

BUT HOW TO PAY FOR IT ALL?

SERIES ON SUSTAINABILITY 6 of 6

ARE THERE FINANCIAL INCENTIVES TO HELP MEET MY SUSTAINABILITY GOALS?

DOES SUSTAINABLE DESIGN COST MORE?

Sustainable designs usually offer long term benefits but come with a higher initial cost. Once an owner is willing to pursue a sustainable design, they often discover they either can't afford it, or that their business model doesn't embrace a long-term return on investment. To encourage progress, governmental agencies step in with incentives to make the jump into sustainable design easier for building owners. We in the design community should possess a basic understanding of financial incentives available to help our clients navigate this unfamiliar territory.

The incentives come in a variety of forms, including tax credits, tax deductions, increased depreciation rates, grants and rebates, reduced regulation, and others. Usually, the word "tax" or "government" would cause most people to shudder and try to avoid any related conversations. As trusted advisors we can lead our clients to these opportunities.

Incentives vary based on client type (tax exempt status?), building type (residential, commercial), building location (state, local or utility incentives) and type of design implemented (PV, solar hot water, high efficiency lighting, etc.). Before going into a client meeting where this topic may be discussed, it's important to research what incentives may be in play. Places to begin your research include dsireusa.org, the serving utility, and local government.



CREDITS, DEDUCTIONS AND REBATES: THE BASICS

- **TAX CREDITS** subtract directly from what you owe the IRS as you complete your tax return. They're better than tax deductions because they're applied dollar for dollar to your tax debt for the year, and some of them can even result in cash back or be carried forward to subsequent years.
- Unlike tax credits, **DEDUCTIONS** reduce your taxable income. That's certainly a good thing, but it's not as nice as a dollar-for-dollar reduction of your tax bill.
- Another common form of incentive is a **REBATE**. Usually once the installation is confirmed, a payment or refund is made as a reward.



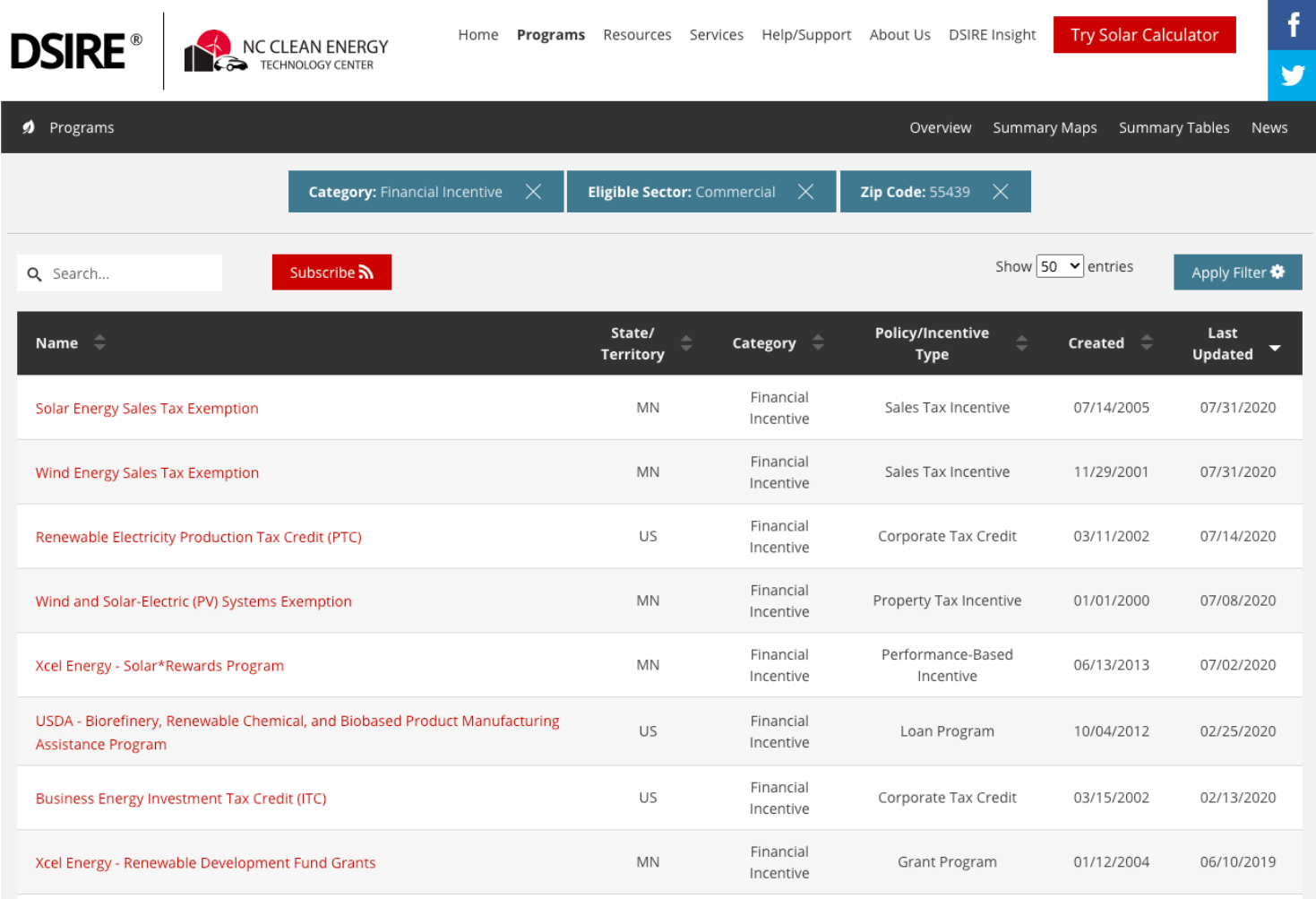
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WHAT FINANCIAL INCENTIVES EXIST FOR MY PROJECT?

On the *dsireusa.org* site, using project location and type can help to quickly identify incentive opportunities. Each incentive contains a link to more information, arming you with the necessary information to provide your clients. This exercise should be performed on every job so opportunities can be shared with the client.

WHAT IS DSIRE?

DSIRE is the most comprehensive source of information on incentives and policies that support renewable energy and energy efficiency in the United States. Established in 1995, DSIRE is operated by the N.C. Clean Energy Technology Center at N.C. State University. Their work is partially funded by the U.S. Department of Energy.



The screenshot shows the DSIRE website interface. At the top, there are navigation links: Home, Programs, Resources, Services, Help/Support, About Us, DSIRE Insight, and a red button for 'Try Solar Calculator'. Social media icons for Facebook and Twitter are also present. Below the navigation is a dark header with 'Programs' and sub-links: Overview, Summary Maps, Summary Tables, and News. A filter bar shows 'Category: Financial Incentive', 'Eligible Sector: Commercial', and 'Zip Code: 55439'. A search bar contains 'Search...', a 'Subscribe' button, and a 'Show 50 entries' dropdown. An 'Apply Filter' button is on the right. The main content is a table of incentives.

Name	State/Territory	Category	Policy/Incentive Type	Created	Last Updated
Solar Energy Sales Tax Exemption	MN	Financial Incentive	Sales Tax Incentive	07/14/2005	07/31/2020
Wind Energy Sales Tax Exemption	MN	Financial Incentive	Sales Tax Incentive	11/29/2001	07/31/2020
Renewable Electricity Production Tax Credit (PTC)	US	Financial Incentive	Corporate Tax Credit	03/11/2002	07/14/2020
Wind and Solar-Electric (PV) Systems Exemption	MN	Financial Incentive	Property Tax Incentive	01/01/2000	07/08/2020
Xcel Energy - Solar*Rewards Program	MN	Financial Incentive	Performance-Based Incentive	06/13/2013	07/02/2020
USDA - Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program	US	Financial Incentive	Loan Program	10/04/2012	02/25/2020
Business Energy Investment Tax Credit (ITC)	US	Financial Incentive	Corporate Tax Credit	03/15/2002	02/13/2020
Xcel Energy - Renewable Development Fund Grants	MN	Financial Incentive	Grant Program	01/12/2004	06/10/2019



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FOR EXAMPLE: COMMON INCENTIVES FOR A COMMERCIAL OFFICE BUILDING IN THE MINNEAPOLIS AREA (as of December 2020) INCLUDE...

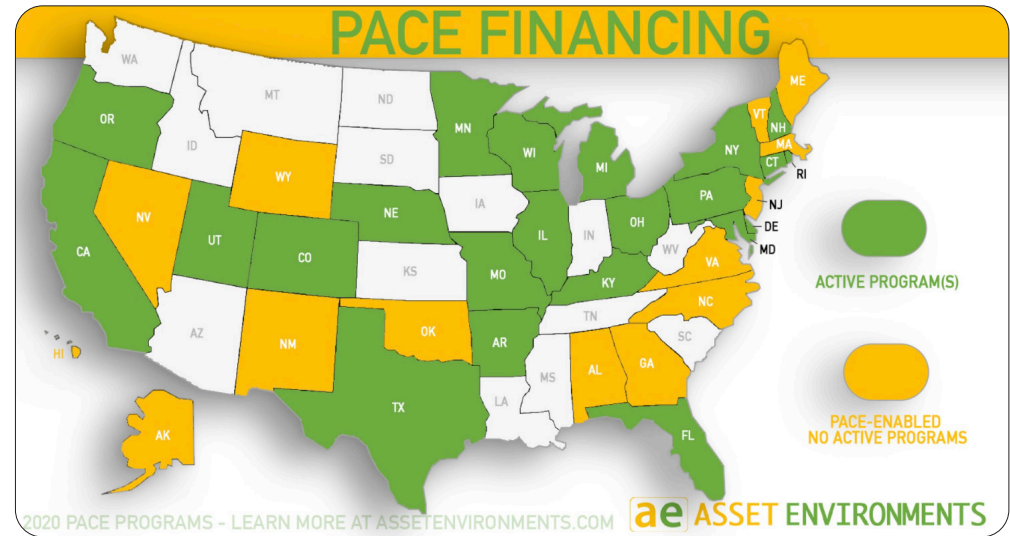
- **179D Energy Efficient Commercial Buildings** – Tax deduction up to \$1.80 per square foot. This deduction is available to owners of new or existing buildings who install (1) interior lighting; (2) building envelope, or (3) heating, cooling, ventilation, or hot water systems that reduce the building's total energy and power cost by 50% or more in comparison to a building meeting minimum requirements set by ASHRAE 90. 1-2007. Partial compliance (along with reduced benefit) can be achieved through an energy model.
 - + If the owner is a tax-free entity, the tax deduction can transfer to the design team. If this is the case, coordinate early with the team, as each stakeholder will be looking to partake in the savings.
- **Xcel Energy Solar Rewards Program** - \$.06 per kWh produced over 10 years for a system with capacity between .5 & 40kW.
 - + Most utilities offer incentives for renewable energies. They are typically offered in exchange for the RECs (renewable energy certificates) that become available with installation of renewable energy production. The REC is documentation to certify that the energy produced or consumed was renewable. Utilities need RECs to demonstrate compliance with government regulation – for example California law requires 33% of energy generation in 2020 come from renewable sources. Non-utility end users want RECs as a personal choice or to demonstrate to their constituents that they are environmentally minded.
- **Xcel Energy – EDA (Energy Design Assistance) Program.** Working with Willdan (Xcel's rebate verification consultant) teams create design bundles of varying cost and performance characteristics and help building owners chose a suitable path. This program is free to clients, and a portion of the design team effort is also paid by Xcel.



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- **PACE financing** (Property Assessed Clean Energy Financing) may be another great way to finance energy efficiency or renewable energy upgrades. Examples of energy efficiency and renewable energy upgrades range from adding more attic insulation to installing rooftop solar panels for residential projects and chillers, boilers, LED lighting and roofing for commercial projects. In areas with PACE legislation in place, governments offer a specific bond to investors or in the case of the open-market model, private lenders provide financing to the building owners to put towards an energy retrofit. PACE financing is available in Minnesota for new construction as well, and can provide substantial extra financing for projects.



GOING THE EXTRA MILE...

Fact: our out-of-the-box designs are environmentally responsible and high-performing. With financial incentives, opportunities exist to help our clients further minimize their impact on the environment. Most of the time, they are simply unaware of the opportunities. We, as trusted advisors, are the perfect candidates to expose them to higher performing solutions, and the financial incentives to help them get there.



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