

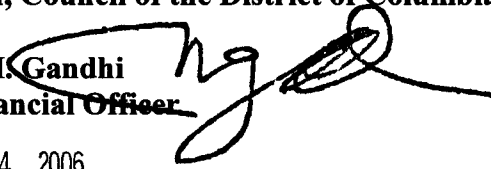
GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: NOV 14 2006

SUBJECT: Fiscal Impact Statement: "District of Columbia Green Building Act of 2006"

REFERENCE: Bill Number 16-515 as Introduced

Conclusion

Funds are sufficient in the FY 2007 budget and the proposed FY 2007 through 2010 budget and financial plan to implement the provisions of the proposed legislation. However, the proposed legislation would require reprogramming within the Capital Improvements Plan (CIP) to accommodate the higher cost of building "green" for projects currently identified to begin construction in FY 2008 through 2012 (2007 projects would be unaffected by the proposed legislation).

Background

The proposed legislation amends the Construction Codes Approval and Amendments Act of 1986 to require newly constructed buildings in the District to meet "green" standards and certifications, most commonly the LEED standard developed by the US Green Building Council. The requirement is phased in beginning in FY 2008 on new construction buildings that the District will own (including schools), in FY 2009 for any building where District is financing more than 20 percent of project costs, and on privately owned buildings over 50,000 square feet in FY 2010 through FY 2012.

The proposed amendment creates a Green Building Fee beginning in FY 2007 that is added to all building construction permit fees to support the government functions of inspecting and monitoring the requirements of the act. The amendment also creates a Green Building Advisory Council (GBAC), which oversees compliance with the regulations of the amendment, updates the building standards from time to time, and generally promotes "green" building. Funding for the operations of the GBAC comes from the Green Building Fund.

Costs of Green Building

There are two cost categories that make building to "green" standards more expensive: construction and certification. Estimates on the premium to construct a LEED certified building range from 2 to 4 percent. The certification process for the LEED system costs up to \$30,000 per project.

While studies indicate that the benefits associated with "green" buildings resulting from lower energy use over the life of the building outweigh the cost, those benefits do not occur in the same budget year as construction and certification, and they occur in the operating budget.

The cost premium of building "green" also affects District instrumentalities such as the Anacostia Waterfront Corporation and the National Capital Revitalization Corporation. While increased costs to their projects may not affect the District budget directly, these instrumentalities of the District, which subsidize projects through direct funds or land dispositions, might find that their capacity to fund economic development diminishes with increased costs.

The LEED standard was developed as a voluntary standard for builders who sought acknowledgement of their green building construction. Some of the standards could be perceived as subjective and unrelated to building codes, environmental efficiency, or health and safety concerns. We could not identify other municipalities that require LEED certification for private development.

Finally, there are green building standards other than LEED, the most widely used and accepted standard in the United States, which have lower costs of certification. Green Globes is a standard that certifies "green" building but carries a lower compliance cost of approximately \$5,000. Energy Star, a program of the US Environmental Protection Agency, certifies commercial buildings at no cost.

Impact on Capital Improvements Plan

For capital projects that would be subject to the "green" building requirements in FY 2008 through 2012 (2007 projects would be unaffected by this amendment), the increased cost associated with building "green" is estimated to be as high as \$15 million; this translates to approximately \$3 million per year for the duration of the Capital Improvements Plan. This estimate assumes a 4 percent cost premium of building to "green" standards for all such construction projects included in the CIP, although some studies suggest that premium could be 2 percent or lower. Over time, the District could experience significant savings in energy costs; this estimate does not include those savings in operating costs. In addition, the cost of certification is not estimated as it varies by project and would have minimal impact given the scope of increased construction costs.

Budget authority for projects within the Capital Improvements Plan (CIP) would need to be reprogrammed to reflect the higher cost of building "green". This budget authority would have to come either from ongoing projects, which would reduce the amount of work that could be done on those projects, or from other new projects beginning in or after FY 2008, which could delay the start of those projects. In the FY 2007-FY 2012 capital budget, both FY 2008 and FY 2009 are fully budgeted—that is, new budget allotments completely exhaust the resources available each year. Therefore, an increase in the costs of some projects could mean scope reductions or delays in the start of other projects.

Financial Plan Impact

Funds are sufficient in the FY 2007 budget and the proposed FY 2007 through FY 2010 budget and financial plan to implement the provisions of the proposed legislation. However, the proposed legislation would require reprogramming within the Capital Improvements Plan (CIP) to accommodate the higher cost of building "green" for projects currently identified to begin construction in FY 2008 through 2012 (2007 projects would be unaffected by this amendment).