Expenditures: General fund expenditures increase by an indeterminate, but potentially significant, amount annually beginning in fiscal 2012 to provide rebates under the bill. A reliable estimate cannot be made at this time due to the uncertainty regarding the number of homes that will qualify for a rebate under the bill, as well as the average rebate that will be provided to each homebuyer. For example, DHCD assumes that about 200 homes may qualify for a rebate in fiscal 2012, with a 1% increase in the number of qualifying homes each year. Under these assumptions, if the maximum rebate (\$6,000) is granted to each qualifying homebuyer, general fund expenditures increase by about \$900,000 in fiscal 2012, which reflects the bill’s October 1, 2011 effective date, and by at least \$1.2 million annually thereafter; if a \$3,000 rebate is provided, general fund expenditures increase by \$450,000 in fiscal 2012 and \$600,000 annually thereafter.

However, Legislative Services advises that the increase in general fund expenditures may be significantly less, based on the limited data available regarding the number of homes currently being constructed under the standards specified in the bill for homes that will qualify for the rebate. For example, according to the LEED for Homes program, only 10 certified homes have been constructed in Maryland through February 2011; 2 in 2008, 3 in 2009, and 5 in 2010. Assuming the number of homes meeting the LEED standards increases at a similar rate in the future, fewer than 200 such homes will be likely built, cumulatively, over the next five years. And while state specific data are not available at this time as to the number of homes meeting the International Code Council’s 700 National Green Building Standard, even fewer homes have been built nationwide under this standard as compared with the LEED for Homes standards. *For illustrative purposes*, if 14 rebates are provided in fiscal 2012, general fund expenditures increase by an estimated \$42,000 (assuming \$3,000 rebates) or \$84,000 (assuming \$6,000 rebates).

DHCD advises that to the extent the number of homebuyers qualifying for a rebate under the bill meets or exceeds its assumption of 200 annually, it needs one additional full-time housing inspector and a part-time accountant to implement the rebate program at a cost of

about \$81,700 in fiscal 2012 and more than \$111,000 annually thereafter. Legislative Services advises, however, that DHCD can likely implement the bill's rebate program with existing resources, assuming that the number of homes qualifying for a rebate under the program is significantly less than DHCD currently projects. To the extent existing resources prove insufficient, additional staff may be requested through the annual budget process.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Housing and Community Development, U.S. Green Building Council, Maryland Green Building Council, International Code Council, National Association of Home Builders, Department of Legislative Services

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