

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 31-21

Property Tax Credits – Energy Conservation Devices and Energy Efficient Buildings – Amendments

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 31-21 would have an insignificant impact on economic conditions in the County. However, OLO notes that enacting the Bill would likely improve the implementation of the Energy and Environmental Design-Property Tax Credit program and add clarity for property owners and managers who take advantage of the program.

BACKGROUND

On December 5, 2017, the Council adopted a resolution calling on the County to reduce greenhouse gas emissions by 80% by 2027 and reach 100% elimination by 2035.¹ Consistent with the County’s greenhouse emissions goals, the Council enacted the Energy-Efficient Buildings Property Tax Credit Law in September 2020. The law established a new program called the “Energy and Environmental Design-Property Tax Credit,” which offers property tax credits for commercial and residential buildings to incentivize energy efficiency improvements in existing buildings and to exceed the current building code requirements in newly constructed buildings.²

If enacted, Expedited Bill 31-21 would make minor amendments to the Energy and Environmental Design-Property Tax Credit program. The amendments include:

- clarifying the program’s sunset provisions for LEED buildings;
- specifying new definitions for energy conservation devices and building code requirements;
- adjusting the acceptable application time periods to better align with realistic construction timelines; and
- correcting minor oversights in the original legislation.³

¹ Montgomery County Council, Resolution 18-974, Emergency Climate Mobilization, Adopted December 5, 2017, <https://www.montgomerycountymd.gov/green/Resources/Files/climate/Montgomery-County-Climate-Action-Resolution.pdf>.

² For more details, see <https://www3.montgomerycountymd.gov/311/Solutions.aspx?SolutionId=1-2FSHRH>.

³ Montgomery County Council, Expedited Bill 31-21, Property Tax Credits – Energy Conservation Devices and Energy Efficient Buildings – Amendments, Introduced July 20, 2021. See Bill in Introduction Staff Report, https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=2723_1_16613_Bill_31-21E_Introduction_20210720.pdf.

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METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

In the economic impact statement for Bill 10-20, OLO concluded that establishing the Energy and Environmental Design-Property Tax Credit would benefit commercial and residential property owners who take advantage of the tax credit and have an overall net positive impact on economic conditions in the County.⁴ Because the amendments in Expedited Bill 31-21 do not change the program's intent or design, OLO does not anticipate that enacting the Bill would result in significant impacts on economic conditions in the County.

However, based on the sources included in the Bill's Introduction Staff Report and consultation with the Department of Environmental Protection, OLO anticipates that enacting the amendments previously described would likely improve the implementation of the Energy and Environmental Design-Property Tax Credit program and add clarity for the property owners and managers who take advantage of the program. The claims made in subsequent sections are based on this assumption.

VARIABLES

The primary variable that would affect the economic impacts of enacting Expedited Bill 31-21 is the following:

- Implementation of the Energy and Environmental Design-Property Tax Credit program.

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

As previously stated, OLO anticipates that enacting Expedited Bill 31-21 would improve the implementation of the Energy and Environmental Design-Property Tax Credit program and add clarity for the property owners and managers who take advantage of the program. If these outcomes occur, it is possible that property owners and managers may experience a minor reduction in operating costs associated with participating in the program. Other than this potential impact, OLO does not believe enacting Expedited Bill 31-21 would have significant impacts on the Council's other priority indicators.⁵

Residents

OLO anticipates enacting Expedited Bill 31-21 would have an insignificant impact on County residents in terms of several of the Council's priority indicators.

⁴ Office of Legislative Oversight, Economic Impact Statement: Bill 10-20, Property Tax Credit – Energy and Environmental Design – Eligibility Criteria and Amounts of Credit. See statement in the Action Staff Report for Bill 10-20, https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=2649_1_10917_Bill_10-20_Action_20200929.pdf.

⁵ Montgomery County Code, Sec. 2-81B, Economic Impact Statements, https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-80894.

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DISCUSSION ITEMS

Not applicable

WORKS CITED

Montgomery County Code. Sec. 2-81B. Economic Impact Statements.

Montgomery County Council. Expedited Bill 31-21, Property Tax Credits – Energy Conservation Devices and Energy Efficient Buildings – Amendments. Introduced July 20, 2021.

Montgomery County Council. Resolution 18-974, Emergency Climate Mobilization. Adopted December 5, 2017.

Office of Legislative Oversight. Economic Impact Statement: Bill 10-20, Property Tax Credit – Energy and Environmental Design – Eligibility Criteria and Amounts of Credit.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.