

Good to know: Green building incentive strategies

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One of the most effective and more popular strategies to encourage green building is to incentivize the market through financial or structural incentives. Rewarding developers or homeowners who practice green building techniques spurs innovation and demand for green building technologies.

Structural Incentives

These incentives work by encouraging developers to practice green building through rewards such as additional density bonuses or expedited permitting processes. At low or no cost to the municipality, building green can be made a more attractive option to developers.

Expedited Review/Permitting Processes: Review and permitting processes vary widely in length from one jurisdiction to another, in some municipalities these processes can take up to 18 months. Allowing developer to significantly reduce the duration of this process, in exchange for committing to specific green building standards, can result in significant cost savings for the developer. This allows a municipality to offer a significant incentive with little or no financial investment, since it only requires a shift in permitting priority.

Density and Height Bonuses: Like expedited permitting processes, density bonuses require little or no financial investment by the municipality. Many municipalities allow for percentage increases in Floor Area Ratio or other measures of density contingent upon certification or proof of green building practices.

Financial Incentives

Financial incentives are direct incentives in the form of tax credits or grants to developers who propose or build green buildings. However, many of these programs do not directly impact a municipality's finances since the proposed developments will often increase the assessed property value in the city and which allows the city to offer financial incentives without any threat of reduced revenues.

Tax Credits: Many municipalities already offer tax credits as a means of advancing specific policy agendas. These same principles can be applied to homes or developments that achieve certain green building goals.

Fee Reduction/Waiver: Some municipalities that charge fees for permit review or other permitting processes have begun offering reductions or waivers for developers following green building standards. Many times this incentive can be paired with a structural incentive such as expedited permitting.

Grants: Unlike the other incentive programs discussed above grants will require a financial investment by the city. These programs can often be funded by one of the revenue generating strategies discussed earlier. Grants can be given to homeowners or developers to go towards certification or other costs associated with green building.

Revolving Loan Funds: Typically these programs work by allocating a large fund to be used for low interest loans to those seeking to build or renovate to green building standards. These loans are then repaid to the fund at a rate lower than the operational cost savings from the improvements in order to lower the up-front costs associated with some green building practices and encourage home owners and developers to build green. The fund is continuously replenished by the repayments so that it can be used for additional loans.

Other Incentives

Technical Assistance: Many municipalities are also offering free planning or certification training and assistance. This assistance may allow for a developer who is unfamiliar with green building practices to build green.

Marketing Assistance: One important aspect of certifying projects under LEED is being able to use this as a marketing tool. Some municipalities have begun to offer free marketing assistance via signage, awards, websites, press releases, and other means as an incentive for developers to build to green standards.