

**City of Golden Sustainability Initiative
2007-2008 Incentive Program Recommendation**

Purpose: To support and help increase awareness of City Council’s Sustainability Initiative, while supporting the specific job creation goals assigned to EDComm.

Background: City Council is beginning to formulate its sustainability initiative. It is expected that this initiative will be developed over time, and that it will have a broad scope. As a part of that scope, there will likely be a variety of resource efficiency, alternative energy, and conservation programs recommended for both businesses and residential property owners. In order to kick off the local initiative and target one specific strategy that is receiving interest from both residents and businesses, an incentive program for installation of photo-voltaic systems during 2007 and 2008 is recommended. It is recommended that Council consider continuing the program in future years, perhaps with a different sustainability focus. .

2007 Proposal: EDComm has debated the merits of both across the board modest fee waiver incentives, and more targeted direct assistance. For this two year program, EDComm proposes a combination of both as follows:

- Residential. Waiver of 100% of building permit use tax for permits issued installation of photo-voltaic systems on attached or detached single household dwelling structures. Pursuant to Section 18.60.020(1), this program would qualify as not being an incentive if formally approved by City Council resolution. Accordingly, individual contracts and posting the sign mandated by the Charter Amendment would not be necessary. Given that the valuation of such systems ranges from about \$5,000 to \$20,000, the typical fee waiver would range from \$75 to \$300.
- Non-residential. Waiver of 100% of building permit use tax, and a specific rebate per kW capacity on commercial, industrial, and multi-family projects on a first come, first served basis until the budgeted funds are used each year. Based upon the two commercial applications submitted for permit in late 2006, the incentive would work as follows:

	Example 1	Example 2
PV Capacity	10.2 kW	3.4 kW
Permit Valuation*	\$41,000	\$10,000
Use Tax	\$ 615	\$ 75
\$500 per kW incentive	\$5,100	\$ 1,700
Total Incentive	\$5,717	\$ 1,775

* It appears that individuals are listing the value after the Xcel rebate as the permit value for the project.

This type of an incentive would be open on a first come first served basis, and should be treated as an incentive under the code, with specific agreements. Although most applications would fall within the above range, the incentive program should be capped at \$10,000 per project in order to most benefit smaller businesses and commercial property owners. The incentive would be paid in two parts – the use tax fee waiver at permit, and the cash incentive after completion of installation.

Legal and Policy Issues: As EDComm developed this recommendation, and in Council's decision there are a few policy issues to consider:

- Incentives may be granted by the City for any specific public purpose, such as retention of a specific businesses, type of business, or all businesses; attraction of a specific business, type of business, or in general, or for other community goals. The decision to grant incentives is purely discretionary on the part of the City. Given the priority given to sustainability, it appears that this recommended program is a logical use of budgeted funds, that will further Council's initiative.
- The residential program if enacted would clearly meet the exception as a "program" under the code, and therefore not require individual contracts and sign posting (unless Council chooses to require that step).
- The non-residential recommendation could be construed as a "program" however, staff does not recommend that direction based upon the spirit of the code and City Charter. The requirement of individual contracts, and the payment of an incentive rather than just a fee waiver necessitate treating it as a standard incentive.
- Based upon Section 18.60.030(2), the City Manager can not under his authority grant the type of incentive proposed for non-residential applications, since the value of the incentive would exceed the increase in direct revenue received from the property during the period of the incentive. Section 18.60.040 requires Council action for this type of incentive.

Budget Impact: The adopted budget for 2007 shows a total of \$50,000 for new incentives this year. The budget for 2008 includes \$75,000 for this line item. Apart from a possible final payment to Med1Online under the 2006 agreement, all of these funds are available for this project. The initial recommendation is that the residential program be open to any applicable project, and that the non-residential program be available up to a total program cost of \$35,000 - \$40,000 in 2007 and \$60,000 in 2008. In this manner, the project would not exceed the current budget. If they turned out to be that popular, City Council could decide whether to appropriate additional funds to the two programs.